



Border Carbon Adjustment in the EU: ENVI Position

Synoptic Overview of ENVI Committee Changes

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Roundtable on
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Amendments in the ENVI Report (1)

CBAM Design Element	ENVI Final Report	Amendment #	Commission Proposal
Scope: Covered Products	- From outset: Aluminium, cement, electricity, fertilisers, iron and steel, hydrogen, organic chemicals, and polymers - By 2030: all EU ETS sectors (priority to those most exposed to CL and most carbon intensive) - Possibility for EC to add downstream products with significant share of covered goods through delegated acts	CA12	Aluminium, cement, electricity, fertilisers, and iron and steel
Scope: Covered Emissions	Direct emissions and indirect emissions from electricity	CA5	Direct emissions only

Amendments in the ENVI Report (2)

CBAM Design Element	ENVI Final Report	Amendment #	Commission Proposal
Scope: Trade Flows	Imports only, but EC to assess annually CBAM effectiveness in addressing CL risk from EU exports , and where appropriate present a legislative proposal to address the risk.	CA12	Imports only
Timeline	Transitional phase: 2023-2024 Free allocation phase-out: 2025-2030	CA12	Transitional phase: 2023-2025 Free allocation phase-out: 2026-2035
Policy Crediting	Explicit foreign carbon pricing only (clarification)	CA15	Foreign carbon pricing only

Amendments in the ENVI Report (3)

CBAM Design Element	ENVI Final Report	Amendment #	Commission Proposal
Determination of embedded emissions (products)	Products: - Based on actual emissions at installation level, with - fallback default values for each exporting country and each good set at the average emission intensity of the 10 per cent worst performing installations in each exporting country, or - when reliable data for the exporting country cannot be applied default set at the average emissions intensity of the 5 per cent worst performing EU installations	CA6	Products: - Based on actual emissions at installation level, with - fallback default values for each exporting country and each good set at the average emission intensity of each exporting country and for each good, increased by a mark-up, or - when reliable data for the exporting country cannot be applied default set at the average emissions intensity of the 10 per cent worst performing EU installations

Amendments in the ENVI Report (4)

CBAM Design Element	ENVI Final Report	Amendment #	Commission Proposal
Determination of embedded emissions (electricity)	Electricity: - Based on actual verified emissions. - Default values based on the 10 per cent worst performing installations producing electricity in the third country if data on actual emissions is unavailable. - Where no specific default value has been determined for a third country, the default value shall represent the CO2 emission factor of fossil-fuel generation in the EU.	CA5, CA6	Electricity: - Based on third-country specific default values based on the best data available to EC determining the average CO2 emission factor of price-setting sources in the third country, or - if certain conditions are met based on actual emissions

Amendments in the ENVI Report (5)

CBAM Design Element	ENVI Final Report	Amendment #	Commission Proposal
Revenue Use	CBAM revenue accrues to EU budget (own resources), but commensurate increase in support for decarbonisation of LDCs	CA9	No determination on revenue use
Governance	Centralized administration by an EU CBAM Authority	CA14	Decentralized administration by 27 Member States
Free allocation	Gradual phase out of FA in initially covered sectors by 2030: by 10% in 2025, 20% in 2026, 30% in 2027, 50% in 2028, 75% in 2029, 100% phase out in 2030 Other EU ETS sectors included by 2030: 4-year phase out period (full free allocation in the 1st year, 30% reduction in second year, 60% reduction in third year, 100% phase out after 4 years)	CA12	EU ETS revision proposal: gradual phase out of FA in initially covered sectors between 2026-2035 (by 10% each year)

Amendments in the ENVI Report (6)

CBAM Design Element	ENVI Final Report	Amendment #	Commission Proposal
Circumvention	Defines additional instances that could constitute circumvention: a) Direct and indirect subsidies (e.g. export rebates) for covered goods in order to absorb the costs linked to a CO2 price paid in the third country b) A CO2 price paid in 3rd country placed only on goods exported to the EU c) Slight product modification d) Outsourcing of production of downstream products with the objective of avoiding payment of CO2 price in the EU e) Transshipment f) Reorganisaition by exporters of patterns and channels of sale and production or any other kinds of dual production and sale practices	CA10	Considers instances of slight product modification to avoid CBAM obligations.