Proposal for a Carbon Border Adjustment Mechanism (CBAM)
Focus on Electricity - update

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CBAM for Electricity

• Recitals §47-49, Article 2 §7-12, Article 5 §2, Annex II, Annex III §4.2 and §5

• CBAM for Electricity applicable to all non-EU countries trading/physically connected with EU Member States

  • Annex II § 1: Norway and Switzerland outside scope (part of EU ETS and/or linking agreement with EU ETS)

  • Annex II § 2 and Article 2 §7: if not technically feasible, non-EU countries applying market coupling outside scope if they meet all the conditions (a) to (f) in Article 2 §7

→ Transition phase until end 2025; application as of 2026
Article 2 §7: derogation conditions

a) Agreement with the Union in the field of electricity – renewable energy sources, energy, environment and competition

b) Implementation at national level – renewable energy sources and market coupling

c) Adoption of a decarbonisation roadmap

d) Commitment to climate-neutrality by 2050

e) Progress in the field of climate action on the basis of the roadmap

f) Effective systems to prevent indirect import of electricity not meeting those requirements

→ By 1 January 2030: implementation of an emission trading system for electricity – with a price equivalent to the EU ETS
Article 2 §7: market coupling

- **Why?** Not possible to trace imports to specific countries/assets with *implicit cross-border capacity auctions* (market coupling) >> *explicit cross-border capacity auctions* (Article 5 §2 – hourly CBAM application)

- **Scope?** Energy Community Contracting Parties; Decarbonisation Roadmap and integration of the Clean Energy Package into the Energy Community acquis
Annex III – default values and embedded emissions

• Reinforcement of default values in Council General Approach (15 March) - also in case of no reliable data on imported electricity

• Conditions to apply actual embedded emissions in electricity:
  - Power Purchase Agreement with a producer of electricity located in the third country
  - Direct physical connection to EU transmission grid or no physical network congestion at any point
  - Firm nomination of cross-border transmission capacity (explicit auctions)
  - All above criteria to be certified by an accredited verifier (monthly interim reports)

→ Guarantees of Origins (GOOs) are out of scope !!
Thank you