



European Green Deal: Agreement reached on the Carbon Border Adjustment Mechanism (CBAM)

Brussels, 13 December 2022

The Commission welcomes the political agreement reached this morning between the European Parliament and the Council on the [Carbon Border Adjustment Mechanism \(CBAM\)](#). The CBAM is the EU's landmark tool to put a fair price on the carbon emitted during the production of carbon intensive goods that are entering the EU, and to encourage cleaner industrial production in non-EU countries. Today's agreement will be complemented by the revision of the Emissions Trading System (ETS), with negotiations taking place later this week, and that will align the phase-out of the allocation of free allowances with the introduction of CBAM to support the decarbonisation of EU industry.

Climate change is a global problem that needs global solutions. As the EU raises its own climate ambition, and as long as 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.

By making sure that a price is paid for the embedded carbon emissions generated in the production of certain goods imported into the EU, the CBAM will make sure the carbon price of imports is equivalent to the carbon price of domestic production, thereby ensuring that the EU's climate objectives are not undermined. The CBAM is designed in such a way that it is compatible with WTO-rules.

President **von der Leyen** said: *"I welcome the political agreement reached this morning on the Commission's proposal for a Carbon Border Adjustment Mechanism. This is a central part of our European Green Deal, preventing the risk of carbon leakage. It is a huge step forward, as we raise our climate ambitions."*

Key elements

The CBAM will **initially apply to imports of certain goods and selected precursors** whose production is carbon intensive and at most significant risk of carbon leakage: cement, iron and steel, aluminium, fertilisers, electricity and hydrogen. With this enlarged scope, CBAM will eventually – when fully phased in – capture more than 50% the emissions of the ETS covered sectors. Under this political agreement, the CBAM will **enter into force in its transitional phase as of 1 October 2023**.

The gradual phasing in of CBAM over time will allow for a **careful, predictable and proportionate transition for EU and non-EU businesses**, as well as for public authorities. During this period, importers of goods in the scope of the new rules will only have to report greenhouse gas emissions (GHG) embedded in their imports (direct emissions), without making any financial payments or adjustments. The agreement foresees that indirect emissions will be covered in the scope after the transitional period, on the basis of a methodology to be defined in the meantime.

Once the permanent system enters into force, according to a schedule to be defined in the revised EU ETS rules currently under negotiation, importers will need to declare each year the quantity of goods imported into the EU in the preceding year and their embedded GHG. They will then surrender the corresponding number of CBAM certificates. The price of the certificates will be calculated depending on the weekly average auction price of EU ETS allowances expressed in €/tonne of CO₂ emitted.

A review of the CBAM's functioning during its transitional phase will be concluded before the entry into force of the definitive system. At the same time, the product scope will be reviewed to assess the feasibility of including other goods produced in sectors covered by the EU ETS in the scope of the CBAM mechanism, such as certain downstream products and those identified as suitable candidates during negotiations. The report will include a timetable setting out their inclusion by 2030.

Next steps

Given the close links between the new CBAM and the review of the EU ETS, currently under negotiation in 'trilogue' between the co-legislators, the final technical details of the mechanism's functioning will need to be clarified. Once the text has been finalised, the European Parliament and the Council will have to formally adopt the new Regulation before it can enter into force.

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Quotes:

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President Ursula von der Leyen - 13/12/2022

The CBAM is a crucial tool to avoid carbon leakage and ensure that what we do in the EU does not push up emissions abroad but rather becomes an incentive to replicate our ambition. It also underlines our commitment to have ambitious climate policies that are WTO-compliant. The agreement today brings us a step closer towards finalising our package of measures to reduce emissions by at least 55% by the end of this decade. The work on the remaining files continues this Friday. At every step we take, we are putting our economy and society ever more firmly on track towards a climate-neutral future

Frans Timmermans, Executive Vice-President for the European Green Deal - 13/12/2022

The EU is taking a step closer to decarbonising its economy and industry as part of its ambition to turn climate-neutral by 2050. Today's political agreement on the Carbon Border Adjustment Mechanism is a key element of our climate strategy. Putting a price tag on products with a higher carbon footprint will help to prevent carbon leakage while respecting our international obligations in full. At the same time, the EU wants to promote cleaner industry in its partner countries and take a practical step towards a global system of carbon pricing.

Valdis Dombrovskis, Executive Vice-President for an Economy that Works for People - 13/12/2022

This morning's agreement is a decisive step towards the launch of the world's first carbon border adjustment mechanism and I warmly congratulate the negotiators of the EU institutions on this historic achievement. The CBAM is at the heart of the EU's efforts to reach our ambitious climate goals under the European Green Deal. It sends an important signal to producers all over the world: that the EU is serious about cutting emissions and that we expect the same level of commitment from industrial firms exporting into the EU, wherever they may be located.

Paolo Gentiloni, Commissioner for Economy - 13/12/2022

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