



Breakout 5 – The Impact of EU's CBAM on Asia

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What is the aim of CBAM?

Prevents carbon leakage
to ensure effectiveness of
EU climate policy

Contributes to decarbonisation
globally and to reaching EU
climate neutrality by 2050



**Measures embedded
emissions**

What are the sectors in scope?



CEMENT



IRON & STEEL



ALUMINIUM



FERTILISER



ELECTRICITY



HYDROGEN

Selected on the basis of 3 criteria:

- ✓ *High risk of carbon leakage (high carbon emissions; high level of trade)*
- ✓ *Covering large share of greenhouse gas emissions of EU ETS sectors*
- ✓ *Practical feasibility*

How do we do this?

Measures embedded carbon emissions at product level

Addressed to companies, not countries, based on **actual carbon content** of imported goods



Aligning with **EU's international policies** and **legal commitments**, including WTO compatibility and UNFCCC

Focusing on **carbon-intensive sectors**

Taking into account **carbon price effectively paid by third-country operators**

Gradual implementation of CBAM

Transitional period
October 2023 - December 2025

Post-transitional period
January 2026 onwards

2023

2024

2025

2026

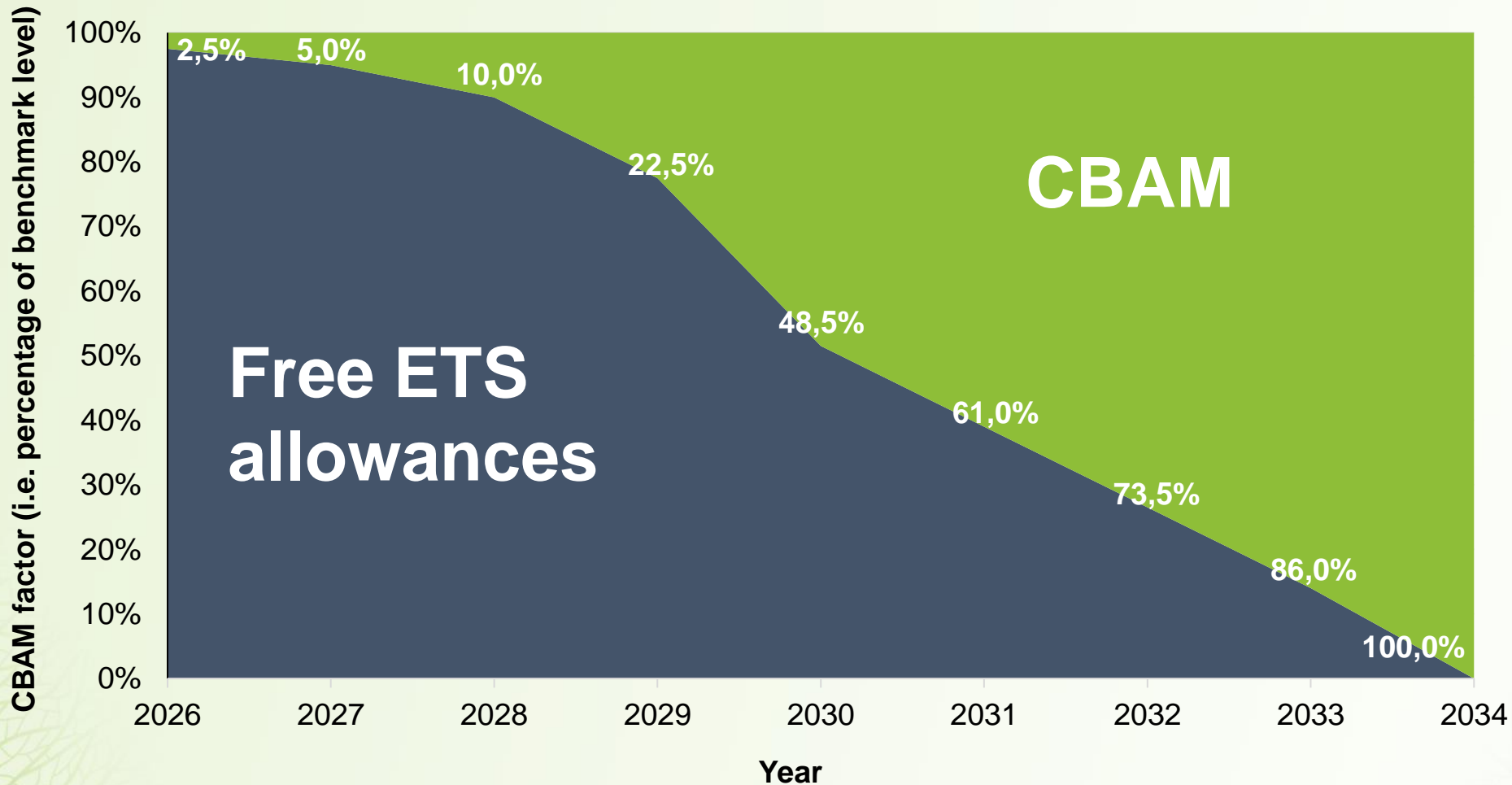
Monitoring and reporting
(Implementing Regulation (EU) 2023/1773)

Review 2025

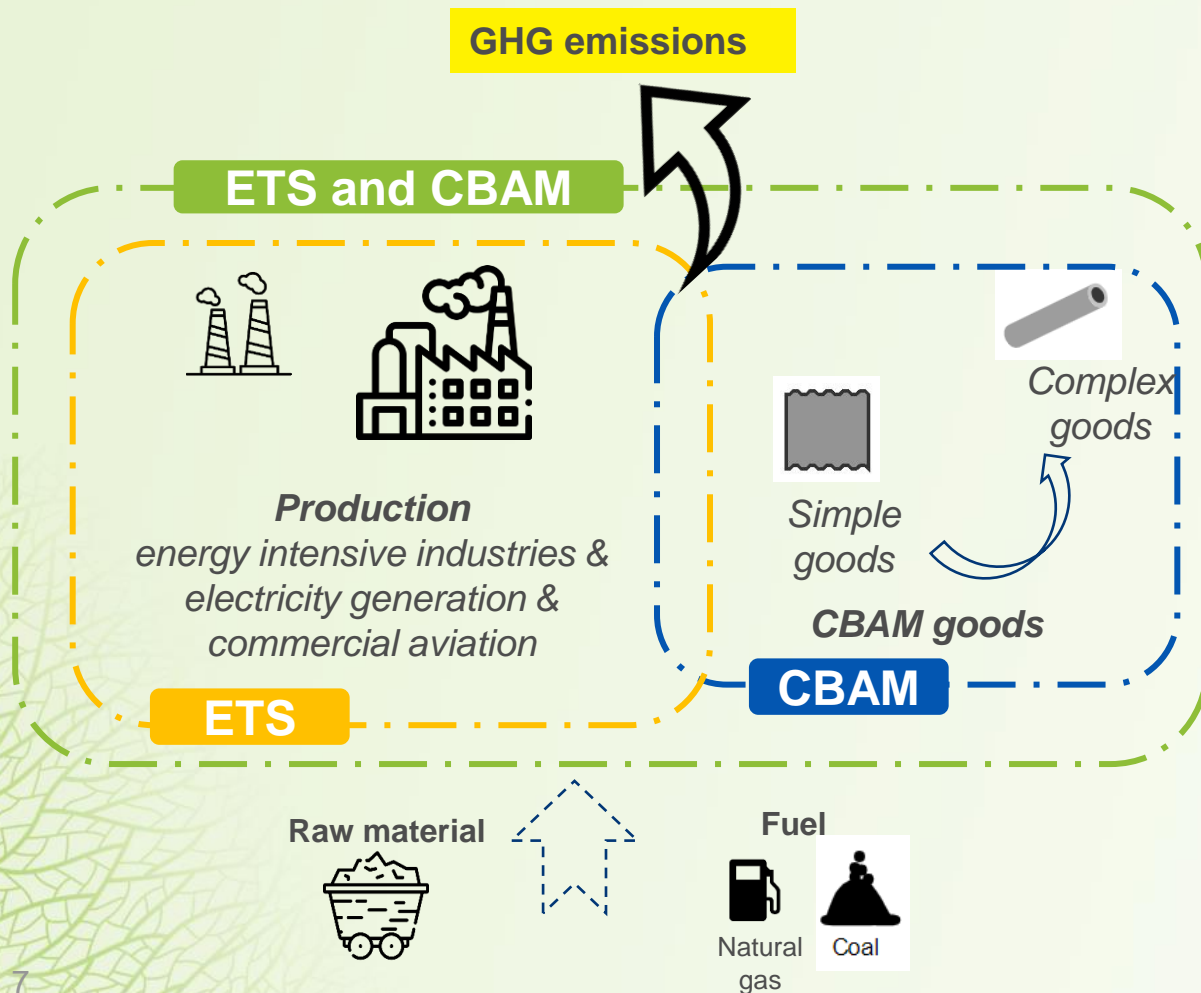
- Assessment feasibility / proportionality of scope extension post 2026, including to
 - a limited set of EU ETS sectors at risk of carbon leakage (e.g. refineries/ chemicals);
 - a selected number of downstream products which contain a high share of basic CBAM goods;
 - indirect emissions
- Impact on LDCs
- Progress in international climate discussions

Start of **gradual phase-in of CBAM**/phase-out of free ETS allocation

Phasing-out of free allocation and phasing-in of CBAM



CBAM methodology: from installation to goods



- scope of the EU ETS is based on installations
- scope of the CBAM is based on goods
- CBAM methodology will translate methods to determine emissions from installations' to goods' levels
- means setting rules to narrow the system boundaries from production sites down to the level of goods

Verification of emissions (in definitive period only)

- Verifiers can be established outside the EU
- Only needs to be accredited in the EU
- Would typically be international verifiers

Objectives of the transitional period

- The transitional period is a **learning phase** for all:
 - Understanding respective roles and tasks
 - Collection of information
 - Facilitate smooth roll-out of the mechanism after the 2025
- The information collected will:
 - allow the European Commission to further specify and **finalise the methodology** and find synergies with existing monitoring schemes
 - **feed into the review of the mechanism by 2025** and provide further clarity of the functioning
- **Reporting flexibilities** reflect the above and aim to introduce openness and balancing a smooth introduction with information needs

CBAM is an internationally open mechanism

CBAM is open to decarbonisation efforts in third countries and favours international coordination:

- **Actual emissions methodology** – CBAM is based on embedded emissions of the imported good
- **Deduction of the carbon price paid** in third countries from the adjustment on imported products
- **CBAM can be complemented** by bilateral, multilateral and international cooperation with non-EU countries
- **Establishment of dialogues** with countries with carbon pricing instruments
- **Building on other initiatives** such as G7’s “Climate Club”, OECD’s “Inclusive Forum for Climate Mitigation Approaches”
- **Informal Expert group on CBAM** with the participation of observers

▶ **Paving the way** for ambitious climate policies

Guidance and support by the Commission

https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en

Training

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

Guidance

- Tailored guidance documents for:
- Producers in third countries – Hindi version available
 - Reporting declarants

Templates

Excel-based template to facilitate data collection and information exchange

Dedicated information portal

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

IT reporting interface – transitional registry

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

If you have any questions on CBAM, please
contact us:

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Thank you



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