Making CBAM work in a Portfolio of Measures

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CBAM Design with

Specific carbon intensity of trade partners to encourage carbon pricing and mitigation.
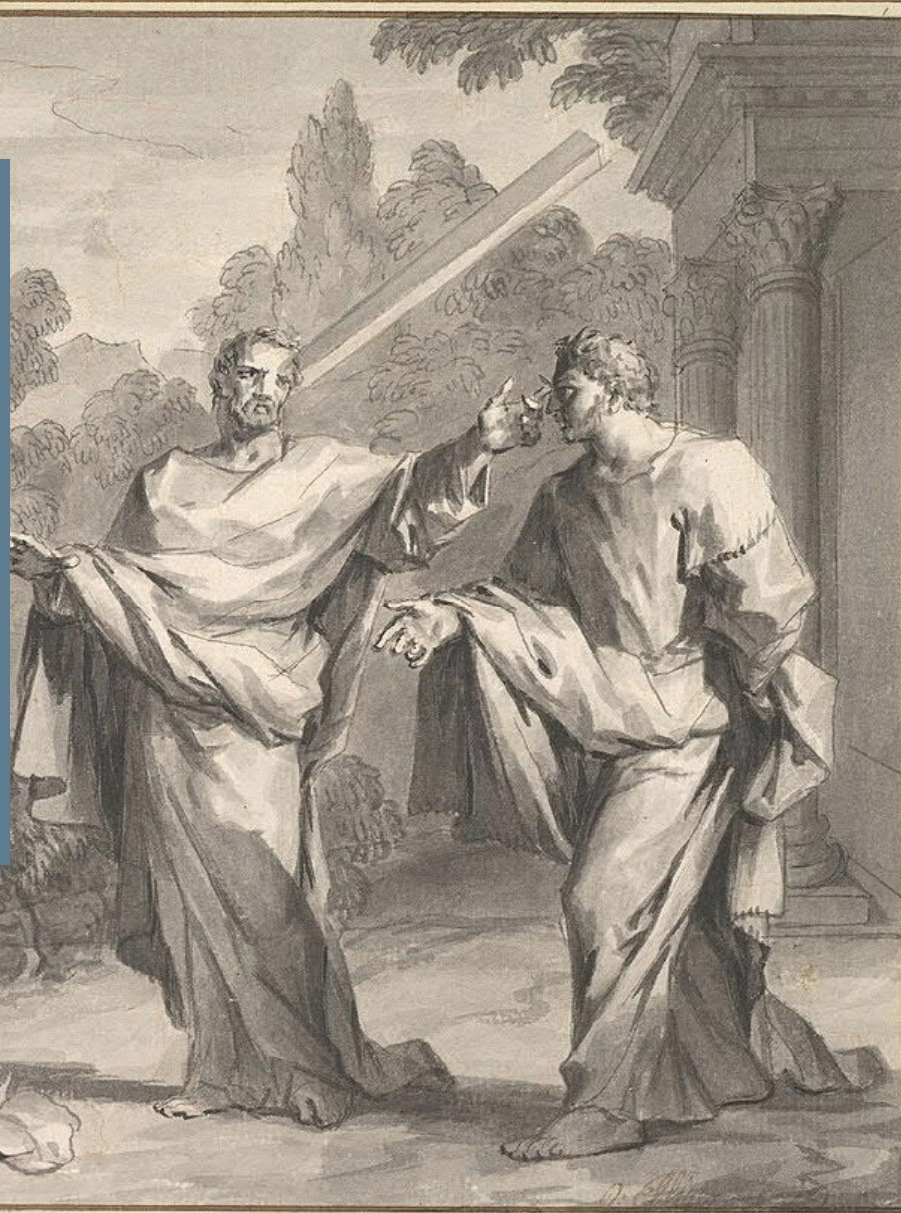
Standardised values per material group to covere value chain and exports.

Limits applicability (exports, indirect, value chain, resource shuffling)

Other instruments for international co-operation.

Commission proposal

Climate contribution

Key design elements of CBAM with standardized values, also referred to as climate contribution or excise option
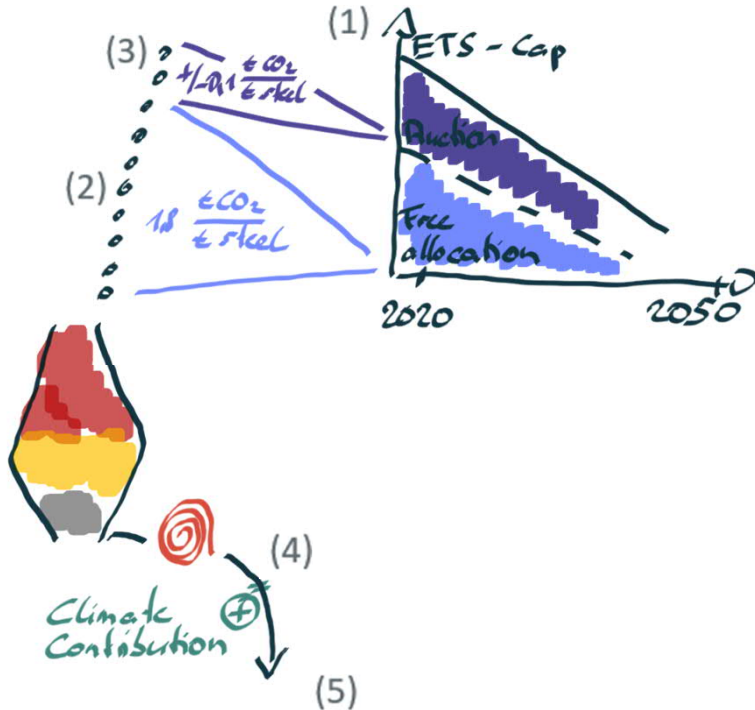
- Producers of basic material liable for climate contribution per ton of material
- Revenues fund carbon contracts for difference for climate neutral processes
- Imports of materials in products also covered, liability waved for exports

- Assessed positively in support study on CBAM options to EU Commission.
- It uses established instruments, which makes it easier to implement.
- Meets WTO and administrative requirements avoiding risks and uncertainties.

- Differing from EU proposal, it does not incentivize climate action in third countries.
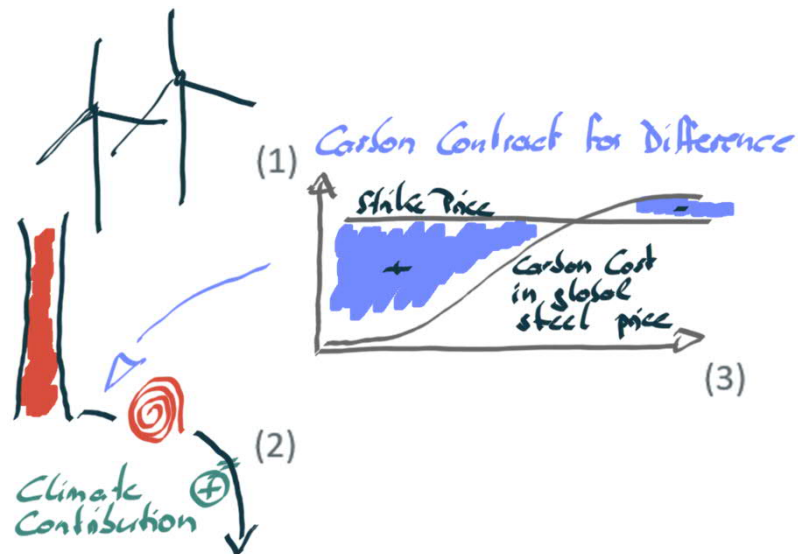- But provides example and framework to convene carbon pricing alliance.

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(1) All emissions covered by EU ETS: Carbon price adjusts to secure emission cap

(2) Existing plants obtain free allowances at level of best conventional technology if they implement transition strategy

(3) EU ETS coverage ensures incentives to improve performance of existing plants

(4) Producers are liable for climate contribution on material produced at level of best conventional technology

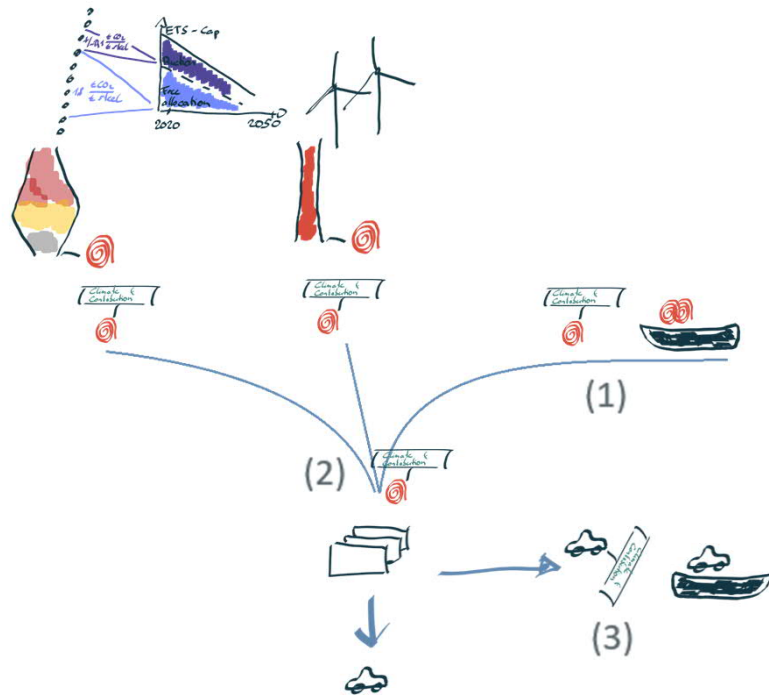(5) This creates incentives for efficient material use and recycling

Auction $0,1\ t_{CO2}/t_{steel}$ * $60\ €/\ t_{CO2}$ = $6\ €/t_{steel}$

CC $\quad 1,8\ t_{CO2}/t_{steel}$ * $60\ €/\ t_{CO2}$ = **$108\ €/t_{steel}$**

$114\ €/t_{steel}$

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(1) Incremental costs of climate neutral production processes supported with carbon contracts for difference

(2) Climate contribution ensures EU scale funding and correct product pricing

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(1) Not only domestic producers but also importers liable for climate contribution

(2) Liability for paying climate contribution can be passed to buyer

(3) Liability is waived, if buyer of product is outside of EU

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Closing the green deal for industry

https://climatestrategies.org/publication/closing-the-green-deal-for-industry/