EU Carbon Border Mechanism Four key elements of design

Mirror EU carbon pricing through new mechanism for imports into EU



Aligned with EU's international policies and legal commitments, including WTO compatibility

Addressed at companies, not countries, based on **actual carbon content** of imported goods.

Focus on carbon intensive sectors

Sectors

☐ In the **first phase**:



CEMENT IRON & STEEL



ALUMINIUM



FERTILISER



HYDROGEN

- ☐ Includes some precursors and downstream products
- **□** Selected on the basis of 3 criteria:
 - ✓ High risk of carbon leakage (High carbon emissions; High level of trade)
 - ✓ Covering more than >45% of CO2 emissions of ETS sectors
 - ✓ Practical feasibility
- ☐ In a **second stage**, potentially extended to other sectors based on criteria

Gradual implementation of CBAM

Gradual
phase-in
to allow
businesses to

adjust

Transitional phase

October 2023-December 2025

Monitoring and reporting **Implementing rules** to be adopted by the CBAM Committee



Post-transitional phase January

2026 onwards

Phase out of free allocation
Phase in of CBAM



Review

2025

Potential scope extension; Indirect emissions; Exports; Impact on LDCs; Progress made in international discussions on climate

