

CBAM – update

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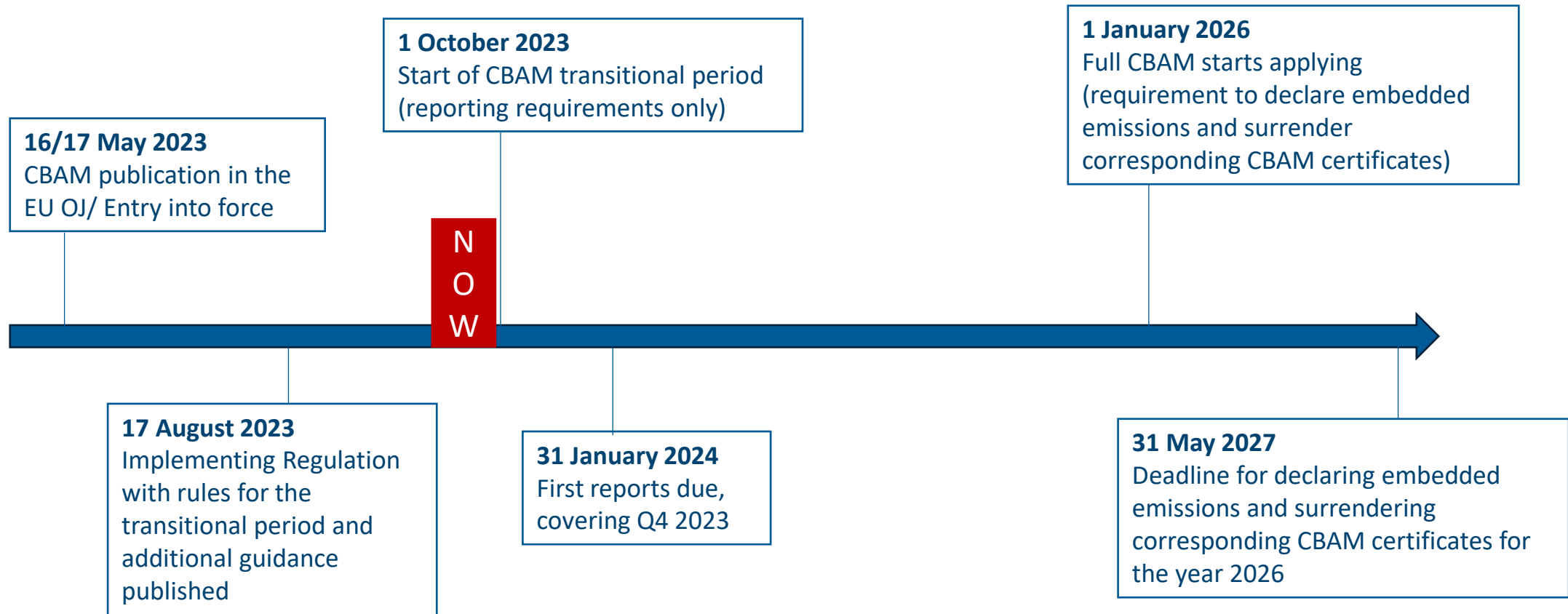
EU CBAM - overview

- **Part of the Fit-for-55 package**
- **Stated objectives:**
 - Address carbon leakage
 - Remove the need for carbon leakage measures under the EU ETS
 - Promote decarbonisation in third countries
- **Scope:** includes electricity and **hydrogen**, in addition to other sectors such as iron and steel, cement, fertilisers, and aluminium

EU CBAM - overview

- **Transitional period (October 2023 – December 2025)**
 - Registration requirement
 - Requirement to report imported volumes and associated emissions
- **Full implementation (from January 2026 onwards)**
 - Requirement to submit declarations of embedded emissions in imported goods and surrender CBAM certificates corresponding to those emissions

Adoption and implementation timeline



Who?

- **Importer** - the person lodging a customs declaration; the person to whom capacity is allocated for import and who nominates that capacity



Importer
or indirect customs
representative



Competent authority in the
Member State where the
customs declaration has been
lodged



Registration in CBAM
Transitional Registry as CBAM
declarant

What?

- Report/ declare **imports**, measured per border for time periods no longer than one hour; no deduction of export or transit in the same hour possible
- Report/ declare **embedded emissions**
 - default values (CBAM Annex IV, 4.2)
 - actual emissions (criteria apply – CBAM Annex IV, 5)
- Surrender **CBAM certificates** (following applicable deductions, e.g., to account for carbon price paid in country of origin)
- Provide copies of **verification reports** issued by accredited verifiers

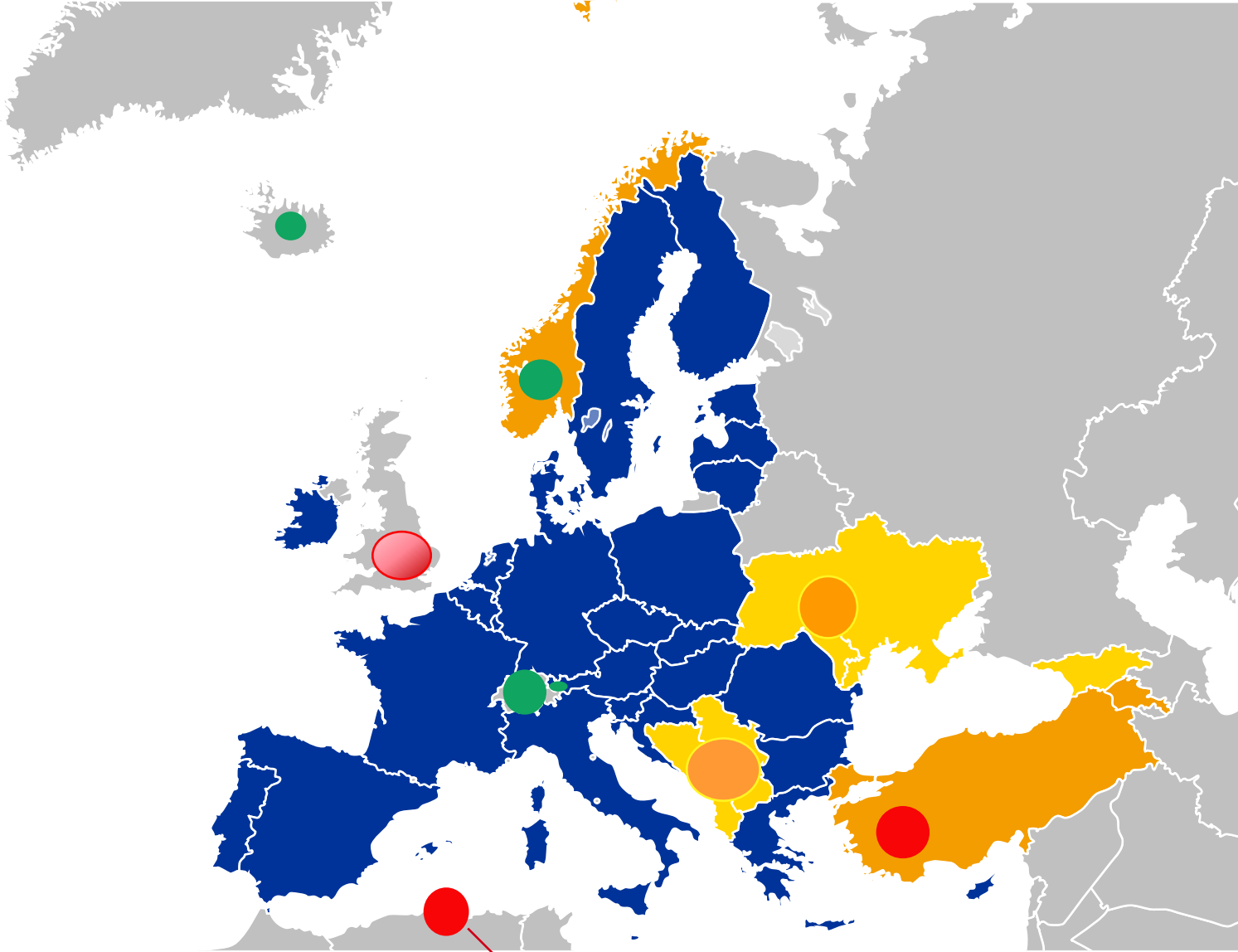
When?

- **Transitional period:** reporting of embedded emissions with quarterly reports due a month after the end of each quarter, starting with 31 January 2024 for Q4 2023 and ending on 31 January 2026 for Q4 2025
- **Full implementation:** declaration of embedded emissions and surrender of corresponding CBAM certificates by 31 May of each year, starting in 2027

Available exemptions

- **Full exemption (Art 2(6)):**
For countries that are either part of the EU ETS (e.g., Norway) or that have an ETS system linked to the EU ETS (e.g., Switzerland)
 - **Exemption for electricity imports only (Art. 2(7)):**
For countries with electricity markets integrated with the EU market through market coupling (potentially - the Energy Community Contracting Parties)
 - Requirements for the exemption include setting up an ETS for electricity by 2030 with a price equivalent to the EU ETS; implementing into domestic legislation EU legislation on electricity markets, renewables, and competition
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- Also available: Possibility for an **agreement** taking into account the carbon pricing regime of a third country (Art. 2(12)) for the purposes of Art. 9

Implications for EU neighbours



- Exempted via EU ETS participation / linking
- Exemption for electricity imports only may apply
- Full application

For all countries in North Africa

General issues

- Increased administrative burden
- Increased transaction costs
- Increased uncertainty and difficulty to predict costs

Electricity imports from the UK

- As things stand at the moment: full application
- CO2 pricing regime (UK ETS + CPS) in place
- Possible exemptions:
 - Linking of UK ETS with EU ETSs
 - Market coupling exemption

Key issue:

Ensuring that the CO2 price paid in the UK is taken into account for CBAM purposes, e.g.:

- Bilateral agreement taking into account the UK carbon pricing regime for the purposes of Art. 9
- Secondary legislation

Electricity imports from the Energy Community Contracting Parties

- Alternatives to full application:
 - Market coupling exemption
- Current state of discussions: ongoing; high degree of uncertainty around meeting the conditions for an exemption in the set timelines

Key issues:

- Uncertainty around progress with further market integration
- Risk of fragmentation of the WB6 markets

The background of the slide is a photograph of several high-voltage power line towers against a clear blue sky. The power lines are illuminated with a bright, glowing orange-red light, creating a dramatic, low-angle perspective. A semi-transparent white rectangular box is overlaid on the left and center of the image, containing the text 'Thank you for your attention!'.

Thank you for your attention!