



European  
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# CARBON BORDER ADJUSTMENT MECHANISM



As the EU raises its own climate ambition, but less stringent environmental and climate policies prevail in non-EU countries, there is a strong risk of so-called 'carbon leakage', which can shift emissions outside of Europe and seriously undermine EU and global climate efforts.

That's why the EU needs a new – green – mechanism for imports of goods from outside the EU: a system that puts a fair price on the carbon emitted during production, and that encourages cleaner industry in non-EU countries.



**Carbon leakage** occurs when industries transfer polluting production to other countries with less stringent climate policies, or when EU products are replaced by more carbon-intensive imports.

In its first phase, the CBAM will focus on goods most at risk of carbon leakage:



**CEMENT**



**IRON & STEEL**



**ALUMINIUM**



**FERTILISER**



**ELECTRICITY**

## HOW WILL THE PROPOSED CBAM WORK?

Under the Commission's proposal, the CBAM will first be introduced in a transitional phase until the end of 2025.

### Once fully in place as of 2026, it will work as follows:



EU importers of goods covered by the CBAM register with national authorities where they can also buy 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 CO<sub>2</sub> emitted.

The EU importer must declare by 31 May each year the quantity of goods and the embedded emissions in those goods imported into the EU in the preceding year. At the same time, the importer surrenders the number of CBAM certificates that corresponds to the amount of greenhouse gas emissions embedded in the products.



If importers can prove, based on verified information from third country producers, that a carbon price has already been paid during the production of the imported goods, the corresponding amount can be deducted from their final bill.

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