

## EU Carbon Border Adjustment Mechanism (CBAM)

Status 08.05.2023

### Summary

The carbon border mechanism is motivated by the EU's desire to incentivise industry in third countries to take climate action. By putting a price on CO2 emissions content on imports from certain sectors, EU industries currently facing higher production costs due to a CO2 price will have a level playing field. Questionable is how the mechanism will ensure continued competitiveness globally for EU export-oriented countries.

**“Europe needs to be climate neutral and lead by example. It is important to not only look at climate targets but jobs and competitiveness.”**

Peter Liese, MEP, EPP group, Germany

### Content

CBAM applies to imports from the iron, cement, steel, electricity, hydrogen, aluminium, fertilizers sectors with no allowance for export rebates. Mirroring the EU ETS, the importer will need to pay for certificates based on the CO2 content of the material imported at the average weekly EU ETS price. Direct emissions in production are covered, while indirect emissions will be covered after 2026. Electricity emissions are omitted. EU ETS free allowance for the energy intensive sectors will continue in parallel until 2035. From October 2023 till the end of 2025, CBAM will apply only as reporting obligation. From 2026, the revenue from the certificates will be collected nationally by authorities, most of it will accrue to the EU budget.

### Pro

The EU has woken up to the need to take climate action globally. It is focusing on doing this in collaboration with safeguarding the economic viability of certain EU industry sectors.

### Contra

The WTO conformity is highly questionable as revenue goes to EU general budget not to climate action. Problematic is that the competitiveness of European exporting companies as the mechanical engineering sector is not addressed in the text. They bear higher costs for exports. Finally, extending the scope down the value chain without proper involvement of EP and Member States through delegated acts is cause for concern.

### Our Evaluation

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CBAM does not take into account the export orientation of certain EU industries. The design risks unilateral retaliation measures from third countries under WTO law and does not guarantee competitiveness.

# 2026

### Year of full implementation

You can find more information [here](#).

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