
















# Procedure file

Basic information	
COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	2021/0214(COD) Awaiting Parliament's position in 1st reading
Carbon Border Adjustment Mechanism	
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 <a href="#">Joint Declaration 2021</a> <a href="#">Joint Declaration 2022</a>	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	 <a href="#">Environment, Public Health and Food Safety</a>	 <a href="#">CHAHIM Mohammed</a>	16/09/2021
		Shadow rapporteur	
		 <a href="#">JARUBAS Adam</a>	
		 <a href="#">ȘTEFĂNUĂ Nicolae</a>	
		 <a href="#">RIPA Manuela</a>	
		 <a href="#">GRISSET Catherine</a>	
		 <a href="#">TERTSCH Hermann</a>	
		 <a href="#">BJÖRK Malin</a>	
	Committee for opinion	Rapporteur for opinion	Appointed
 <a href="#">Development</a>	 <a href="#">INCIR Evin</a>	24/01/2022	
 <a href="#">Agriculture and Rural Development</a>	 <a href="#">KUŹMIUK Zbigniew</a>	17/09/2021	
 <a href="#">Internal Market and Consumer Protection</a>	The committee decided not to give an opinion.		
 <a href="#">Industry, Research and Energy</a> (Associated committee)	 <a href="#">KLOC Izabela-Helena</a>	01/10/2021	

[CARÊME Damien](#)INTA [International Trade](#)  
(Associated committee)

The committee decided not to give an opinion.

BUDG [Budgets](#)  
(Associated committee)

25/11/2021

25/11/2021

[FERNANDES José Manuel](#)[HAYER Valérie](#)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

14/07/2021	Legislative proposal published	<a href="#">COM(2021)0564</a>	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	<a href="#">A9-0160/2022</a>	Summary
07/06/2022	Debate in Parliament		
08/06/2022	Decision by Parliament, 1st reading		
22/06/2022	Decision by Parliament, 1st reading	<a href="#">T9-0248/2022</a>	Summary
22/06/2022	Matter referred back to the committee responsible		

## Technical information

Procedure reference	2021/0214(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
Legal basis	Rules of Procedure EP 198; Treaty on the Functioning of the EU TFEU 192-p1; Rules of Procedure EP 57
Mandatory consultation of other institutions	<a href="#">European Economic and Social Committee</a> <a href="#">European Committee of the Regions</a>
Stage reached in procedure	Awaiting Parliament's position in 1st reading
Committee dossier	ENVI/9/06928

Documentation gateway					
Legislative proposal		<a href="#">COM(2021)0564</a>	14/07/2021	EC	Summary
Document attached to the procedure		SEC(2021)0564	15/07/2021	EC	
Document attached to the procedure		SWD(2021)0643	15/07/2021	EC	
Document attached to the procedure		SWD(2021)0644	15/07/2021	EC	
Document attached to the procedure		SWD(2021)0647	15/07/2021	EC	
Economic and Social Committee: opinion, report		<a href="#">CES3871/2021</a>	08/12/2021	ESC	
Committee draft report		<a href="#">PE697.670</a>	21/12/2021	EP	
Committee opinion	AGRI	<a href="#">PE699.239</a>	12/01/2022	EP	
Amendments tabled in committee		<a href="#">PE704.821</a>	15/02/2022	EP	
Amendments tabled in committee		<a href="#">PE719.615</a>	15/02/2022	EP	
Amendments tabled in committee		<a href="#">PE719.616</a>	15/02/2022	EP	
Amendments tabled in committee		<a href="#">PE719.625</a>	16/03/2022	EP	
Committee opinion	DEVE	<a href="#">PE704.681</a>	28/03/2022	EP	
Committee opinion	ECON	<a href="#">PE702.961</a>	06/04/2022	EP	
Committee opinion	BUDG	<a href="#">PE700.589</a>	20/04/2022	EP	
Committee opinion	ITRE	<a href="#">PE703.112</a>	21/04/2022	EP	
Committee of the Regions: opinion		<a href="#">CDR4546/2021</a>	28/04/2022	CofR	
Committee report tabled for plenary, 1st reading/single reading		<a href="#">A9-0160/2022</a>	24/05/2022	EP	Summary
Text adopted by Parliament, partial vote at 1st reading/single reading		<a href="#">T9-0248/2022</a>	22/06/2022	EP	Summary

Additional information		
Research document	<a href="#">Briefing</a>	24/01/2022

## Carbon Border Adjustment Mechanism

**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

---

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

---

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.

Transparency				
CHAHIM Mohammed	Rapporteur	ENVI	15/02/2022	European Energy Exchange AG
CHAHIM Mohammed	Rapporteur	ENVI	08/03/2022	LyondellBasell Industries N.V.
CHAHIM Mohammed	Rapporteur	ENVI	17/03/2022	European Chemical Industry Council
CHAHIM Mohammed	Rapporteur	ENVI	22/03/2022	Wirtschaftsrat der CDU e.V.
CHAHIM Mohammed	Rapporteur	ENVI	30/03/2022	Korea Business Association Europe
CHAHIM Mohammed	Rapporteur	ENVI	30/03/2022	Corbion
CHAHIM Mohammed	Rapporteur	ENVI	01/04/2022	Carbon Market Watch Climate Action Network Europe World Wide Fund for Nature - Netherlands
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	19/04/2022	Natuur & Milieu
CHAHIM Mohammed	Rapporteur	ENVI	20/04/2022	Citizens' Climate Europe
CHAHIM Mohammed	Rapporteur	ENVI	04/05/2022	METINVEST Tonnaer Public Affairs
BJÖRK Malin	Shadow rapporteur	ENVI	16/09/2022	OXFAM INTERNATIONAL EU ADVOCACY OFFICE
BURKHARDT Delara	Member	28/04/2022	Industriegewerkschaft Bergbau, Chemie, Energie Verein Deutscher Zementwerke e.V.	