European Commission

Navigating the Carbon Border Adjustment Mechanism

11 May 2026

Agenda

1. **What is CBAM**
2. State of play of CBAM implementation
3. Q&A

European Commission

CBAM: tackling carbon leakage and driving decarbonisation

Mirroring EU **ETS** through new mechanism for imports into the EU

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

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

Focusing on **carbon-intensive sectors**

Taking into account **carbon price effectively paid by third-country operator**

What are the sectors in the scope of the EU CBAM?

IRON & STEEL

ALUMINIUM

CEMENT

FERTILISER

HYDROGEN

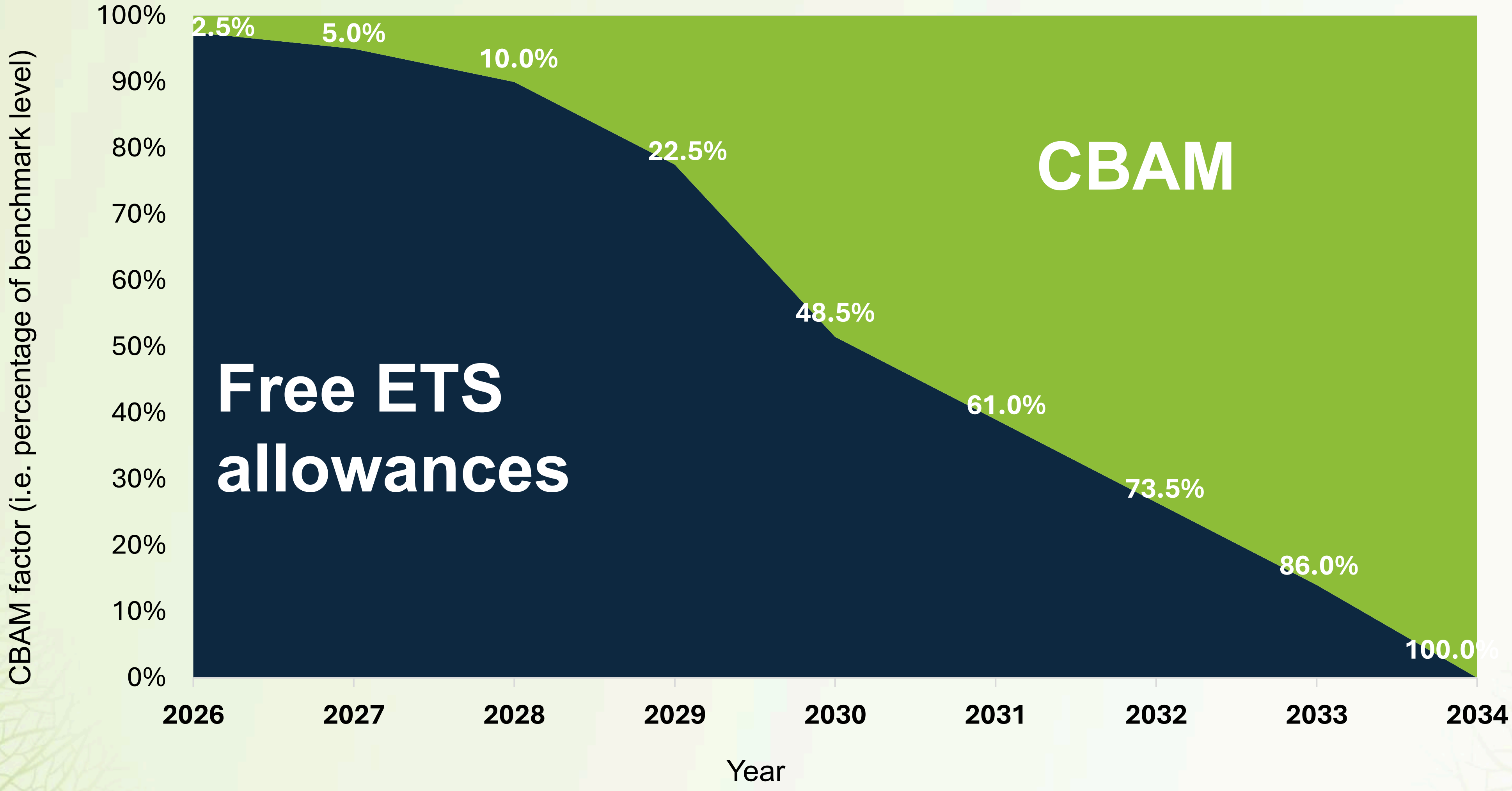
ELECTRICITY

- **6 sectors selected on the basis of 3 criteria**:
  - ✓ *High risk of carbon leakage (high carbon emissions; high level of trade)*
  - ✓ *Covering large share of greenhouse gas emissions of EU ETS sectors*
  - ✓ *Practical feasibility*

- **Exclusions (50 tonnes per importer/year / countries linked with the EU ETS)**

- **Emissions scope**: (Scope 1) Direct emissions + (scope 2) indirect emissions from electricity (only for Cement and Fertilisers)

Phasing-out of free allocation and phasing-in of CBAM



Calculation of the adjustment

Number of certificates	Price of certificates	Obligation and adjustment
[Actual embedded emissions − Emissions covered by free allocation] × Amount of goods	× EU ETS price	= CBAM Obligation
		− Carbon price effectively paid abroad
		= Adjustment

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Gradual implementation of CBAM

Transitional period
October 2023 - December 2025

Post-transitional period
January 2026 onwards

2023 | 2024 | 2025 | 2026

A learning phase

Monitoring and reporting

- Total quantity of goods imported during the preceding quarter
- Total embedded direct and indirect emissions
- The carbon price due in the country of origin for the embedded emissions
- No verification

CBAM Simplification – *February 2025*

Communication on carbon leakage – Q2 2025

Review Report – *December 2025*

- Experience with CBAM's application in the two-year transitional period
- Assessment of scope extension post 2026
- Impact on LDCs

Legislative proposal to extend CBAM to certain downstream goods, strengthen its anti-circumvention effectiveness and clarify rules for electricity. Temporary Decarbonisation Fund

Start of **gradual phase-in** of CBAM/phase-out of free ETS allocation.
CBAM fees paid yearly; annual reporting; verification

October 2025 - Simplifications to the CBAM Regulation

Simplifications with legal proposal under **Omnibus Simplification Package,** tabled on 26 February adopted in October 2026. Included:

- A **new CBAM de minimis threshold to exclude small EU importers with low emissions** and reduce overall compliance cost
  - A new **de minimis ensuring that at least 99% of emissions** remain in scope → threshold set at **50 t mass** of imported goods (iron and steel, aluminium, cement and fertilisers) per importer per year.
- Allow to use **default carbon prices** to facilitate the claim of a reduction for an effective carbon price paid in a third country (as alternative to evidencing an actual payment)

CBAM Delivery Overview

(Art. 30) Review Report

- ✓ Assessing remaining risks of carbon **leakage**
- ✓ Assessment of **scope extension** post 2026 to:
  - EU ETS sectors at risk of carbon leakage (refineries, chemicals, paper, pulp) + input material (precursors)
  - downstream products which are at risk of carbon leakage
  - indirect emissions
- **Impact on LDCs**
- **Assessment of Ukraine and proposed simplifications**

Adoption of CBAM secondary acts:

- Implementing act on methodology
- Implementing act on default values
- Implementing act on verification
- Implementing act on customs communication
- Implementing act on price of CBAM certificates
- Implementing act on free allocation adjustment
- Implementing act on authorisations (revision)
- Implementing act on CBAM registry (revision)
- Delegated act on accreditation and verification

Strengthening the CBAM regulation

- ✓ Additional anti-circumvention measures
- ✓ Extension to downstream products
- ✓ Clarifying rules for electricity

Temporary Decarbonisation Fund

- to support EU producers at remaining risk of carbon leakage

Review report: Art. 30 of CBAM

- Experience with CBAM's application in the **two-year transitional period**, October 2023 to end-2025
- CBAM is **an engine for global industrial decarbonisation-** it has contributed to addressing carbon leakage and fostering global carbon pricing.
- **Already 80 carbon pricing instruments implemented** in 95 jurisdictions, with their coverage reaching about 28% of global greenhouse gas emissions in 2025.
- CBAM contributed to progress in international climate discussions, facilitated by outreach and technical aid.
- Impact of CBAM on LDCs, developing countries and neighbourhood countries relatively minor (less than 0.01% of GDP of LDCs).
- Second report **planned for 2027** on further scope extension **to indirect emissions from CBAM goods** (iron and steel, aluminium and hydrogen) and **to other sectors**.

Downstream extension: New goods to be added

Downstream good category	Number CN codes
Industrial Machinery & Machine Tools	34
Vehicles & Chassis	39
Metal Hardware & Fabrications	28
Vehicle Components & Systems	21
Domestic Appliances & Consumer Goods	18
Construction & Lifting Equipment	17
Engines, Motors & Power Generation	7
Electrical & Electronic Components	6
Medical, Laboratory & Safety Devices	5
Agricultural & Lawn Equipment	5
Total	**180**

- In terms of value, the current CBAM scope of **571 CN codes accounts for EU imports of about EUR 100 billion** (out of which EUR 80 billion comes from iron and steel and aluminium)
- The extension would add **180 CN codes** around **55 billion** in value add another **55% in value terms by increasing the scope by 30%** in CN code terms.
- **The vast majority, 94%, of these downstream goods concerned are industrial supply chain products with a high (on average 79%)** steel and aluminium content, used in heavy machinery and specialised equipment, such as base metal mountings, cylinders, industrial radiators, or machines for casting.
- **A small share, 6%, of the downstream goods concerned are also household goods, such as washing machines**.
- Use of actual emissions remains the priority in the determination of embedded emissions
- In case of use default value, **no mark-up**

State of play of the CBAM implementation

Downstream extension proposal

Secondary CBAM legislation adopted

Q2: Secondary Legislation on Carbon Price

Q2: Guidance documents on methodology for emission calculation, verification and carbon price (incl. JP translation)

Implementation of CBAM downstream extension

Transitional period October 2023 - December 2025

Definitive period January 2026 onwards

2025	2026	2027	2028
Third country operators and EU declarants open account in the CBAM registry	Operators monitor emissions during full calendar year	Operators calculate emissions embedded in CBAM goods produced during 2026	
	Verifiers apply for CBAM accreditation and can intiate verification work (contracts, documentation review, etc…)	Verifiers issue verification report for 2026 emissions	
		EU declarants submit CBAM declaration (using default or actual verified emissions) and surrender corresponding CBAM certificates by 30 September	

Supporting Material

- CBAM Legislation and Guidance
- CBAM Registry and Reporting
- CBAM Communication and FAQs
- Training catalogue and recorded webinars
- Subscribe to the CBAM newsletter

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Thank you!

If you have any questions, please contact us:

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