

Basic information	
<p>2021/0214(COD)</p> <p>COD - Ordinary legislative procedure (ex-codecision procedure) Regulation</p>	Procedure completed
<p>Carbon Border Adjustment Mechanism</p> <p>Subject</p> <p>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</p> <p>Legislative priorities</p> <p>Joint Declaration 2021 Joint Declaration 2022 Joint Declaration 2023-24</p>	

Key players				
European Parliament	Committee responsible		Rapporteur	Appointed
	ENVI	Environment, Climate and Food Safety		
			Shadow rapporteur GRISSET Catherine (ID) BJÖRK Malin (The Left)	
	Committee for opinion		Rapporteur for opinion	Appointed
	DEVE	Development		
	INTA	International Trade (Associated committee)	The committee decided not to give an opinion.	
	BUDG	Budgets (Associated committee)	FERNANDES José Manuel (EPP)	25/11/2021
	ECON	Economic and Monetary Affairs		
	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	KUMIUK 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	CRE link	
22/06/2022	Decision by Parliament, 1st reading	T9-0248/2022	Summary
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	CRE link	
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)
Nature of procedure	Legislation
Legislative instrument	Regulation
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
Amendments tabled in committee		PE700.482	17/11/2021	
Amendments tabled in committee		PE703.059	16/12/2021	
Amendments tabled in committee		PE703.050	16/12/2021	
Committee draft report		PE697.670	21/12/2021	
Committee opinion	AGRI	PE699.239	12/01/2022	
Amendments tabled in committee		PE704.719	31/01/2022	
Amendments tabled in committee		PE703.284	31/01/2022	
Amendments tabled in committee		PE704.894	08/02/2022	
Amendments tabled in committee		PE704.895	08/02/2022	
Amendments tabled in committee		PE704.879	08/02/2022	
Amendments tabled in committee		PE704.916	09/02/2022	
Amendments tabled in committee		PE719.615	15/02/2022	
Amendments tabled in committee		PE719.616	15/02/2022	
Amendments tabled in committee		PE704.821	15/02/2022	
Amendments tabled in committee		PE719.721	17/02/2022	
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	
Text adopted by Parliament, 1st reading/single reading		T9-0100/2023	18/04/2023	Summary
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
		COM(2021)0564		

Legislative proposal		14/07/2021	Summary
Document attached to the procedure	SWD(2021)0643	15/07/2021	
Document attached to the procedure	SEC(2021)0564	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	

National parliaments

Document type	Parliament /Chamber	Reference	Date	Summary
Contribution	ES_PARLIAMENT	COM(2021)0564	04/11/2021	
Contribution	ES_PARLIAMENT	SWD(2021)0644	04/11/2021	
Contribution	ES_PARLIAMENT	SWD(2021)0643	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
ESC	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

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

Rapporteurs, Shadow Rapporteurs and Committee Chairs

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) gmbH
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	Gesensschmiede 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
BJÖRK Malin	Shadow rapporteur	ENVI	05/04/2022	CEMBUREAU - The European Cement Association
CHAHIM Mohammed	Rapporteur	ENVI	05/04/2022	The European Steel Association

CHAHIM Mohammed	Rapporteur	ENVI	05/04/2022	PGE Polska Grupa Energetyczna SA
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

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

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

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.