



Carbon Border Adjustment Mechanism (CBAM)

Siderweb webinar

21 September 2023

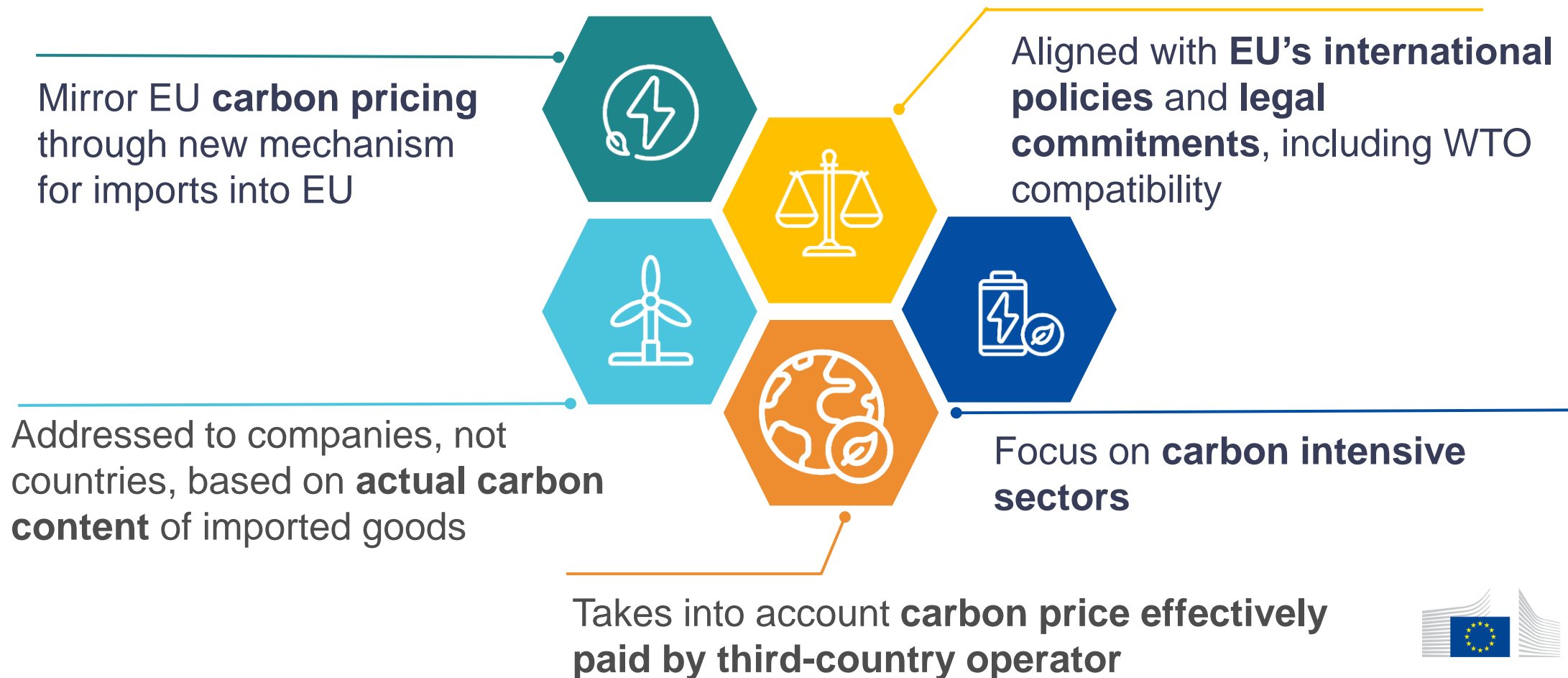
Outline

1. **Carbon Border Adjustment Mechanism – main features**
2. The Implementing Regulation for the transitional period

CBAM as a climate measure

- EU aims to become climate-neutral by 2050, enshrined in EU law
- 2030 climate target of -55% greenhouse gas (GHG) emissions compared to 1990
- ETS is the core EU instrument to reduce greenhouse gas (GHG) emissions in industry, power and intra-EU aviation
- Increased ETS reduction target for 2030 of -62% compared to 2005
- Increased ambition results in increased risk of carbon leakage
- Free allocation as a measure to address the risk of carbon leakage will become less effective
- Hence a new mechanism, the CBAM

Key elements of the CBAM design



Sectors

- ❑ In the **first stage**:



CEMENT



IRON & STEEL



ALUMINIUM



FERTILISER



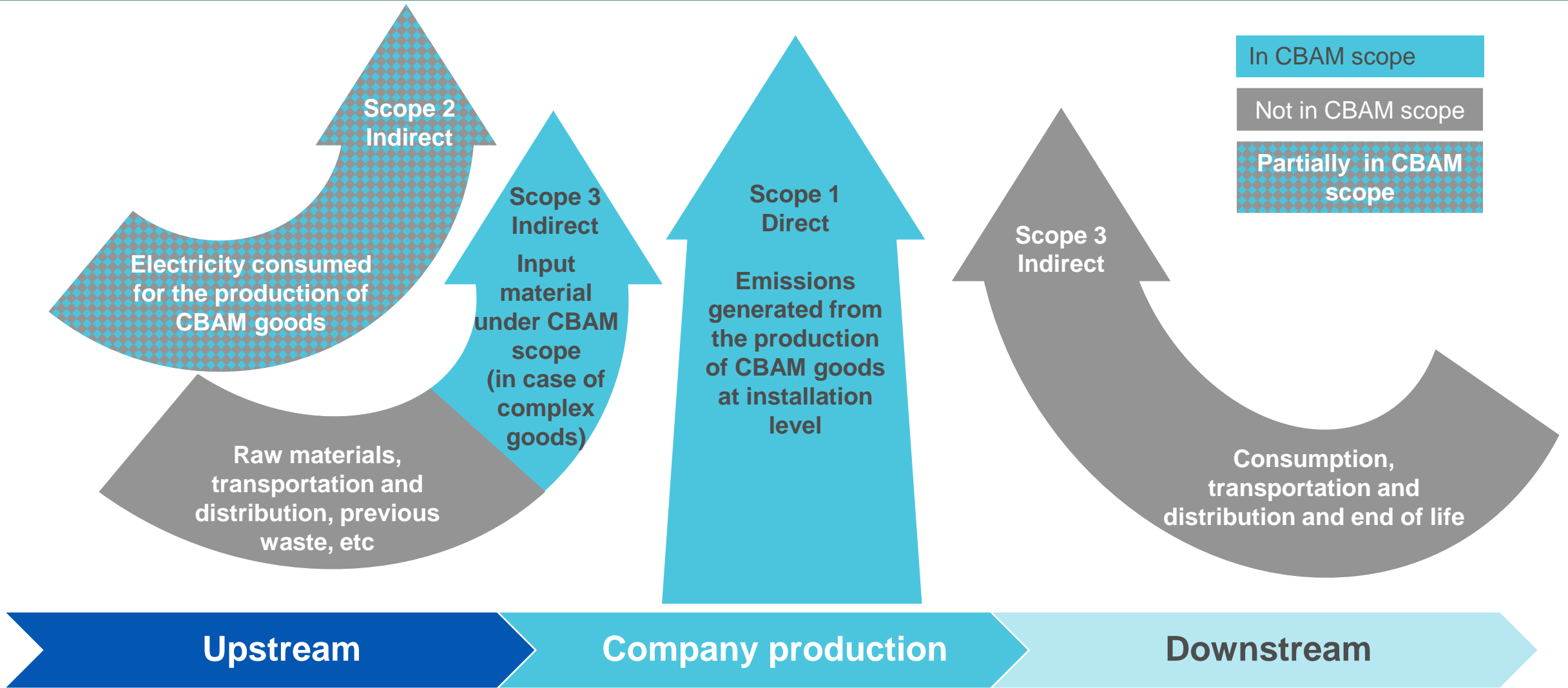
ELECTRICITY



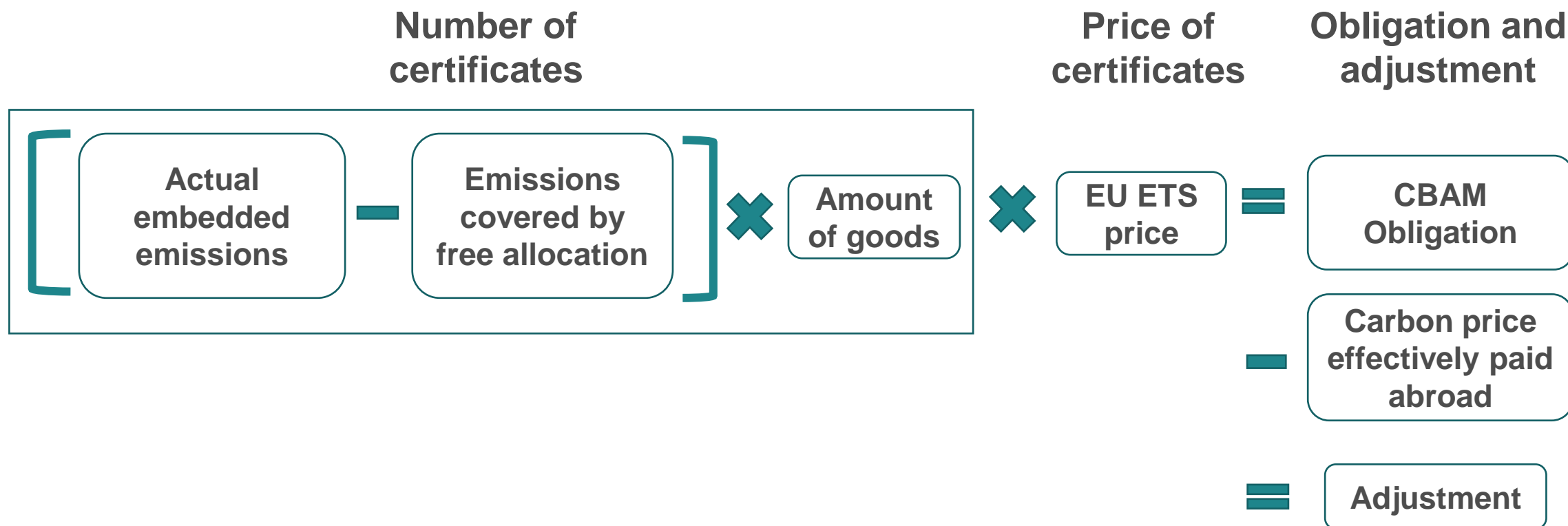
HYDROGEN

- ❑ Includes some precursors and downstream products
- ❑ Selected on the basis of 3 criteria:
 - ✓ *High risk of carbon leakage (high emission intensity; high level of trade)*
 - ✓ *Covering a high share of GHG emissions of ETS sectors (and 54% of free allowances in 2021)*
 - ✓ *Practical feasibility*
- ❑ In a **second stage**, may be extended to other ETS sectors

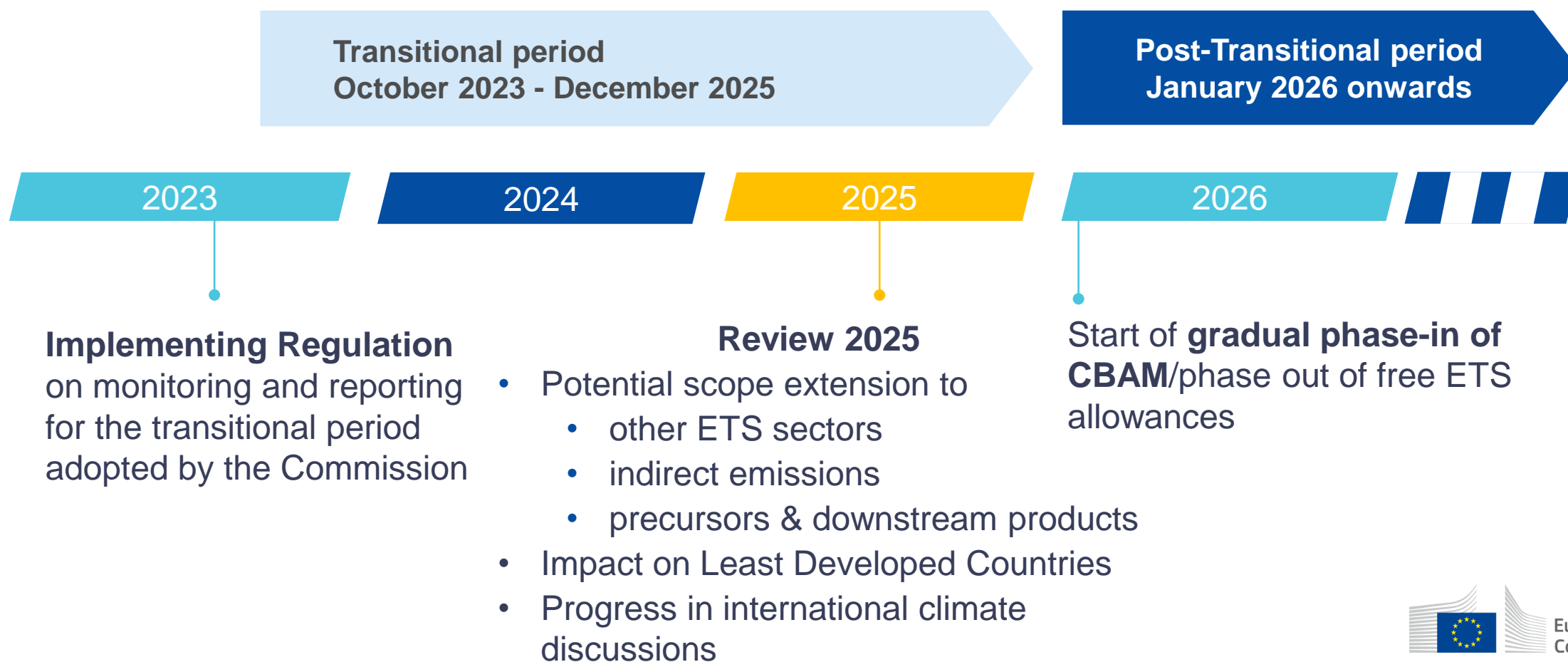
Emissions under CBAM scope



Calculation of the adjustment



Gradual implementation of CBAM



Outline

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Principles for the transitional period and the Implementing Regulation

- The transitional period is a **learning phase** for all:
 - Understanding the respective roles and tasks
 - Collecting information
 - Facilitating a smooth roll-out of the mechanism from 2026 onwards
- The information collected will:
 - allow **defining the monitoring and reporting requirements for 2026 onwards** (e.g. to find synergies with existing monitoring schemes)
 - **feed into the review of the mechanism by 2025**
- **Reporting flexibilities strike the balance** between a smooth introduction and the information needs

Overview of the Implementing Regulation

The Implementing Regulation for the transitional period lays out:

- Reporting obligations
- Assessment and correction of reports
- Methods to determine embedded emissions
- Penalties
- CBAM Transitional Registry

Reporting: Who? How? When?

Who is responsible for the reporting?

- Reporting declarant
- **No authorisation** needed yet

How can a report be submitted?

- **Gain access to the CBAM transitional registry**
- Fill out **mandatory fields**
- Submit the report **no later than 1 month after the quarter**

Is there flexibility for the submission?

- Modification **until 2 months after the reporting quarter**
- For the first two CBAM reports, modification **until end of July 2024**
- Possibility to request reopening to MS to resubmit or correct a report

Reporting: What?

Role of third-country operators of installations?

- **Monitor and collect data** on embedded emissions
- **Communicate** data to reporting declarants
- Is verification needed? **Not yet!**

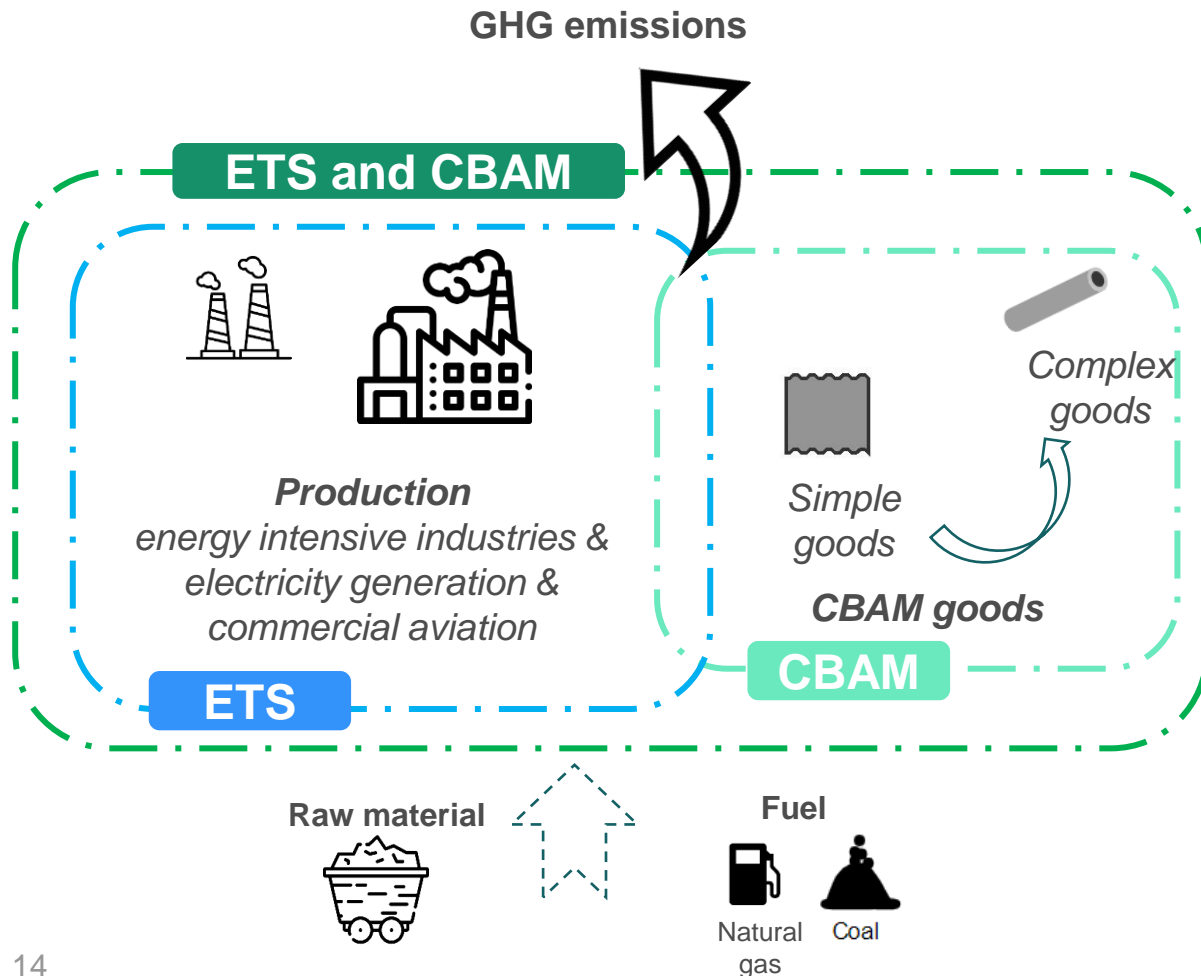
What information needs to be reported?

- **Goods:** quantity / type identified by CN code (8-DIGIT) / country of origin
- **Installation:** company name / address / location / geo coordinates
- **Production:** routes / parameters
- **Emissions:** specific direct and indirect embedded emissions and contextual information
- **Carbon price** due in the country of origin (also for precursors) and contextual information

Is there flexibility for the reporting?

- Until 31 December 2024: other methods with similar coverage and accuracy
- Until 31 July 2024: any other referenced method including default values
- No time limit: estimate up to 20% of the total embedded emissions of complex goods

Embedded emissions: from installations to goods



Step 1: Split installation into production processes

Step 2: Identify relevant parameters and methods, then carry out monitoring

Step 3: Attribute emissions to production processes

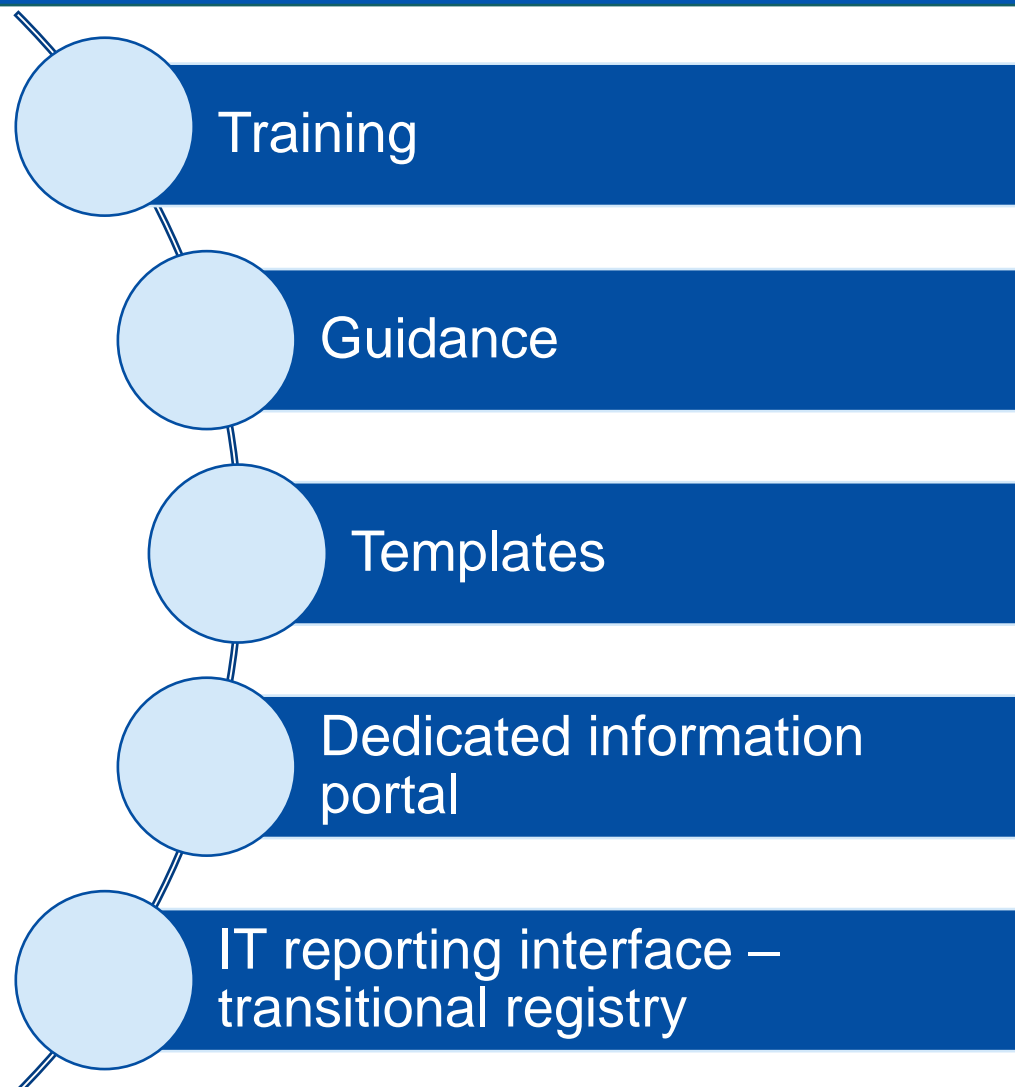
Step 4: Add emissions of relevant precursors

Step 5: Determine the specific embedded emissions

Tasks during the transitional period

- Management of the CBAM Transitional Registry
- Checks of quarterly CBAM reports and potential follow-up
- Adoption of secondary legislation for the definitive period starting in 2026
- Setting-up of the platform for the sale and repurchase of CBAM allowances
- Review of the CBAM legislation (e.g. sectors covered, emissions covered, international trade, LDCs, etc.)
- Assessment of carbon leakage risk for exports
- Legislative proposal, where appropriate

Guidance and support by the Commission



- **E-learning (General and sector-specific)**
- **Webinars (General and sector-specific)**

Tailored guidance documents for

- **Producers in third countries**
- **Reporting declarants**

Excel-based template to facilitate data collection and information exchange

Launch of dedicated Commission website with all information, Q&A and “how to find” guidance

- **Dedicated IT interface for reporting of information**
- **Detailed guidance for users**

Grazie



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