



Carbon Border Adjustment Mechanism

Securing a Green Recovery
on a Path to Net Zero

House keeping



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- > Webinars will be recorded
- > Slides will be made available

Agenda

Carbon Border Adjustment Mechanism (CBAM)



> EU:

- Concept
- Timeline
- Mechanism
- Obligations

> UK:

- Impact
- Rationale
- Timeline

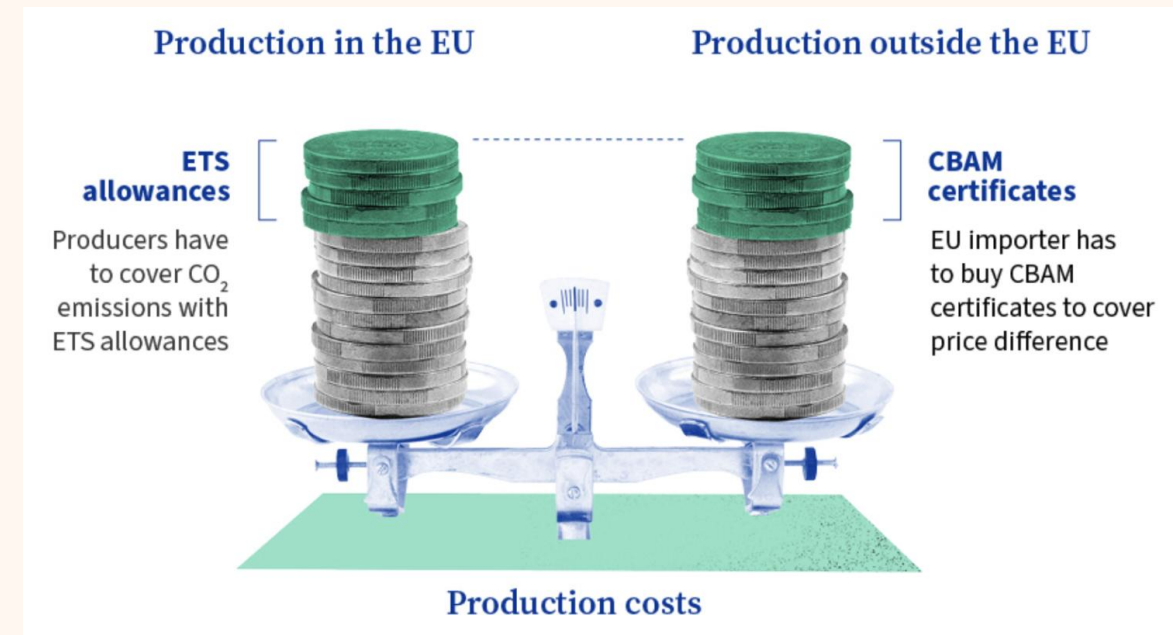
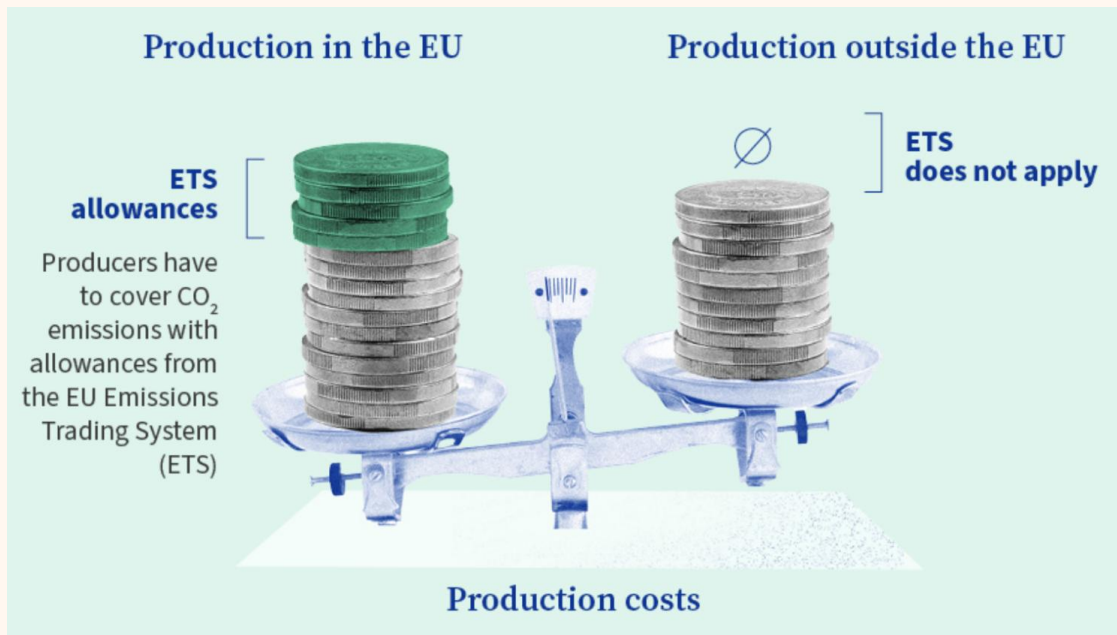
Carbon Border Adjustment Mechanism



Concept

Carbon Border Adjustment Mechanism (EU)

Concept



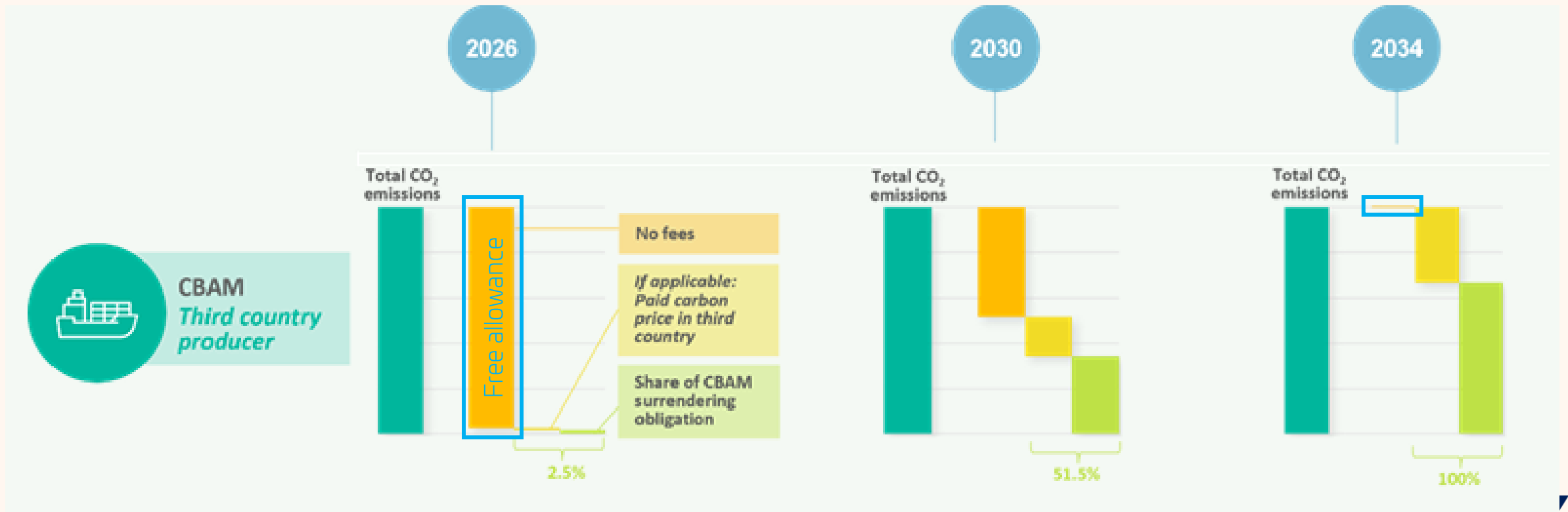
Carbon Border Adjustment Mechanism



Timeline

Carbon Border Adjustment Mechanism (EU)

Timeline



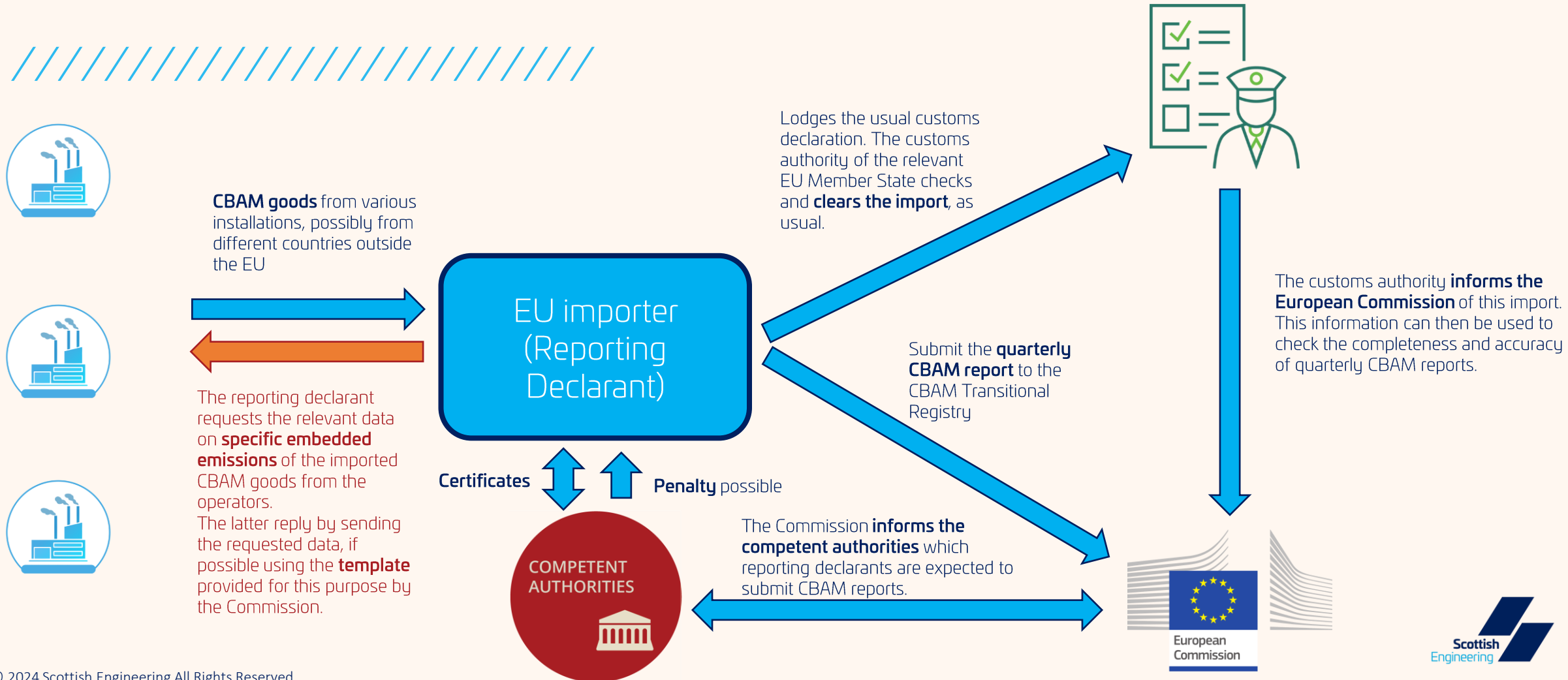
Carbon Border Adjustment Mechanism



Mechanism

Carbon Border Adjustment Mechanism (EU)

EU – mechanism



Carbon Border Adjustment Mechanism



CBAM obligation

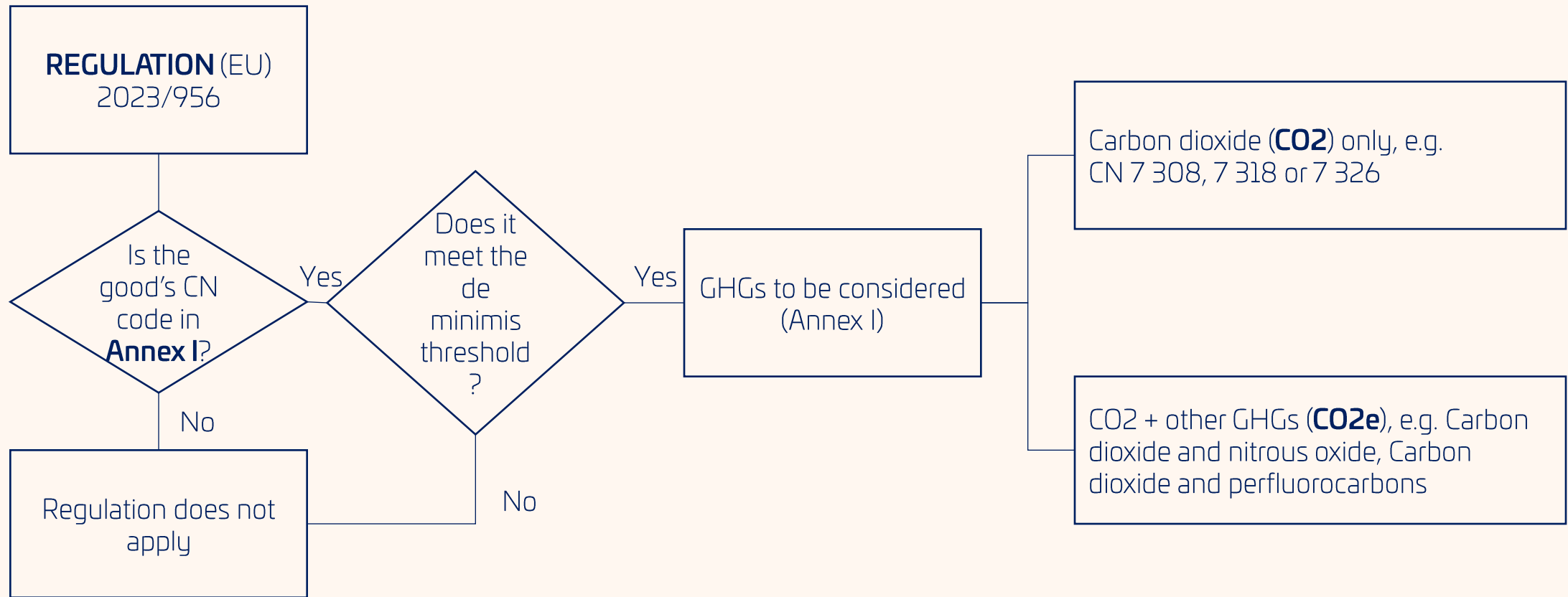
Carbon Border Adjustment Mechanism (EU)

Regulation and Proposed Amendments



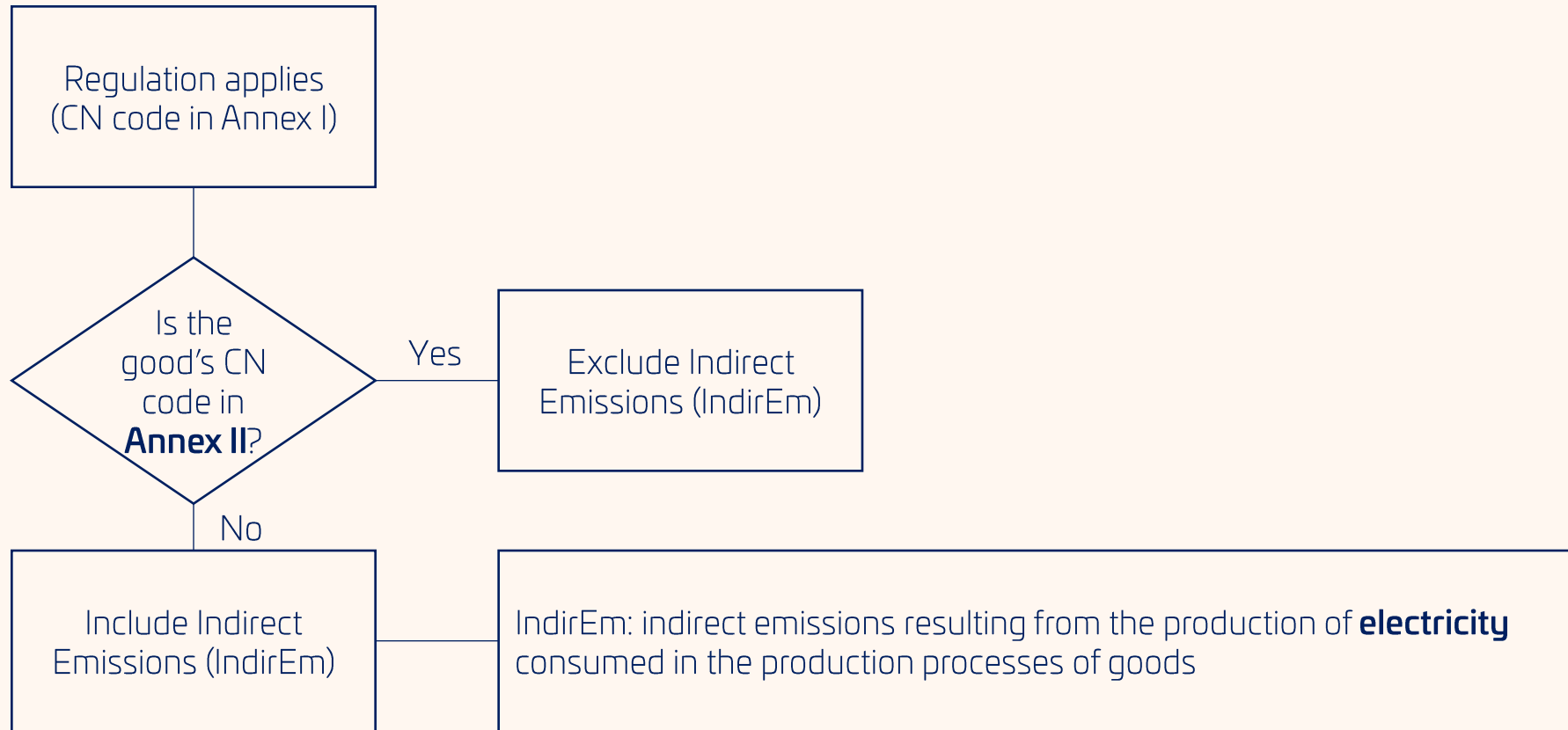
- > **REGULATION** (EU) 2023/956 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 10 May 2023 establishing a **carbon border adjustment mechanism**
- > By way of **derogation** from paragraphs 1 and 2, importers, including authorised CBAM declarants, shall be exempted from the obligations under this Regulation, where the **goods listed in Annex I**, with the exception of electricity and hydrogen, **do not exceed**, cumulatively per calendar year, the mass-based threshold laid down in point 1 of Annex VII - CBAM cumulative **annual threshold of 50 tonnes per importer**. (currently €150 per consignment)
- > **Reporting** deadlines: By 31 August of each year, and for the first time in 2027 for the year 2026.

Applicability (Art.2)



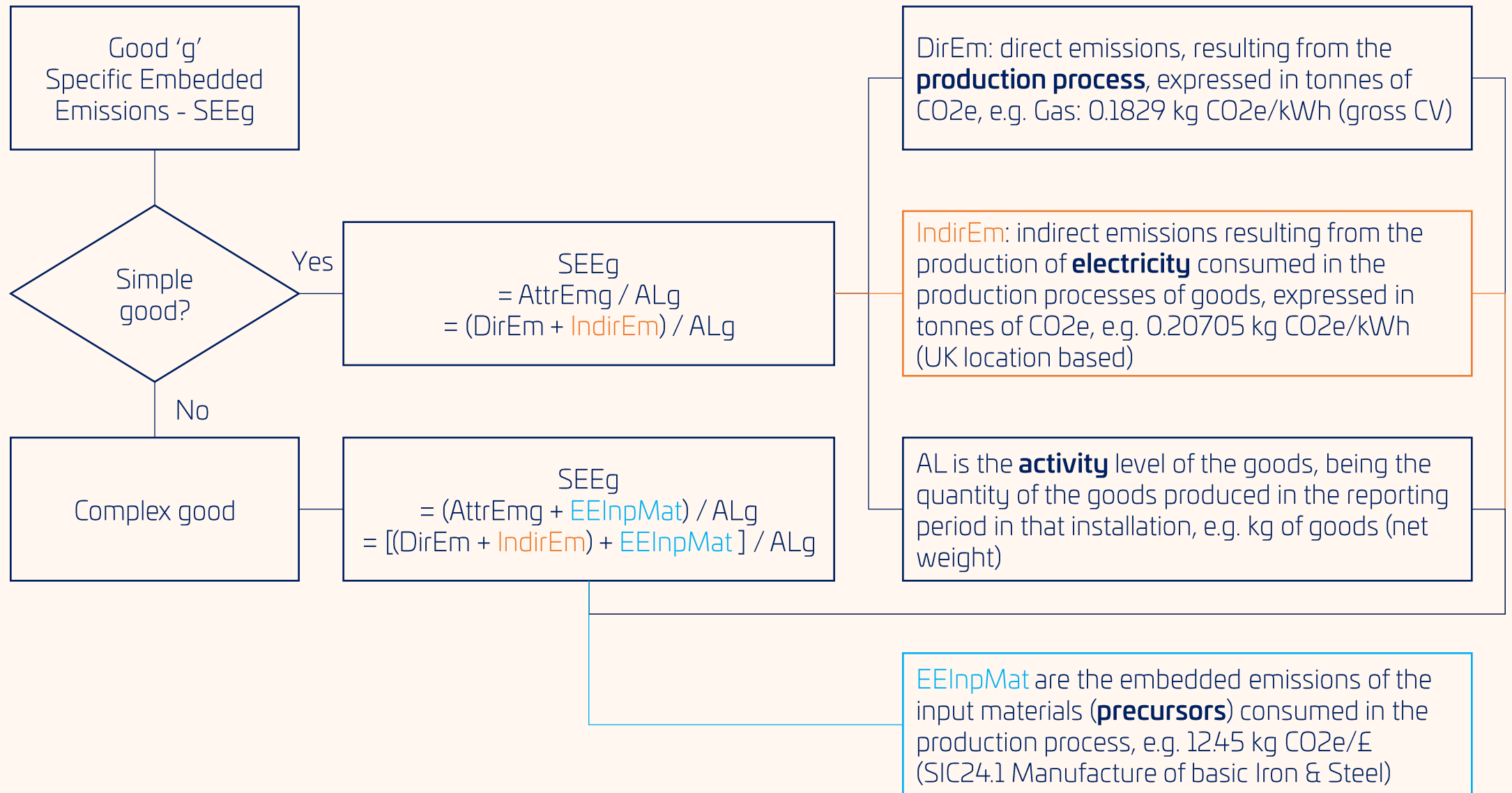
- The **CN codes** shall be those under Regulation (EEC) No 2658/87.
- The Regulation shall apply to goods falling under the Combined Nomenclature ('CN') codes set out in **Annex I**.
- The **greenhouse gases** (GHGs) relating to goods referred to in Annex I, shall be those set out in Annex I for the goods concerned.

Indirect Emissions (Art.7.1)



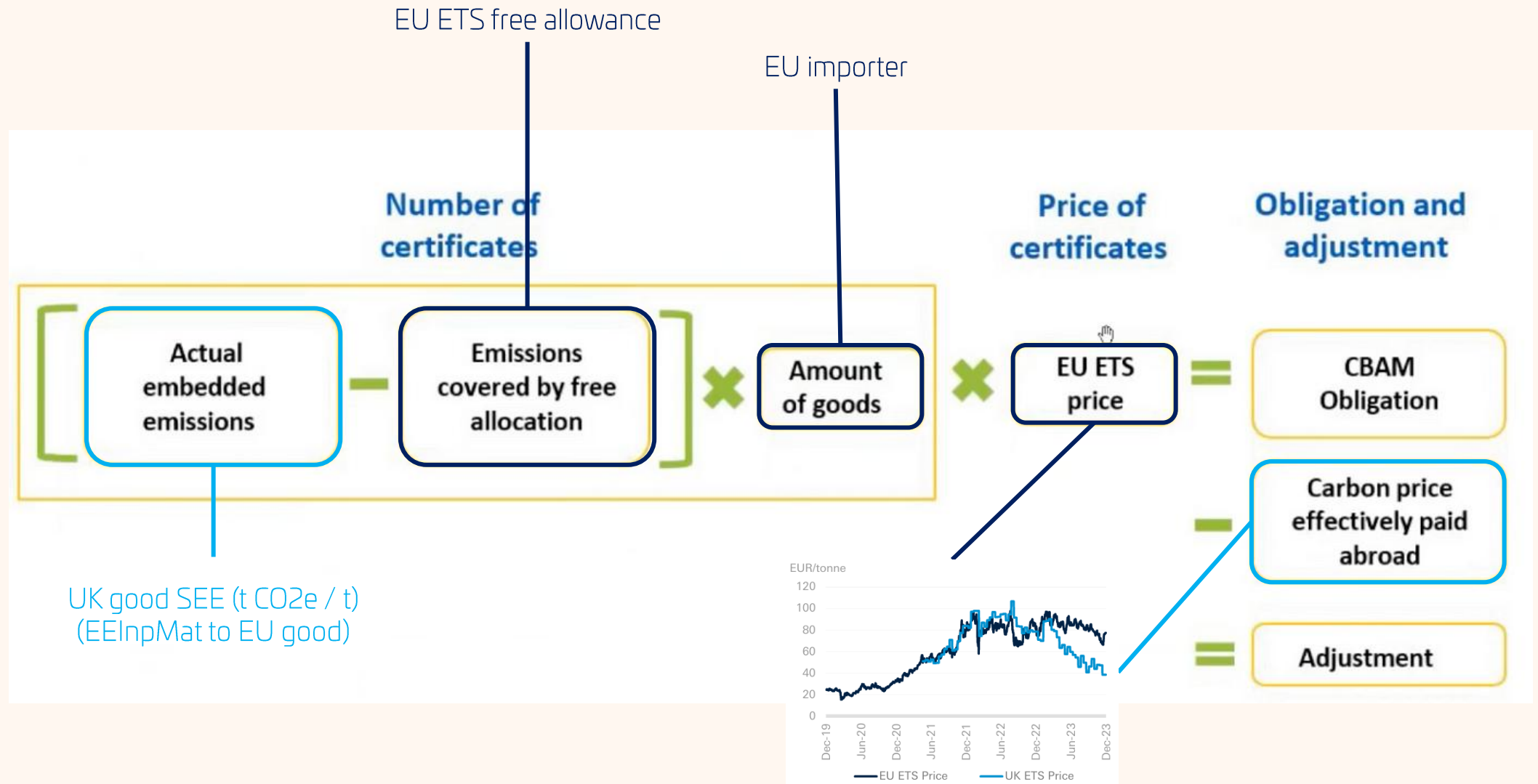
- For products that contain more than 5 % by mass of other materials, e.g. insulation materials in CN code 7309 00 30, only the **mass of iron or steel** shall be reported as the mass of the goods produced.
- For goods listed in **Annex II** only direct emissions shall be calculated and taken into account
- Source of confusion: whilst **precursor's** embedded emissions are **indirect** as they do not occur at the facility, they are **not excluded** for complex goods.

Embedded Emissions



- **Simple goods:** goods produced from fuels and raw materials considered to **have zero embedded emissions** under CBAM.
- Complex goods: goods produced from other CBAM goods (does have some embodied emissions from upstream materials.)
- For direct or indirect determination methods, a method is deemed suitable where the determination of the specific data set are carried out by applying methods defined in relevant **EN or ISO standards**.

EU CBAM calculation



- ❑ UK ETS prices paid by UK steel producers would potentially qualify for consideration under the CBAM's provisions for third-country carbon pricing

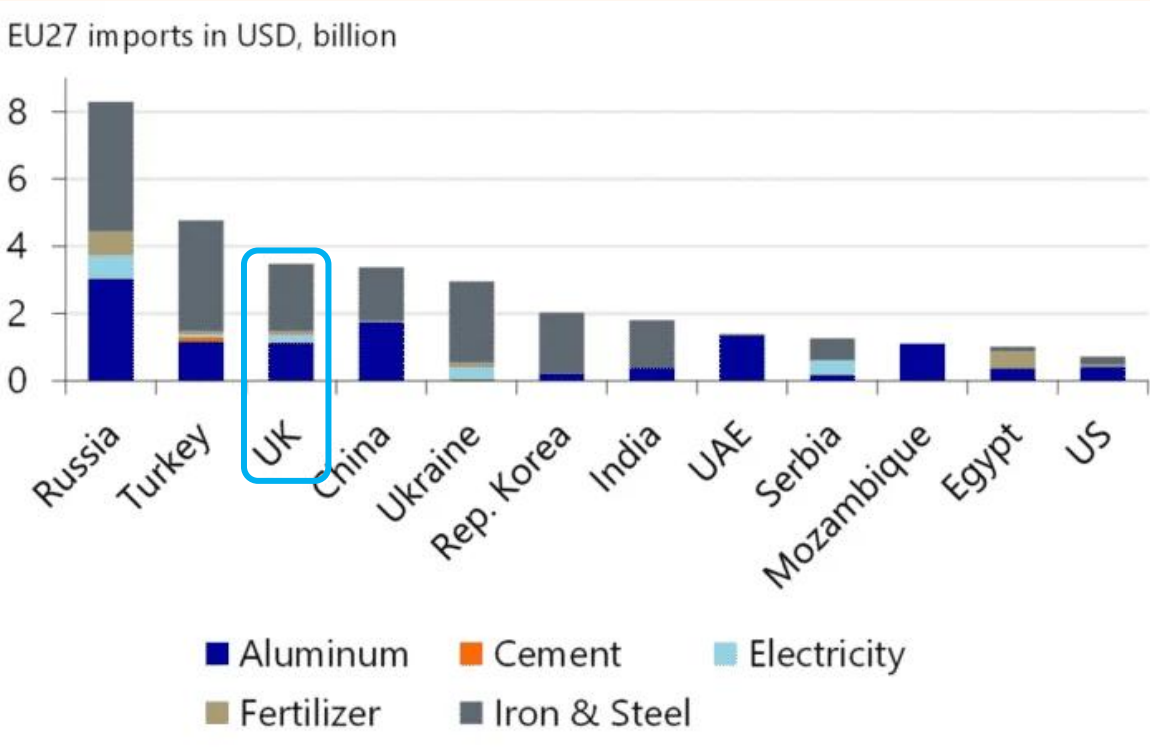
Carbon Border Adjustment Mechanism



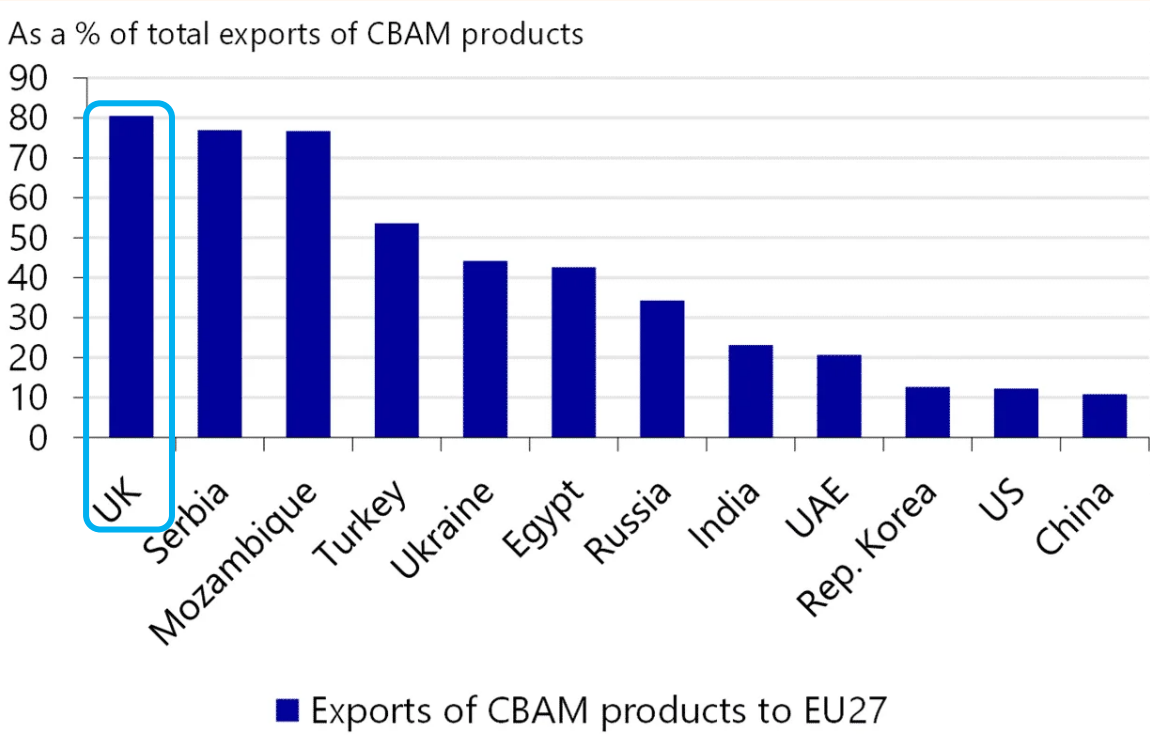
Impact on the UK

Carbon Border Adjustment Mechanism (UK)

Impact outside the EU



❑ The EU imports almost \$4billion worth of UK CBAM products



❑ 80% of UK CBAM products are exported to the EU

Carbon Border Adjustment Mechanism



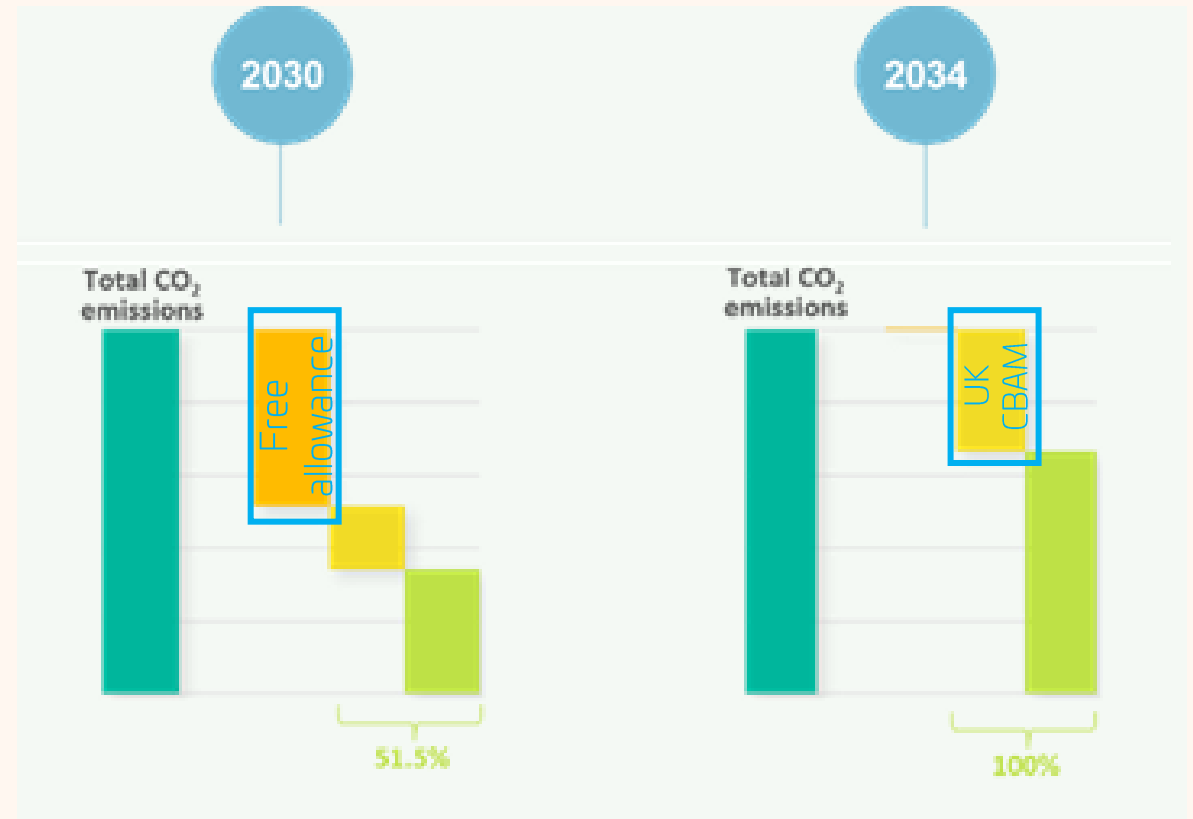
Rationale for a UK CBAM

Carbon Border Adjustment Mechanism (UK)

Revenue



- ❑ REGULATION (EU) 2023-956 should **apply to goods** imported into the customs territory of the Union from third countries, **except** where their production has **already been subject to [...]** to a **carbon pricing system that is fully linked with the EU ETS**.
- Governments will put in place domestic carbon prices to capture some of the revenue that would otherwise be taken by the EU CBAM.



Carbon Border Adjustment Mechanism



UK CBAM timeline

Carbon Border Adjustment Mechanism (UK)

1 January 2027 implementation



- > The UK CBAM will place a carbon price on imported industrial goods from the **aluminium**, cement, fertiliser, hydrogen, **iron and steel sectors** ⇒ same sectors than EU CBAM
- > The UK CBAM will be applied to '**direct**', '**indirect**' and select '**precursor**' product emissions embodied in imported CBAM goods ⇒ equivalent to EU CBAM for complex goods.
- > The UK CBAM rate will be set every quarter by the UK government, based on **UK ETS carbon prices**, as the EU CBAM pricing is based on the EU ETS carbon prices. An import levy will be applied to those goods which fall into the sectors covered by the UK CBAM ⇒ UK ETS vs EU ETS
- > The minimum registration threshold for liable UK importers will be a value of **£50,000 over a 12-month** rolling period ⇒ £50k vs 50 tonnes

Carbon Border Adjustment Mechanism (UK)

Consultation



- > Preliminary consultation outcome on UK CBAM (2024):
[Introduction_of_a_UK_carbon_border_adjustment_mechanism_from_January_2027.docx.pdf](#)
- > Draft legislation: [Draft Finance Bill Measures](#)
- > Consultation on draft legislation is open for feedback, closing at 11:59pm on 3 July 2025
 - Part 1 – Introduction
 - Part 2 – Registration
 - Part 3 – Payment, accounting periods and returns
 - Part 4 – Determination and evidence of emissions and carbon price relief
 - Part 5 – Measurement of weight
 - Part 6 – Records
 - Part 7 – Group treatment
 - Part 8 – Artificial separation of business activities
 - Part 9 – Death, incapacity and insolvency
 - Part 10 – Recovery
 - Part 11 – Repayments
 - Part 12 – Penalties
 - Part 13 – Reviews and appeals
 - Part 14 – Interpretation

Carbon Border Adjustment Mechanism



Takeaway

Carbon Border Adjustment Mechanism

Summary



- > ETS addresses emissions – the polluter pays
- > CBAM addresses competitiveness – put a fair price on the carbon emitted during the production of goods imported
- > EU ETS and EU CBAM are in place, operational and aligned
- > UK ETS is in place, UK CBAM will be implemented later (1 January 2027): not if but when
- > CBAM folder in Net Zero Library (free to members): [A SMART roadmap to Net Zero](#)



Thank you



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