

Carbon Border Adjustment Mechanism (CBAM)



Background



- The EU has introduced the Carbon Border Adjustment Mechanism (CBAM) regulation to prevent “carbon leakage”. Carbon leakage occurs when companies based in the EU move carbon-intensive products abroad to countries where less stringent climate policies are in place outside the EU, or when EU products get replaced by more carbon-intensive non-EU products.
- CBAM is a tool to put a fair price on the carbon emitted during the production of carbon intensive goods that are entering the EU, and to encourage cleaner industrial production in non-EU countries.
- By confirming a price has been paid for the embedded carbon emissions generated in the production of certain goods imported into the EU, CBAM will ensure the carbon price of imports is equivalent to the carbon price of domestic production.



CBAM Timeline

- The CBAM regulation officially entered into force the day following its publication in the Official Journal of the EU on the 16th May 2023. The CBAM itself will enter its **transitional phase on 1 October 2023**, with the first reporting period for importers ending 31 January 2024.
- **The transition period will initially apply to imports of certain goods whose production is carbon intensive and has most significant risk of carbon leakage.**
- The objective of this transition period is to serve as a pilot and learning period for all stakeholders (importers, producers and authorities) and to collect useful information on embedded emissions to refine the methodology for the definitive period
- **The transitional period is the 1st October 2023 to 31st December 2025.** Once the permanent system enters into force on **1 January 2026**, importers will need to declare each year the quantity of goods imported into the EU in the preceding year and their embedded GHG.



Carbon Intensive Products



- The following Six categories have been highlighted as carbon intensive products that will be included during the transitional period.

1. Cement (Calcined clay, cement clinkers, artificially coloured cement and aluminous cement).

2. Electricity


3. Fertilizer (Nitric acid, urea, ammonia, and mixed fertilizers).

4. Iron and Steel (Sintered Ore, Pig Iron, FeMn, FeNi, FeCr, DRI, Crude Steel and Iron or steel products).

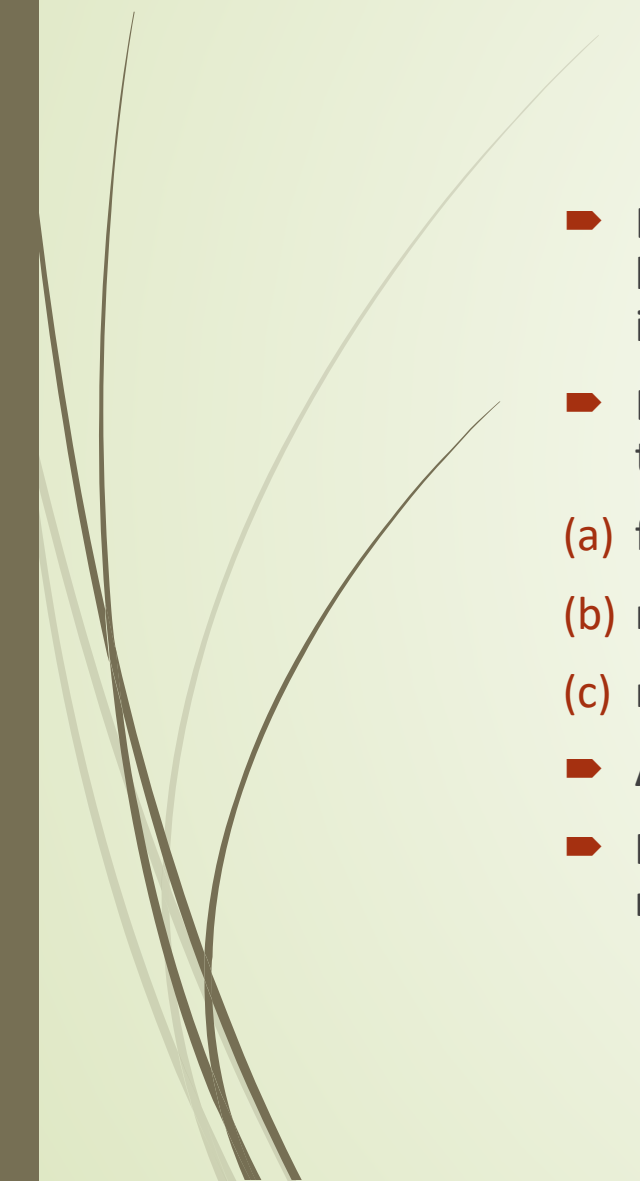
5. Aluminium (Aluminium products).

6. Chemical (Hydrogen).


- Guidance for each category includes special provisions and production routes for each category



Transition Period



- During the transition period, importers of goods in the scope of the new rules will only have to report greenhouse gas emissions (GHG) embedded in their imports (direct and indirect emissions), **without making any financial payments or adjustments.**
- During the first year of implementation, companies will have the choice of reporting in three ways:
 - (a) full reporting according to the new methodology (EU method);
 - (b) reporting based on equivalent third country national systems; and
 - (c) reporting based on reference values.
- **As of 1 January 2025, only the EU method will be accepted.**
- **Importers will be asked to collect fourth quarter data as of 1 October 2023, their first report will have to be submitted by the end of January 2024.**



Permanent System

- Once the permanent system enters into force on 1 January 2026, importers will need to declare each year the quantity of goods imported into the EU in the preceding year and their embedded carbon emissions.
- The EU importer must declare by 31 May each year the quantity of goods and the embedded emissions of any goods imported into the EU in the preceding year. At the same time, the importer surrenders the number of CBAM certificates that corresponds to the amount of greenhouse gas emissions embedded in the products.
- The price of CBAM certificates will be calculated depending on a weekly average auction price of EU Emission Trading System (ETS) allowances expressed in €/tonne of CO₂ emitted.
- If importers can prove, based on verified information from third country producers, that a carbon price has already been paid during the production of the imported goods, the corresponding amount can be deducted from their final bill.
- Annex tables have been published to assist in counting carbon emissions.



CBAM Guidance Documents

- **CBAM regulation in the Official Journal of the EU (Published 17th May 2023)**
- **CBAM Implementing Regulation for the transitional phase (Published 17th August 2023)**
- **Annexes to the CBAM Implementing Regulation for the transitional phase (Published 17th August 2023)**



Carbon Designer Tool

- The Irish Green Building Council (IGBC) have designed the Carbon Designer tool to help estimate the carbon impact of a project at an early stage of building design.
- The tool demonstrates the overall carbon impact using different material build ups for large building elements such as floors, walls and roofs.
- Using the tool at design stage promotes using sustainable materials to reduce carbon emissions during construction.
- The Carbon Designer tool is accessible at: <https://www.igbc.ie/carbon-designer-for-ireland/>