

EU CBAM Proposal

- **Mechanism**

- Importers surrender CBAM certificates, priced weekly on basis of EUAs (notional ETS)
- Based on actual emissions (and verified) – options for default values still available
- No export rebates envisaged

- **Sectorial scope**

- 6 sectors initially – cement, steel, electricity, aluminium, fertilizers & some chemicals (nitric acid, ammonia, nitrates of potassium)
- Includes simple goods (e.g. clinker) and more complex (e.g. pipes, tubes, rails)

- **Emissions scope**

- Only direct emissions (scope 1) covered
- Emissions from electricity and heat (scope 2) may be considered in a future review (by end 2025)



- **Free allocation**

- Gradual reduction with CBAM implementation
- 10-year transition from 100% in 2025 to 0% in 2035 in covered sectors
- CBAM applies to emissions above the free allocation handed out – methodology to be set out by EC

- **Policy crediting**

- Only explicit carbon pricing policies in the exporting country to be considered
- Prices of these policies to be deducted from the CBAM charges

- **Timing**

- “Pilot” or “transitional” phase in the period 2023-2025 – mostly reporting (quarterly) and data gathering, no payments to be collected
- By end 2025 review by EC and possible proposals on extending scope (indirect emissions and other goods)
- Full implementation of CBAM from 2026 – revenues to EU budget

