

| Basic information | |
|--|---------------------|
| 2021/0214(COD) | Procedure completed |
| COD - Ordinary legislative procedure (ex-codecision procedure) Regulation | |
| Carbon Border Adjustment Mechanism | |
| Amended by 2025/0039(COD) | |
| Subject | |
| 2.10.01 Customs union, tax and duty-free, Community transit 3.70.02 Atmospheric pollution, motor vehicle pollution 3.70.03 Climate policy, climate change, ozone layer 3.70.15 Environmental taxation 6.20 Common commercial policy in general | |
| Legislative priorities | |
| Joint Declaration 2021 Joint Declaration 2022 Joint Declaration 2023-24 | |

| Key players | | | |
|---------------------|---|--|------------|
| European Parliament | Committee responsible | Rapporteur | Appointed |
| | ENVI Environment, Public Health and Food Safety | CHAHIM Mohammed (S&D) | 16/09/2021 |
| | | Shadow rapporteur JARUBAS Adam (EPP) ȘTEFĂNUȚĂ Nicolae (Renew) RIPA Manuela (Greens/EFA) TERTSCH Hermann (ECR) GRISSET Catherine (ID) BJÖRK Malin (The Left) | |
| European Parliament | Committee for opinion | Rapporteur for opinion | Appointed |
| | DEVE Development | INCIR Evin (S&D) | 24/01/2022 |
| | INTA International Trade (Associated committee) | The committee decided not to give an opinion. | |
| | BUDG Budgets (Associated committee) | FERNANDES José Manuel (EPP) | 25/11/2021 |
| | | | 25/11/2021 |

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| | | HAYER Valérie (Renew) | |
| | ECON Economic and Monetary Affairs | CARÈME Damien (Greens /EFA) | 01/09/2021 |
| | ITRE Industry, Research and Energy (Associated committee) | KLOC Izabela-Helena (ECR) | 01/10/2021 |
| | IMCO Internal Market and Consumer Protection | The committee decided not to give an opinion. | |
| | AGRI Agriculture and Rural Development | KUŽMIUK Zbigniew (ECR) | 17/09/2021 |
| Council of the European Union | | | |
| European Commission | Commission DG | Commissioner | |
| | Taxation and Customs Union | GENTILONI Paolo | |
| European Economic and Social Committee | | | |
| European Committee of the Regions | | | |

| Key events | | | |
|------------|---|---|---------|
| Date | Event | Reference | Summary |
| 14/07/2021 | Legislative proposal published | COM(2021)0564  | Summary |
| 13/09/2021 | Committee referral announced in Parliament, 1st reading | | |
| 11/11/2021 | Referral to associated committees announced in Parliament | | |
| 17/05/2022 | Vote in committee, 1st reading | | |
| 24/05/2022 | Committee report tabled for plenary, 1st reading | A9-0160/2022 | Summary |
| 07/06/2022 | Debate in Parliament |  | |
| 08/06/2022 | Decision by Parliament | | |
| 22/06/2022 | Decision by Parliament, 1st reading | T9-0248/2022 | Summary |
| 22/06/2022 | Results of vote in Parliament |  | |
| 22/06/2022 | Matter referred back to the committee responsible for interinstitutional negotiations | | |
| 09/02/2023 | Approval in committee of the text agreed at 1st reading interinstitutional negotiations | PE742.452 GEDA/A/(2023)001146 | |
| 17/04/2023 | Debate in Parliament |  | |

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|------------|---|---|---------|
| 18/04/2023 | Decision by Parliament, 1st reading | T9-0100/2023 | Summary |
| 18/04/2023 | Results of vote in Parliament |  | |
| 25/04/2023 | Act adopted by Council after Parliament's 1st reading | | |
| 10/05/2023 | Final act signed | | |
| 16/05/2023 | Final act published in Official Journal | | |

| Technical information | |
|---|--|
| Procedure reference | 2021/0214(COD) |
| Procedure type | COD - Ordinary legislative procedure (ex-codecision procedure) |
| Procedure subtype | Legislation |
| Legislative instrument | Regulation |
| Amendments and repeals | Amended by 2025/0039(COD) |
| Legal basis | Rules of Procedure EP 57_o Rules of Procedure EP 204 Treaty on the Functioning of the EU TFEU 192-p1 |
| Mandatory consultation of other institutions | European Economic and Social Committee European Committee of the Regions |
| Stage reached in procedure | Procedure completed |
| Committee dossier | ENVI/9/06928 |

| Documentation gateway | | | | |
|---|-----------|--------------|------------|---------|
| European Parliament | | | | |
| Document type | Committee | Reference | Date | Summary |
| Committee draft report | | PE697.670 | 21/12/2021 | |
| Committee opinion | AGRI | PE699.239 | 12/01/2022 | |
| Amendments tabled in committee | | PE704.821 | 15/02/2022 | |
| Amendments tabled in committee | | PE719.615 | 15/02/2022 | |
| Amendments tabled in committee | | PE719.616 | 15/02/2022 | |
| Amendments tabled in committee | | PE719.625 | 16/03/2022 | |
| Committee opinion | DEVE | PE704.681 | 28/03/2022 | |
| Committee opinion | ECON | PE702.961 | 06/04/2022 | |
| Committee opinion | BUDG | PE700.589 | 20/04/2022 | |
| Committee opinion | ITRE | PE703.112 | 21/04/2022 | |
| Committee report tabled for plenary, 1st reading/single reading | | A9-0160/2022 | 24/05/2022 | Summary |
| Text adopted by Parliament, partial vote at 1st reading /single reading | | T9-0248/2022 | 22/06/2022 | Summary |
| Text agreed during interinstitutional negotiations | | PE742.452 | 08/02/2023 | |

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|--|--------------|------------|---------|
| Text adopted by Parliament, 1st reading/single reading | T9-0100/2023 | 18/04/2023 | Summary |
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Council of the EU

| Document type | Reference | Date | Summary |
|--|---------------------|------------|---------|
| Coreper letter confirming interinstitutional agreement | GEDA/A/(2023)001146 | 08/02/2023 | |
| Draft final act | 00007/2023/LEX | 10/05/2023 | |

European Commission

| Document type | Reference | Date | Summary |
|--|--|------------|---------|
| Legislative proposal | COM(2021)0564  | 14/07/2021 | Summary |
| Document attached to the procedure | SEC(2021)0564 | 15/07/2021 | |
| Document attached to the procedure | SWD(2021)0643 | 15/07/2021 | |
| Document attached to the procedure | SWD(2021)0644  | 15/07/2021 | |
| Document attached to the procedure | SWD(2021)0647  | 15/07/2021 | |
| Commission response to text adopted in plenary | SP(2023)260 | 05/07/2023 | |
| Follow-up document | COM(2025)0735  | 03/12/2025 | |
| Follow-up document | SWD(2025)0388  | 03/12/2025 | |

National parliaments

| Document type | Parliament /Chamber | Reference | Date | Summary |
|---------------|---------------------|---------------|------------|---------|
| Contribution | ES_PARLIAMENT | COM(2021)0564 | 04/11/2021 | |
| Contribution | ES_PARLIAMENT | SWD(2021)0643 | 04/11/2021 | |
| Contribution | ES_PARLIAMENT | SWD(2021)0644 | 04/11/2021 | |
| Contribution | ES_PARLIAMENT | SWD(2021)0647 | 04/11/2021 | |
| Contribution | CZ_SENATE | COM(2021)0564 | 11/11/2021 | |
| Contribution | PL_SENATE | COM(2021)0564 | 03/12/2021 | |

Other institutions and bodies

| Institution/body | Document type | Reference | Date | Summary |
|------------------|--|--------------|------------|---------|
| EESC | Economic and Social Committee: opinion, report | CES3871/2021 | 08/12/2021 | |
| CofR | Committee of the Regions: opinion | CDR4546/2021 | 28/04/2022 | |

| Additional information | | | |
|------------------------|----------|------------|--|
| Source | Document | Date | |
| EP Research Service | Briefing | 24/01/2022 | |
| European Commission | EUR-Lex | | |

Meetings with interest representatives published in line with the Rules of Procedure

Rapporteurs, Shadow Rapporteurs and Committee Chairs

| Transparency | | | | |
|--------------------|----------------------|-----------|------------|---|
| Name | Role | Committee | Date | Interest representatives |
| CHAHIM Mohammed | Rapporteur | ENVI | 31/01/2024 | Tony Blair Institute for Global Change |
| CHAHIM Mohammed | Rapporteur | ENVI | 22/01/2024 | Norsk Hydro |
| CHAHIM Mohammed | Rapporteur | ENVI | 30/03/2023 | Dow Europe GmbH |
| CHAHIM Mohammed | Rapporteur | ENVI | 29/03/2023 | Carbon removals |
| CHAHIM Mohammed | Rapporteur | ENVI | 31/01/2023 | TPN |
| CHAHIM Mohammed | Rapporteur | ENVI | 16/01/2023 | TNO |
| CHAHIM Mohammed | Rapporteur | ENVI | 11/01/2023 | CSIS |
| RIPA Manuela | Shadow rapporteur | ENVI | 08/12/2022 | VW Stahl |
| RIPA Manuela | Shadow rapporteur | ENVI | 02/12/2022 | Thyssenkrupp Gerlach |
| RIPA Manuela | Shadow rapporteur | ENVI | 21/11/2022 | Saarschmiede / Stahl Holding Saar |
| RIPA Manuela | Shadow rapporteur | ENVI | 21/11/2022 | EPIA SolarPower Europe |
| RIPA Manuela | Shadow rapporteur | ENVI | 09/11/2022 | Thyssenkrupp |
| RIPA Manuela | Shadow rapporteur | ENVI | 07/11/2022 | Smart Energy for Europe Platform (SEFEP) gGmbH |
| BJÖRK Malin | Shadow rapporteur | ENVI | 28/10/2022 | OXFAM INTERNATIONAL EU ADVOCACY OFFICE |
| RIPA Manuela | Shadow rapporteur | ENVI | 18/10/2022 | Head of Section for Agriculture, Fisheries and Environment, Mission of Canada to the EU |
| RIPA Manuela | Shadow rapporteur | ENVI | 17/10/2022 | Grubenareal Landsweiler-Reden |
| RIPA Manuela | Shadow rapporteur | ENVI | 14/10/2022 | POSCO |

| | | | | |
|-----------------|-------------------|------|------------|--|
| RIPA Manuela | Shadow rapporteur | ENVI | 13/10/2022 | Gesenkschmiede Thyssenkrupp Gerlach |
| RIPA Manuela | Shadow rapporteur | ENVI | 11/10/2022 | Henkel AG |
| BJÖRK Malin | Shadow rapporteur | ENVI | 27/09/2022 | POSCO |
| BJÖRK Malin | Shadow rapporteur | ENVI | 16/09/2022 | OXFAM INTERNATIONAL EU ADVOCACY OFFICE |
| RIPA Manuela | Shadow rapporteur | ENVI | 08/09/2022 | Czech Permanent Representation |
| CHAHIM Mohammed | Rapporteur | ENVI | 07/07/2022 | Stichting I-REC |
| CHAHIM Mohammed | Rapporteur | ENVI | 06/07/2022 | American Chamber of Commerce to the European Union |
| CHAHIM Mohammed | Rapporteur | ENVI | 05/07/2022 | Schneider Electric |
| CHAHIM Mohammed | Rapporteur | ENVI | 29/06/2022 | Carbon Minds |
| RIPA Manuela | Shadow rapporteur | ENVI | 15/06/2022 | CEO Salzgitter AG |
| CHAHIM Mohammed | Rapporteur | ENVI | 04/05/2022 | METINVEST Tonnaer Public Affairs |
| CHAHIM Mohammed | Rapporteur | ENVI | 20/04/2022 | Citizens' Climate Europe |
| CHAHIM Mohammed | Rapporteur | ENVI | 19/04/2022 | Natuur & Milieu |
| CHAHIM Mohammed | Rapporteur | ENVI | 05/04/2022 | PGE Polska Grupa Energetyczna SA |
| CHAHIM Mohammed | Rapporteur | ENVI | 05/04/2022 | The European Steel Association |
| BJÖRK Malin | Shadow rapporteur | ENVI | 05/04/2022 | CEMBUREAU - The European Cement Association |
| CHAHIM Mohammed | Rapporteur | ENVI | 01/04/2022 | Carbon Market Watch Climate Action Network Europe World Wide Fund for Nature - Netherlands |
| CHAHIM Mohammed | Rapporteur | ENVI | 30/03/2022 | Korea Business Association Europe |
| CHAHIM Mohammed | Rapporteur | ENVI | 30/03/2022 | Corbion |
| CHAHIM Mohammed | Rapporteur | ENVI | 22/03/2022 | Wirtschaftsrat der CDU e.V. |
| CHAHIM Mohammed | Rapporteur | ENVI | 17/03/2022 | European Chemical Industry Council |
| CHAHIM Mohammed | Rapporteur | ENVI | 08/03/2022 | LyondellBasell Industries N.V. |
| CHAHIM Mohammed | Rapporteur | ENVI | 15/02/2022 | European Energy Exchange AG |

Other Members

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| Transparency | | |
|------------------|------------|--|
| Name | Date | Interest representatives |
| BURKHARDT Delara | 28/04/2022 | Industriegewerkschaft Bergbau, Chemie, Energie Verein Deutscher Zementwerke e.V. |
| TORVALDS Nils | 07/02/2022 | Norsk Hydro |
| KOKKALIS Petros | 07/02/2022 | The Green Tank |
| DE MEO Salvatore | 26/01/2022 | APPLiA (Home Appliance Europe) |

| Final act |
|--|
| Regulation 2023/0956 OJ L 130 16.05.2023, p. 0052 |

[Summary](#)

| Delegated acts | |
|----------------|------------------------------|
| Reference | Subject |
| 2025/2997(DEA) | Examination of delegated act |

Carbon Border Adjustment Mechanism

2021/0214(COD) - 14/07/2021 - Legislative proposal

PURPOSE: to establish a new border carbon adjustment mechanism to prevent the risk of carbon leakage and support the EU's increased ambition on climate change mitigation.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: as long as significant numbers of the EU's international partners have policy approaches that do not result in the same level of climate ambition as the Union, and differences in the price applied to GHG emissions remain, there is a risk of carbon leakage. Carbon leakage occurs if, for reasons of differing ambitions related to climate policies, businesses in certain industry sectors or subsectors were to transfer production to other countries with less stringent emission constraints or imports from these countries would replace equivalent but less GHG emissions intensive products due to the difference in climate policy.

That would risk undermining the effectiveness of the EU's emission mitigation policies and could also lead to an increase in their total emissions globally, thus jeopardising the reduction of GHG emissions that is urgently needed if the world is to keep the global average temperature to well below 2°C above pre-industrial levels.

Considering these problems, it is necessary to address the problem of reducing GHG emissions in the EU, while at the same avoiding that these emissions reduction efforts are offset globally by emissions increase outside the EU. In this context, a carbon border adjustment mechanism (CBAM) is proposed with the overarching objective of addressing the risk of carbon leakage in order to fight climate change.

The European Green Deal launched a new growth strategy for the EU that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy. The '[European Climate Law](#)' has made the EU's climate neutrality target by 2050 legally binding.

The Commission has presented a **complementary and interconnected set of proposals as part of the 2030 Climate and Energy 'Fit for 55' package** to achieve the greenhouse gas emission reduction target of **at least 55% compared to 1990**. This 'Fit for 55' legislative package is the most comprehensive building block in the efforts to implement the ambitious new 2030 climate target, and all economic sectors and policies will need to make their contribution.

CONTENT: the proposed regulation aims to establish a **Carbon Border Adjustment Mechanism (CBAM)** to take into account the greenhouse gas emissions embedded in goods with a high risk of **carbon leakage, including iron and steel, cement, fertilisers, aluminium and electricity generation**, when imported into the customs territory of the EU.

The CBAM is intended to impose a **charge** on imports which corresponds with the charges imposed on EU domestic industry under the EU ETS. The scheme would start in 2023 with a transition period until 2025, when importers will be subject to significant reporting obligations. It will be phased in gradually.

A **reporting system** will apply as from 2023 for those products with the objective of facilitating a smooth roll out and to facilitate dialogue with third countries, and importers will start paying a financial adjustment in 2026.

The CBAM will mirror the ETS in the sense that the system is based on the **purchase of certificates by importers**. Importers of the goods will have to, either individually or through a representative, register with national authorities where they can also buy CBAM certificates.

Once the definitive system becomes **fully operational in 2026**, EU importers will have to declare annually, by 31 May of each year, the quantity of goods and the amount of embedded emissions in the total goods they imported into the EU in the preceding year, and surrender the corresponding amount of CBAM certificates.

Budgetary implications

In order to finance the mechanism, the Commission will be able to borrow up to EUR 750 billion on financial markets. In that context, the European Parliament, the Council and the Commission agreed that the Institutions will work towards introducing sufficient new own resources with a view to covering an amount corresponding to the expected expenditure related to the repayment of NextGenerationEU. The Commission committed to put forward proposals on new own resources, which would include the CBAM in the first semester of 2021.

Carbon Border Adjustment Mechanism

2021/0214(COD) - 22/06/2022 - Text adopted by Parliament, partial vote at 1st reading/single reading

The European Parliament adopted by 450 votes to 115, with 55 abstentions, **amendments** to the proposal for a regulation of the European Parliament and of the Council establishing a carbon border adjustment mechanism (CBAM).

The matter was referred back to the committee responsible for inter-institutional negotiations.

The main amendments adopted in plenary are as follows:

Broader CBAM scope

In addition to the products proposed by the Commission, Parliament wants the CBAM to cover **organic chemicals, plastics, hydrogen and ammonia**. Members also want to extend CBAM to include **indirect emissions**, i.e. emissions deriving from the electricity used by manufacturers, heating or cooling, in order to strengthen the climate ambition of the proposal.

A Commission report would also assess the technical specificities of calculating embedded emissions for organic chemicals and polymers, their value chains and the ability of the mechanism to sufficiently address the risk of carbon leakage for these sectors. On the basis of this report, the Commission could, if appropriate, present a legislative proposal to adapt the CBAM.

Phasing in CBAM and ending free allowances in the EU ETS

The CBAM would apply **from 1 January 2023 with a transition period until the end of 2026** and the Parliament believes that it should be fully implemented for the EU ETS sectors by 2032. Until 2032, exporters should receive free allocations - 100% in the period 2023-2026, 93% in 2027, 84% in 2028, 69% in 2029, 50% in 2030 and 25% in 2031, finally reaching 0% in 2032.

In order to ensure a level playing field, the production in the Union of goods listed in Annex I of the Regulation would continue to be allocated allowances free of charge, provided that these goods are produced for export to third countries that do not have a carbon pricing mechanism equivalent to the EU ETS.

By 31 December 2025, the Commission should present a report with a detailed assessment of the effects of the EU ETS and CBAM on the EU production of products covered by CBAM and exported outside the EU, on the development of global emissions and on the WTO-compatibility of the export derogation.

Centralised EU CBAM authority

While the Commission proposal foresees a decentralised hybrid system with 27 CBAM competent authorities, Parliament believes there should be one centralised EU CBAM authority, which would be more efficient, transparent and cost effective. This would also help to combat forum shopping from importers.

Revenue generated by the sale of CBAM certificates

Parliament wants the revenues generated by the sale of CBAM certificates to **go to the EU budget**.

In order for the CBAM to achieve its objective of reducing global carbon emissions and contribute to the EU's climate objectives and international commitments, including the Paris Agreement, the EU should finance the efforts of the **least developed countries** to decarbonise their manufacturing industries with an annual amount at least equal to the level of revenue generated by the sale of CBAM certificates.

The Commission should regularly monitor any changes in trade flows from Least Developed Countries due to the CBAM in order to assess the effectiveness of the Regulation, including its contribution to preventing carbon leakage and its impact on trade flows between the EU and Least Developed Countries.

Sanctions

The CBAM should be carefully designed and supervised by the CBAM authority and customs authorities, *inter alia*, to prevent, identify and penalise any type of practice of circumvention, including abuse or fraud.

The amount of the penalties for authorised declarants who fail to surrender, by 31 May each year, a number of CBAM certificates corresponding to the emissions embedded in goods imported during the previous year or who submit false information related to embedded emissions to the CBAM authority with a view to obtaining a favourable individual treatment should be equivalent to three times the average price of CBAM certificates in the previous year for each CBAM certificate that the authorised declarant did not surrender.

In the case of repeated offences, the CBAM authority may decide to suspend the CBAM account of the authorised declarant.

Appeals against decisions taken by the CBAM authority

Parties affected by decisions of the MACF authority should have access to the necessary appeal procedures. It is therefore proposed to establish an appropriate appeal mechanism so that decisions of the CBAM authority can be appealed before a Board of Appeal, whose decisions would be subject to appeal to the Court of Justice of the European Union.

Carbon Border Adjustment Mechanism

2021/0214(COD) - 16/05/2023 - Final act

PURPOSE: to establish a carbon border adjustment mechanism (CBAM) with a view to preventing the risk of carbon leakage and thereby reducing global carbon emissions.

LEGISLATIVE ACT: Regulation (EU) 2023/956 of the European Parliament and of the Council establishing a border carbon adjustment mechanism.

CONTENT: the Regulation establishes a border carbon adjustment mechanism (BCA) for imports of products in carbon-intensive industries.

Objective

The objective of the CBAM is to ensure - in full compliance with international trade rules - that the EU's efforts to reduce greenhouse gas emissions are not neutralised by an increase in emissions outside its borders resulting from the relocation of production to countries whose policies to combat climate change are less ambitious than those of the EU, or from an increase in imports of more carbon-intensive products.

The CBAM aims to **prevent the risk of carbon leakage**, thereby reducing global carbon emissions and supporting the objectives of the Paris Agreement, also by introducing incentives for third-country operators to reduce their emissions.

During the **transitional period from 1 October 2023 until 31 December 2025**, the obligations of the importer under this Regulation will be limited to the reporting obligations

Enlarged scope of CBAM

CBAM will cover **iron and steel, cement, aluminium, fertilisers and electricity and will be extended to hydrogen, indirect emissions** under certain conditions, certain precursors as well as to some downstream products such as screws and bolts and similar articles of iron or steel.

CBAM will be **phased in gradually**, in parallel to a phasing out of the free allowances, once it begins under the revised EU ETS for the sectors concerned. Free allowances for sectors covered by the Carbon Border Adjustment Mechanism will be phased out over a nine-year period between 2026 and 2034.

Role of the European Commission

The governance of the CBAM should be more centralised, with the Commission being responsible for most tasks. In particular, the Commission should:

- address practices of circumvention to reduce the risk of carbon leakage;
- assist competent authorities in carrying out their functions and duties under the Regulation;
- ensure coordination, issuing guidelines and supporting the exchange of best practice;
- manage the CBAM registry containing data on the authorised CBAM declarants, operators and installations in third countries;
- facilitate the exchange of information and cooperation between competent authorities, and between these authorities and the Commission;
- carry out risk-based controls and review the content of CBAM declarations accordingly;

- make available to the competent authorities its own calculations regarding the CBAM certificates to be surrendered, on the basis of its review of the CBAM declarations.

Member States will impose **penalties** for infringements of this Regulation and ensure that such penalties are enforced.

Commission review and report

The Commission will, in consultation with relevant stakeholders, gather the necessary information with a view to extending the scope of the Regulation and developing methods for calculating embodied emissions based on environmental footprinting methodologies.

The Commission, in consultation with relevant stakeholders, shall collect the information necessary with a view to extending the scope of this Regulation as indicated in and pursuant to paragraph 2, point (a), and to developing methods of calculating embedded emissions based on environmental footprint methods.

Before the end of the transitional period from 1 October 2023 to 31 December 2025, the Commission will assess whether the scope can be extended to other goods at risk of carbon leakage, in particular organic chemicals and polymers, with a view to including all goods covered by the ETS by 2030.

It will also assess: (i) the calculation method for indirect emissions and the possibility of including more downstream products, (ii) the progress made in international discussions on climate action, (iii) the governance system, as well as (iv) the impact of the regulation on goods imported from developing countries that are of special interest to the least developed countries identified by the United Nations (LDCs).

ENTRY INTO FORCE: 17.5.2023.

APPLICATION: from 1.10.2023. Certain provisions will apply from 31.12.2024 and 1.1.2026.

Carbon Border Adjustment Mechanism

2021/0214(COD) - 24/05/2022 - Committee report tabled for plenary, 1st reading/single reading

The Committee on the Environment, Public Health and Food Safety adopted the report by Mohammed CHAHIM (S&D, NL) on the proposal for a regulation of the European Parliament and of the Council establishing a carbon border adjustment mechanism.

The committee recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should be amended as follows:

Objective of the regulation

Members specified that the regulation establishes a **carbon border adjustment mechanism** (CBAM) to address the intrinsic greenhouse gas emissions of Annex I goods when imported into the customs territory of the Union in order to reduce global carbon emissions and to support the implementation of the objectives of the Paris Agreement by preventing any potential risk of carbon leakage outside the Union as well as to encourage emission reductions in third countries.

Broader scope of CBAM

Members proposed to broaden the scope of the proposal to cover **organic chemicals, hydrogen and plastics, as well as indirect emissions** such as those generated by electricity used for manufacturing, heating or cooling in all sectors covered by the CBAM.

Phasing in CBAM and ending free allowances in the EU ETS

While the European Commission proposed that the CBAM should not become fully operational until the beginning of 2036, Members consider that it should **apply from 1 January 2023 with a transitional period until the end of 2024** and that it should be fully implemented for all EU ETS sectors **by 2030**.

Until 31 December 2030, the manufacture of Annex I goods would benefit from free allocation of allowances in reduced quantities. A CBAM reducing the allocation of allowances for the manufacture of these goods would be applied. The CBAM would be 100% for the period 1 January 2023 to 31 December 2024, 90% in 2025, 80% in 2026, 70% in 2027, 50% in 2028, 25% in 2029 and 0% in 2030.

Each year from 2025 onwards, as part of its annual report to the European Parliament and the Council under Directive 2003/87/EC, the Commission should assess the effectiveness of the CBAM in addressing the risk of carbon leakage for goods produced in the EU and destined for export to third countries that do not apply the EU ETS or a similar carbon pricing mechanism.

Centralised EU CBAM authority

Members considered that instead of a decentralised hybrid system with 27 CBAM competent authorities, there should be one centralised EU CBAM authority, which would be more efficient, transparent and cost effective.

Revenue generated by the sale of CBAM certificates

While the revenues generated from the sale of CBAM certificates would be included in the EU budget as general revenue, the EU should **finance the efforts of the least developed countries** to decarbonise their manufacturing industries with an annual amount at least equal to the level of revenue generated from the sale of CBAM certificates.

This funding should be accompanied by technical assistance, subject to the full implementation and enforcement of internationally recognised social and labour rights, such as the core labour standards of the International Labour Organisation, in the recipient country.

Sanctions

The CBAM should be carefully designed and **supervised by the CBAM authority and customs authorities**, *inter alia*, to prevent, identify and penalise any type of practice of circumvention, including abuse or fraud.

The amount of the penalties for authorised declarants who fail to surrender, by 31 May each year, a number of CBAM certificates corresponding to the emissions embedded in goods imported during the previous year or who submit false information related to embedded emissions to the CBAM authority with a view to obtaining a favourable individual treatment should be equivalent to three times the average price of CBAM certificates in the previous year for each CBAM certificate that the authorised declarant did not surrender.

In the case of repeated offences, the CBAM authority may decide to suspend the CBAM account of the authorised declarant.

Appeals against decisions taken by the CBAM authority

Parties affected by decisions of the MACF authority should have access to the necessary appeal procedures. It is therefore proposed to establish an appropriate appeal mechanism so that decisions of the CBAM authority can be appealed before a Board of Appeal, whose decisions would be subject to appeal to the Court of Justice of the European Union.

Carbon Border Adjustment Mechanism

2021/0214(COD) - 18/04/2023 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 487 votes to 81, with 75 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council establishing a carbon border adjustment mechanism.

The European Parliament's position adopted at first reading under the ordinary legislative procedure amends the Commission's proposal as follows:

Subject

This Regulation establishes a **carbon border adjustment mechanism** (CBAM) to address greenhouse gas emissions embedded in the goods listed in Annex I on their importation into the customs territory of the Union in order to prevent the risk of carbon leakage, thereby reducing global carbon emissions and supporting the goals of the Paris Agreement, also by creating incentives for the reduction of emissions by operators in third countries.

The CBAM aims to replace the existing mechanisms by addressing the risk of carbon leakage, namely by ensuring equivalent carbon pricing for imports and EU products. To ensure a gradual transition from the current system of free allowances to the CBAM, **the CBAM should be progressively phased in while free allowances in sectors covered by the CBAM are phased out**.

The new Regulation is designed to be fully compliant with World Trade Organisation (WTO) rules. It should apply from 1 October 2023, but with a transition period until 31 December 2025, during which the importer's obligations should be limited to declaration.

Enlarged scope of CBAM

CBAM should cover iron and steel, cement, aluminium, fertilisers and electricity, as proposed by the Commission, and extended to hydrogen, indirect emissions under certain conditions, certain precursors as well as to some downstream products such as screws and bolts and similar articles of iron or steel.

The Regulation should also apply to goods listed in Annex I to this Regulation originating in a third country, where those goods, or processed products from those goods resulting from the inward processing procedure referred to in Regulation (EU) No 952/2013, are brought to an artificial island, a fixed or floating structure, or any other structure on the continental shelf or in the exclusive economic zone of a Member State that is adjacent to the customs territory of the Union.

Importation of goods

Goods should be imported into the customs territory of the Union only by an **authorised CBAM declarant**. Any importer established in a Member State should, prior to importing goods into the customs territory of the Union, apply for the status of authorised CBAM declarant. Where an importer is not established in a Member State, the indirect customs representative shall submit the application for an authorisation.

The application for an authorisation should be submitted via the CBAM registry. The competent authority of the Member State in which the customs declaration has been lodged should register the person in the CBAM registry.

CBAM declaration

By 31 May of each year, and for the first time in 2027 for the year 2026, each authorised CBAM declarant should use the CBAM registry to submit a CBAM declaration for the preceding calendar year. The Commission should establish a CBAM registry of authorised CBAM declarants in the form of a standardised electronic database containing the data regarding the CBAM certificates of those authorised CBAM declarants.

Carbon price paid in a third country

An authorised CBAM declarant may claim in the CBAM declaration a reduction in the number of CBAM certificates to be surrendered in order to take into account the carbon price paid in the country of origin for the declared embedded emissions. The reduction may be claimed only if the carbon price has been effectively paid in the country of origin. In such a case, any rebate or other form of compensation available in that country that would have resulted in a reduction of that carbon price shall be taken into account.

Sale of CBAM certificates

A Member State should sell CBAM certificates on a **common central platform** to authorised CBAM declarants established in that Member State. The Commission should establish and manage the common central platform following a joint procurement procedure between the Commission and the Member States. The Commission and the competent authorities should have access to the information in the common central platform.

Penalties

Member States should impose **penalties** for infringements of this Regulation and ensure that such penalties are enforced. More specifically, the penalty amount for the failure of an authorised CBAM declarant to surrender CBAM certificates should be identical to the amount pursuant to Article 16(3) and (4) of Directive 2003/87/EC. However, where the goods have been introduced into the Union by a person other than an authorised CBAM declarant without complying with the obligations under this Regulation, the amount of those penalties should be **higher** in order to be effective, proportionate and dissuasive, also taking into account the fact that such person is not obliged to surrender CBAM certificates.

Role of the European Commission

The governance of the CBAM should be more centralised, with the Commission being responsible for most tasks. In particular, the Commission should:

- address practices of circumvention to reduce the risk of carbon leakage;
- assist competent authorities in carrying out their functions and duties under the Regulation;
- ensure coordination, issuing guidelines and supporting the exchange of best practice;
- manage the CBAM registry containing data on the authorised CBAM declarants, operators and installations in third countries;
- facilitate the exchange of information and cooperation between competent authorities, and between these authorities and the Commission;
- carry out risk-based controls and review the content of CBAM declarations accordingly;
- make available to the competent authorities its own calculations regarding the CBAM certificates to be surrendered, on the basis of its review of the CBAM declarations.

Review and report by the Commission

The Commission should, in consultation with relevant stakeholders, gather the necessary information to extend the scope of the Regulation and develop methods for calculating embedded emissions based on environmental footprint methods.

By the end of 2027, the Commission should assess whether the scope can be extended to other goods with a risk of carbon leakage, including organic chemicals, polymers, with the aim of including all goods covered by the ETS by 2030. It should also assess: (i) the methodology for indirect emissions and the possibility of including more downstream products; (ii) the progress made in international discussions regarding climate action; (iii) the governance system, including the administrative costs; (iv) the impact of this Regulation on goods listed in Annex I imported from developing countries with special interest to the least developed countries as identified by the United Nations (LDCs).

The Commission should monitor the functioning of the CBAM with a view to evaluating the impacts and possible adjustments in its application. Before 1 January 2028, as well as every two years thereafter, the Commission should report on the application of this Regulation and functioning of the CBAM.