



Carbon Border Adjustment Mechanism



June 2023

Carbon Border Adjustment Mechanism

- Climate change is a global problem needing global solutions.
- Fear of less stringent climate policies prevail in many non-EU countries, there is a risk of so-called ‘carbon leakage’. Carbon leakage occurs when companies based in the EU move carbon-intensive production abroad to countries where less stringent climate policies are in place than in the EU, or when EU products get replaced by more carbon-intensive imports.
- The EU’s Carbon Border Adjustment Mechanism (CBAM) puts a price on the carbon emitted during the production of carbon intensive goods that are entering the EU to encourage cleaner industrial production in non-EU countries.
- The gradual introduction of the CBAM is aligned with the phase-out of the allocation of free allowances under the EU Emissions Trading System (ETS) to support the decarbonisation of EU industry.
- By confirming that a price has been paid for the embedded carbon emissions generated in the production of certain goods imported into the EU, CBAM will ensure the carbon price of imports is equivalent to the carbon price of domestic production, and that the EU's climate objectives are not undermined.



Carbon Border Adjustment Mechanism

- EU's 'Fit for 55 Package' - 55% reduction in GHG emissions in the EU by 2030 (compared with 1990 levels)
- Regulation (EU) 2023/956 established CBAM on 10/5/23
- Products – Iron, steel, aluminium, cement, electricity, fertilisers and hydrogen
- The Environmental Protection Agency are the National Competent Authority and Revenue is the Customs Authority. We will work together to engage with all stakeholders to implement CBAM.
- Information Campaign on stakeholder responsibilities
- Implementing Regulation being prepared covering inter alia customs controls required
- COM has issued a 'CBAM - Call for Feedback' on its EUROPA website to 11/7.
https://ec.europa.eu/commission/presscorner/detail/en/ip_23_3243
- CBAM Transition Phase 1/10/23 to 31/12/25
- CBAM import information submitted to the CION from the authorised CBAM declarant and Customs on a quarterly basis.

Carbon Border Adjustment Mechanism

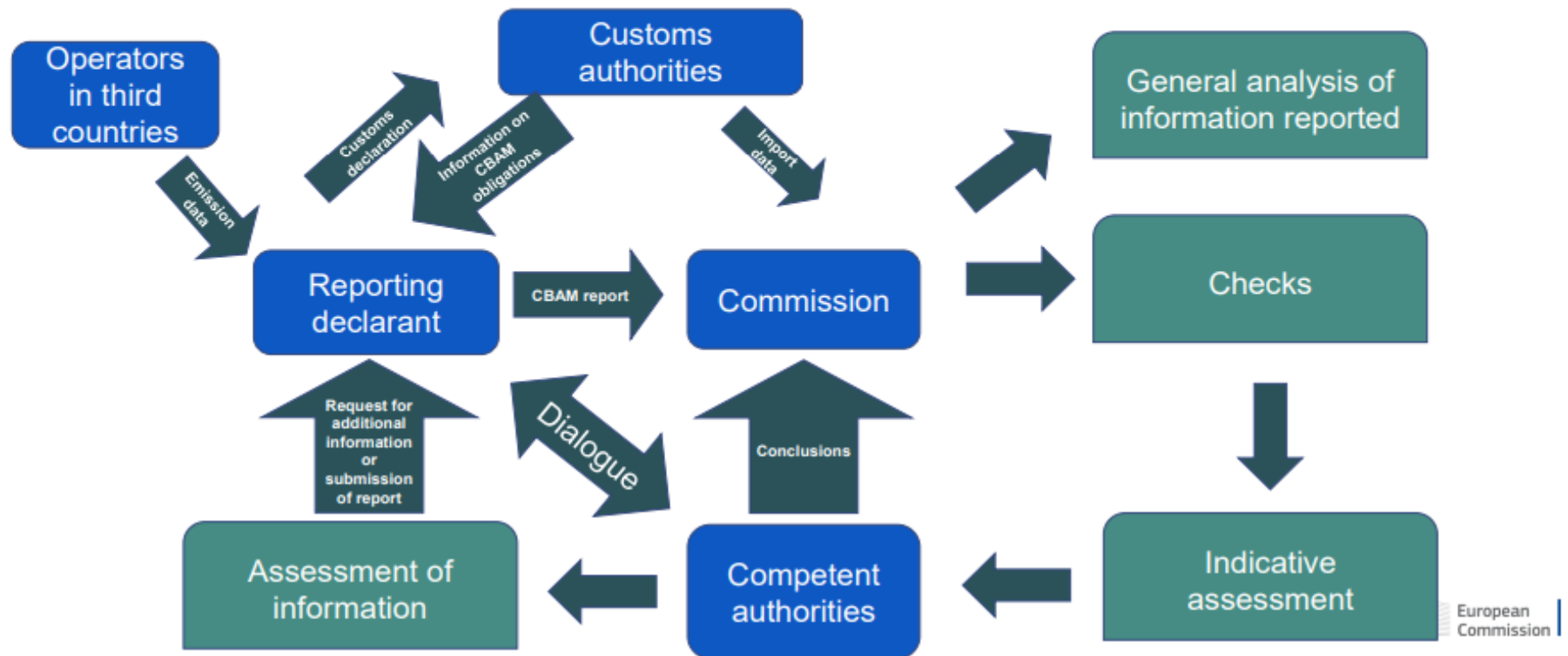
- Full CBAM implementation from 2026 until 2034.
 - Importers authorised by the Environmental Protection Agency (EPA)
 - Importer purchases CBAM certificates to cover the CO₂ emissions generated in the manufacture of the goods they import
 - Importer reports the quantity of CBAM goods imported (including embedded CO₂ emissions) in the preceding year to Commission by 31 May each year
 - CD shares import information with the EU Commission on CBAM product imports
- Gradual phase out of the existing EU's Emissions Trading System (ETS) free allowances, over a period of eight years – allowing for full implementation of CBAM



CBAM Transitional Period - Key Milestones

- Setting up of the CBAM Committee (EPA and Customs Division)
- Publication of implementing act for feedback (13/6/23)
- First meeting of CBAM Committee (16/6/23)
- End of feedback period (11/7/23)
- Approval by the CBAM Committee
- Adoption by the Commission

The interaction between the Commission and the EU National Authorities





Guidance and support from the Commission

- Training
 - E-learning (General and sector specific)
 - Webinars
 - Training for EU National Authorities
- Guidance
 - Tailored guidance documents for
 - Producers in third countries
 - Reporting declarants
- Templates
 - Excel based templates to facilitate data collection and information exchange
- Dedicated information portal
 - Launch of dedicated Commission website with all information specialised Q&A and “how to find” guidance
- IT reporting interface – transitional registry
 - Dedicated IT interface for reporting and collection of information
 - Detailed guidance for users



Trader Reporting obligations

Transitional phase October 2023 - December 2025

- CBAM report containing the following:
 - Total quantity of goods imported during the preceding calendar year
 - Total embedded emissions in those goods
 - The carbon price effectively paid in the country of origin for the embedded emissions
- Report to be submitted quarterly (First report in Q1 2024)

Post transitional phase January 2026 onwards

- CBAM declaration containing the following
 - Total number of CBAM certificated to be surrendered
 - Total quantity of goods imported during the preceding quarter
 - Emissions to be verified by EU accredited verifier
 - Total embedded direct and indirect emissions in those goods
 - The carbon price due in the country of origin for the embedded emissions
- Declaration to be submitted annually



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Principles of our approach

- Transitional period is a learning phase for all:
 - The CBAM will enter into application in its transitional phase on 1 October 2023, with the first reporting period for traders ending 31 January 2024.
 - The set of rules and requirements for the reporting of emissions under CBAM will be further specified in an implementing act to be adopted by the Commission after consulting the CBAM Committee, made up of experts from EU Member States
 - Understanding respective roles and tasks
 - Collection of information
 - Facilitate smooth roll out of the mechanism after 2025



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How to submit a report

Who is the responsible for reporting?

- The reporting declarant - same as the authorised CBAM declarant but no CBAM authorisation is needed yet

How does the reporting declarant submit a report?

- Gain access to the CBAM transitional registry – request log-in via the portal
- Fill out the mandatory fields in the CBAM transitional registry
- Indicate if reporting is by the importer or on behalf of the importer
- Submit the report no later than 1 month after the end of the quarter

Is there flexibility for the submission?

- Yes – A report can be modified 2 months after the reported quarter
- For the first two CBAM reports (due Jan and April 2024) modification is accepted until July 2024 (deadline of third report)



Implementing Act

Q3 - 2023

- Transitional period (art 35)
- Reporting obligations
- Reporting infrastructure

Q3 - 2024

- Authorisation of declarants (art 5 & 17)
- CBAM registry (art 14)
- Accreditation of verifiers (art 18)
- Verification (art 8)

Q2-2025

- CBAM declaration (art 6)
- Methodology (art 7)
- Indirect emissions (annex IV)
- Carbon price paid (art 9)
- Average ETS price (art 21)
- Customs info (art 25)
- Free allocation (art 31)

Delegated Acts

Q3 – 2024

- Accreditation of verifiers (art 18)
- Selling and repurchasing of certificates (art 20)

If necessary –

- Updating list of exempted countries (art 2)
- Additional rules on electricity (art 2)
- Anti circumvention (art 27)