

Summary of the CBAM regulation

Establishes a Carbon Border Adjustment Mechanism (the 'Mechanism') for regulating greenhouse gas emissions embedded in **certain goods, upon their importation into the customs territory of the European Union, with the purpose of preventing the risk of carbon leakage.**

Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the establishment of a Carbon Border Adjustment Mechanism (CBAM)¹

Covered Goods

Applies to goods listed in Annex I, originating in countries and territories outside of the Custom Union, with the exception of countries and territories listed in Annex II. *Art 2*

Draft Annex I Goods (Identified by CN code)



Cement Electricity Fertiliser Iron and Steel Aluminium

Draft Annex II Exception Countries

Iceland

Liechtenstein

+ five other minor territories

Norway

Switzerland

Verification

Declared embedded emissions must be verified by an independent, and accredited verifier. *Art 8(1) & Art 18(1)*



Transitional provisions on the coordination with the EU ETS

Process

Importation of goods shall only be made by a declarant that is authorized by the competent authority. *Art 4*

'Importation' is defined as meaning release for free circulation. *Art 3*

The customs authorities shall not allow the importation of goods unless the declarant is authorized by a competent authority at the latest at the release for free circulation of the goods. *Art 25*

Authorized declarant shall, by 31 May each year, submit a CBAM declaration to the competent authority containing the emissions embedded in imported goods during the previous calendar year, and the corresponding number of CBAM certificates to be surrendered. *Art 6*

Calculating Embedded Emissions

Annex III sets out approach to calculating embedded emissions.

Where actual emissions cannot be adequately verified, the number of CBAM certificates to be surrendered shall be determined using default values (*Art 7(2)*), set at a level corresponding to the emissions of the 10 percent worst performing sites in the EU. (*Annex III*)

The CBAM certificates to be surrendered shall be reduced in number to reflect the extent to which EU ETS allowances are allocated free of charge in installations producing the same kind of goods within the EU as are covered by Annex I. *Art 31(1)*

Pricing

The competent authority of each Member State shall administer the sale, re-purchase and cancellation of CBAM Certificates. *Art 20*

The competent authority of each Member State shall calculate the price of CBAM certificates as the average of the closing prices of all auctions of EU ETS allowances conducted in auctioning platforms during each calendar week. *Art 23(1)*

Carbon price paid in a country of origin

Declarants may claim a reduction in the number of CBAM certificates to be surrendered in order for the carbon price paid in the country of origin for the declared embedded emissions to be taken into account. *Art 9(1)*

Countries may be listed in Annex II for exemption where the price paid in the country of origin is effectively charged on those goods beyond those also applied in the EU ETS. *Art 2(5)(b)*

¹ Source: 2021/0214 (COD), [Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the establishment of a Carbon Border Adjustment Mechanism](#)

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