Factsheet

European Office

EU Carbon Border Adjustment Mechanism

Status 24.09.2021

Summary

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

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

Peter Liese, MEP, EPP group, Germany

Content

The proposal applies to imports from the Cement, steel, electricity, aluminium, fertilizers sectors with no allowance for export rebates. The system will mirror the current EU ETS where the importer will pay for certificates based on the CO2 content of the material imported at the average weekly EU ETS price. Only direct emissions in production are covered. Electricity emissions are omitted. EU ETS free allowance for the energy intensive sectors will continue in parallel until 2035. From 2026 onwards the revenue from the certificates will be collected nationally by authorities, most of it will accrue to the EU budget.

Pro

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

Contra

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

Our Evaluation

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

2026

Year of full implementation

You can find more information here.

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