CBAM State of Play – Energy Community – technical-level meeting

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The CBAM: an EU environmental policy instrument for fair carbon emissions pricing to support decarbonisation

Mirroring EU **ETS** through new mechanism for imports into the EU

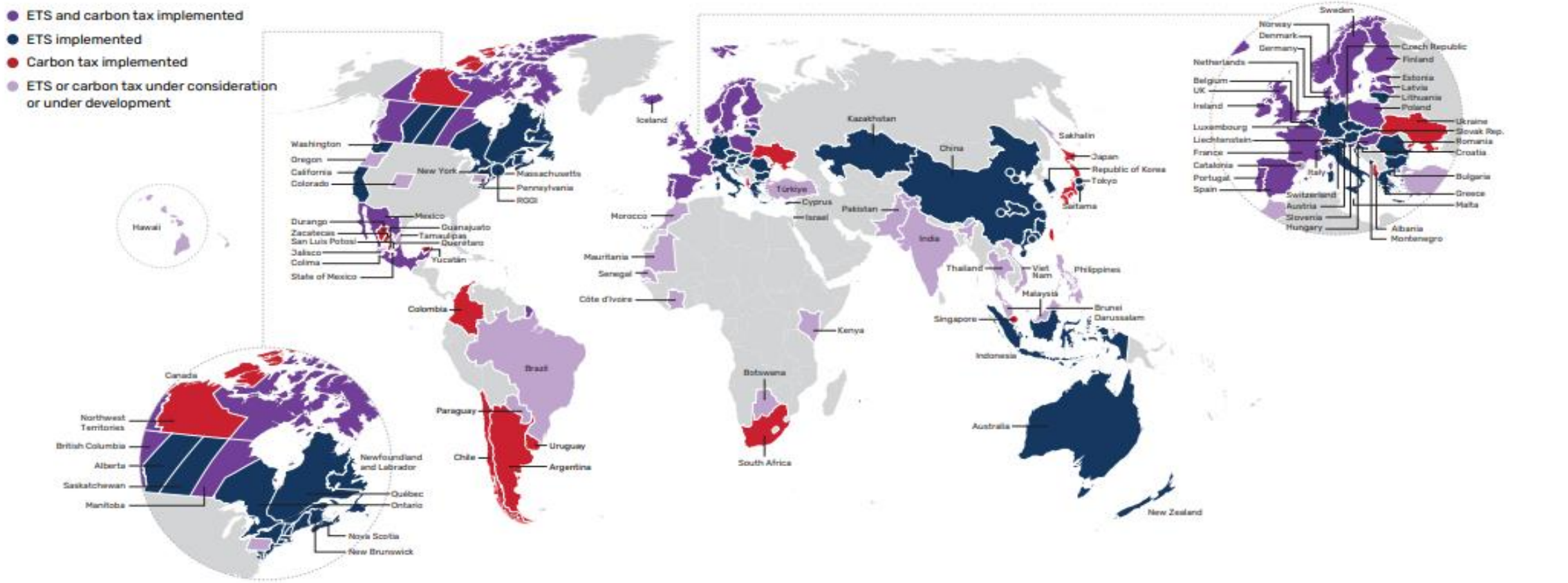
Addressed to companies, not countries, based on **actual carbon content** of imported goods

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

Focusing on **carbon-intensive sectors**

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

Map of carbon taxes and ETS in the world



Source: World Bank State and Trends of Carbon Pricing 2024.
Note: ETS = emissions trading system; RGGI = Regional Greenhouse Gas Initiative.

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*

- **Exclusions** (under 150 € / countries linked with the EU ETS) (*CBAM Simplification: new de-minimis threshold: 50 tonnes of mass per importer per year)*

- Scope may be extended to a limited list of **ETS sectors at risk of carbon leakage** (such as refineries and chemicals), provided that such an extension is justified based on selected criteria (Art 30)

Various exposures to CBAM

Albania - share of total value of exports to the EU in 2024	
Total CBAM	**14,0%**
Cement	0,6%
Electricity	5,4%
Fertilisers	0,0%
Iron and Steel	4,9%
Aluminium	3,1%
Hydrogen	0,0%

Bosnia Herzegovina - share of total value of exports to the EU in 2024	
Total CBAM	**15,4%**
Cement	0,6%
Electricity	2,5%
Fertilisers	0,1%
Iron and Steel	5,9%
Aluminium	6,3%
Hydrogen	0,0%

Georgia - share of total value of exports to the EU in 2024	
Total CBAM	**12,3%**
Cement	0,0%
Electricity	0,0%
Fertilisers	8,9%
Iron and Steel	2,5%
Aluminium	1%
Hydrogen	0,0%

Kosovo - share of total value of exports to the EU in 2024	
Total CBAM	**16,2%**
Cement	0,0%
Electricity	0,0%
Fertilisers	0,0%
Iron and Steel	11,3%
Aluminium	4,9%
Hydrogen	0,0%

Moldova - share of total value of exports to the EU in 2024	
Total CBAM	**8,8%**
Cement	0,3%
Electricity	0,7%
Fertilisers	0,0%
Iron and Steel	7,7%
Aluminium	0,1%
Hydrogen	0,0%

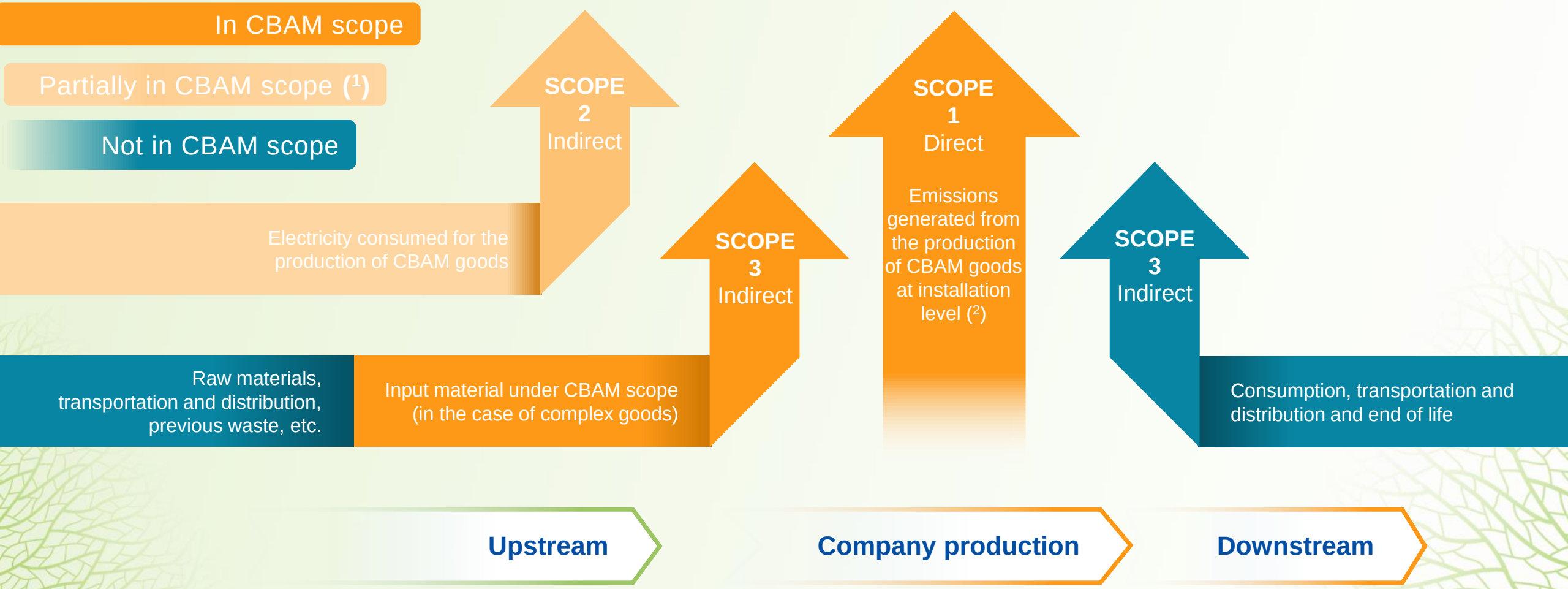
Montenegro - share of total value of exports to the EU in 2024	
Total CBAM	**67,6%**
Cement	0,0%
Electricity	57,7%
Fertilisers	0,0%
Iron and Steel	0,2%
Aluminium	9,7%
Hydrogen	0,0%

North Macedonia - share of total value of exports to the EU in 2024	
Total CBAM	**10,7%**
Cement	0,0%
Electricity	4,7%
Fertilisers	0,0%
Iron and Steel	5,7%
Aluminium	0,2%
Hydrogen	0,0%

Serbia - share of total value of exports to the EU in 2024	
Total CBAM	**11,7%**
Cement	0,1%
Electricity	4,7%
Fertilisers	0,5%
Iron and Steel	4,5%
Aluminium	2%
Hydrogen	0,0%

Ukraine - share of total value of exports to the EU in 2024	
Total CBAM	**13,4%**
Cement	0,6%
Electricity	0,2%
Fertilisers	0,1%
Iron and Steel	12,3%
Aluminium	0,3%
Hydrogen	0,0%

What is the scope for emissions?



(1) For definitive period, scope 2 emission are currently in scope only for cement and fertilisers sectors.
(2) Direct emissions include emissions from the production of heating and cooling, even if that production takes place outside the installation.

Gradual implementation of CBAM

Transitional period
October 2023 - December 2025

Post-transitional period
January 2026 onwards

2023 | 2024 | 2025 | 2026

A learning phase

Monitoring and reporting

- Total quantity of goods imported during the preceding quarter
- Total embedded direct and indirect emissions
- The carbon price due in the country of origin for the embedded emissions
- No verification

CBAM Simplification – *June 2025*

Communication on carbon leakage – 2nd July 2025

Review Report – *Second half of 2025*

- Possible scope extension post 2026, including to a limited set of EU ETS sectors at risk of carbon leakage (e.g. refineries/ chemicals); indirect emissions
- Impact on LDCs

Legislative proposal to extend CBAM to certain downstream goods and to strengthen its anti-circumvention effectiveness.

Start of **gradual phase-in** of CBAM/phase-out of free ETS allocation.
CBAM fees paid yearly; annual reporting; verification

The CBAM Simplification

- A **new CBAM de minimis threshold to exclude small EU importers with low emissions** and reduce overall compliance cost
  - A new **de minimis ensuring that at least 99% of emissions** remain in scope while exempting some 90% of the imports → threshold set at **50 t mass** of imported goods (iron and steel, aluminium, cement and fertilisers) per importer per year.

- For the remaining (larger) imports
  - Simplified CBAM financial liability
  - Simplified CBAM reporting requirements
  - Simplified CBAM emissions calculation requirements
  - Allow to use **default carbon prices** to facilitate the claim of a reduction for an effective carbon price paid in a third country (as alternative to evidencing an actual payment)

Next steps

2025 Q2: Communication on exports carbon leakage

2025 Q4: Review report - will in particular assess:

- The possibility of scope extension to:
  - a limited **set of EU ETS sectors at risk of carbon leakage** (e.g. refineries/ chemicals, paper and pulp);
  - **indirect emissions** (incl. for Iron & steel, Aluminum and Hydrogen sectors currently not in scope)
- The **impact on developing countries and Least Developed Countries**
- The progress made in international discussions regarding climate action
- **Legislative proposal for downstream extension**

As of 2026: **legislative proposals on scope extension** where appropriate

Electricity as a CBAM good – key features

Some **peculiarities of electricity** in CBAM:

- Only direct emissions considered
- Full CBAM obligation as of 2026
- Partly different methodology, compared to other goods, to calculate embedded emissions:
  - Default values as a general rule
  - Calculated only taking account of electricity produced from fossil fuel sources
  - Actual emissions can be reported only if strict conditions are complied with

Imported electricity – Default values

$$Em_{el} = E_{el} \cdot EF_{el}$$

- Em_{el} = emissions related to electricity produced (t CO_2)
- E_{el} = electricity produced (MWh or TJ)
- EF_{el} = emission factor for electricity (t CO_2/MWh or t CO_2/TJ)

- Emission factors based, as a general rule, on default values (CO2 emission factors)
- Hierarchy of emission factors:

(a) CO_2 emission factor based on data from the International Energy Agency (IEA)

(b) CO_2 emission factor of the EU based on IEA data, if value not available under (a)

(c) CO_2 emission factor based on reliable data demonstrated by the reporting declarant, if values lower than under (a) and (b) and a specific calculation methodology is used

(d) Reporting based on actual CO_2 emissions of the installation, if certain conditions are met

Calculation of the CO_2 emission factor

Yearly CO_2 emission factor

$$Em_{el,y} = \frac{\sum_i^n EF_i \times E_{el,i,y}}{E_{el,y}}$$

- $Em_{el,y}$ = yearly CO_2 emission factor for all **fossil fuel technologies** in the given year in the third country
- $E_{el,y}$ = total gross electricity generation from all **fossil fuel technologies** in that year
- EF_i = emission factor for each fossil fuel technology 'i'
- $E_{el,i,y}$ = yearly gross electricity generation for each fossil fuel technology 'i'

Moving average CO_2 emission factor

$$Em_{el} = \frac{\sum_{y-6}^{y-2} Em_{el,i}}{5}$$

- Em_{el} = CO_2 emission factor resulting from the **moving average** of the CO_2 emission factors of the **5 previous years**, starting from the current year, minus two years, until the current year, minus 6 years
- $Em_{el,y}$ = CO_2 emission factor for each year 'i'
- i = variable index for the years to consider
- y = current year

Imported electricity – Conditions for actual emissions

- Electricity covered by a **power purchase agreement** between the CBAM declarant and the electricity producer

- Installation producing electricity
  a) **directly connected** to the Union transmission system or
  b) **no physical network congestion** at any point in the network at the moment of import.

+ Verification based on monthly Interim reports

- Does not emit more than 550 grammes of CO_2 of fossil fuel origin per kWh of electricity.

- Electricity **firmly nominated to the allocated interconnection capacity** by all responsible transmission system operators

CBAM and electricity – state of play

- Commission's **workplan** relating to CBAM and electricity :
  - **Implementing acts** (methodology, verification) planned for **adoption in 2025**.
  - Reflection on the rules for the definitive phase based on experience in transitional phase

- **Sources of information** used to inform the reflection include:
  - Information received from stakeholders
  - Studies, including on CBAM and electricity
    - Not yet concluded
    - Selected stakeholders engagement
    - Areas covered include: default values, conditions to report actual embedded emissions, reporting specificities of the electricity sector

Indirect emissions in CBAM – state of play

- "Indirect emissions": emissions from the production of the electricity which is consumed during the production processes of goods
- Current indirect emissions scope of CBAM for the definitive period: Cement, Fertilisers
- Related Commission's **workplan:**
  - **Article 30(2) report to EP and Council:** assessment of possible extension of indirect emissions to other CBAM goods. **By the end of 2025**
  - **Implementing acts** (methodology, verification) planned for **adoption in 2025**.
- **Sources of information** used to inform the work include **:**
  - Information received from stakeholders
  - Studies, including on indirect emissions
    - Not yet concluded
    - Selected stakeholders engagement
    - Areas covered include: default values, conditions to report actual indirect embedded emissions, solutions for potential indirect emissions scope extension

The Carbon Border Adjustment Mechanism

Thank you for your attention.

If you have any questions, please contact us:

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