



## **The Carbon Border Adjustment Mechanism starts applying in its transitional phase as of 1 October: Commission consults on reporting obligations**

Brussels, 13 June 2023

The European Commission published today [a first call for feedback](#) on the rules governing the implementation of the Carbon Border Adjustment Mechanism (CBAM) during its transitional phase, which starts on 1 October of this year and runs until the end of 2025. The draft Implementing Regulation published today details the reporting obligations and information sought from EU importers of CBAM goods, as well as the provisional methodology for calculating embedded emissions released during the production process of CBAM goods.

In the CBAM's transitional phase, traders will only have to report on the emissions embedded in their imports subject to the mechanism without paying any financial adjustment. This will give time for businesses to prepare and will provide the necessary information to fine-tune the definitive methodology by 2026.

The draft Implementing Regulation provides for some flexibility when it comes to the values used to calculate embedded emissions on imports. 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.

This gradual approach will give producers time to adapt in a predictable manner. The Commission is also developing dedicated IT tools to help importers perform and report these calculations, as well as in-depth guidance, training materials and tutorials to support businesses when the transitional mechanism begins. While importers will be asked to collect fourth quarter data as of 1 October 2023, their first report will only have to be submitted by the end of January 2024.

In a fully transparent process, the Commission informally consulted an [Expert Group](#) with the full involvement of third countries, stakeholders and industry while preparing the reporting obligations.

The public consultation can be found [online](#) and feedback is welcome from business, academia, civil society and the general public until 11 July. Stakeholders are asked to focus their feedback on the specific implementing rules contained in the draft legislation, rather than on the CBAM Regulation itself.

### **Next steps**

The Implementing Regulation will be formally adopted by the Commission later this summer after a vote in the CBAM Committee, composed of representatives from EU Member States.

### **Background**

As one of the key policies in the EU's ambitious fight against climate change agenda, CBAM is an essential pillar of the [Fit for 55 Package](#) and is the EU's landmark tool to fight carbon leakage. Carbon leakage occurs when companies based in the EU move carbon-intensive production abroad to take advantage of lax standards, or when EU products are replaced by more carbon-intensive imports.

As an environmental policy measure, CBAM complements and reinforces the existing carbon pricing mechanism in the EU established in 2005 with the EU Emissions Trading System (ETS) Directive, by reflecting its effects on imports. More specifically, CBAM targets energy-intensive companies exporting specific goods to the EU. This green measure does not apply to countries but to companies which it encourages to decarbonise. CBAM represents an opportunity for third country producers to develop climate policies and methodologies, as it is designed to take all decarbonisation efforts into account. Because the same carbon price is being applied to both EU and non-EU producers, the CBAM does not discriminate among products or countries and fully supports third-country producers' path towards decarbonisation.

The purpose of the transitional period is to collect data that will help fine-tune the shape of CBAM in

view of its definitive phase from 2026. To this end, the Commission will prepare a report to the European Parliament and to the Council and will, if appropriate, make a proposal to modify the regulation by mid-2025. In any case, a new methodology for the definitive phase will be developed in 2025 in another Implementing Regulation that will also be published for feedback.

The present consultation is the first opportunity to '*have your say*' on the transitional implementation of CBAM. During the transitional period, the Commission will also publish calls for feedback on the 13 other pieces of secondary legislation (implementing and delegated acts) to be put in place before CBAM becomes operational in its definitive phase on 1 January 2026.

More information on CBAM can be found [here](#).

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