

# Carbon Border Adjustment Mechanism: Commission Consultation on Transitional Period

Brief

June 2023

## Context

The Carbon Border Adjustment Mechanism (CBAM) aims to address carbon-intensive goods imported from non-EU countries and simultaneously promote cleaner industrial production. This mechanism allows for levying an appropriate price on carbon emissions generated when producing certain imported goods, making sure that their carbon prices are equivalent to those of domestically produced goods. This will help achieve Europe's climate goals while maintain European business competitiveness.

The CBAM transitional period will come into effect from 1 October 2023, with the first report being submitted in January 2024. The transition period will serve as a pilot phase for affected businesses and national governments. It will initially apply to certain goods that are at high risk of carbon leakage, including cement, iron and steel, aluminium, fertilizers, electricity and hydrogen. For a full list of products and their respective CN code, refer to Annex I [here](#).

In this regard, the Commission has put forward a draft implementing regulation (summarised below) to lay down rules for the application of the CBAM Regulation during the transitional period (1 October 2023 until 31 December 2025).

## Obligations on Importers

### *Reporting Obligations*

During the transitional period, importers or their indirect customs representatives will be required to provide reports on the quantity of imported goods, direct and indirect emissions, as well as any carbon price paid abroad for those emissions. This includes carbon prices paid for precursor materials related to these products.

Importers will be obliged to provide information regarding the amount and type of relevant imported goods, according to their CN code. With regards to embedded emissions within these goods, importers should also report the goods' country of origin, the installation's location, the production routes used, and the specific indirect emissions of the goods. In case of steel goods, importers should also report the number of the steel mill from which the raw material was obtained.

For indirect emissions, information shall be provided on;

- electricity consumption;
- an indication whether the declarant reports actual emissions or default values;
- the corresponding emissions factor;
- the amount of specific indirect emissions.

### *Calculating Embedded Emissions*

The Commission has proposed several acceptable methodologies to calculate the embedded emissions in relevant goods. This includes either:

- by means of measurement systems and additional parameters from laboratory analyses or standard values; OR
- by means of continuous measurement of the concentration of the relevant greenhouse gas in the flue gas and of the flue-gas flow.

Other methodologies may be used until 31 December 2024 if they lead to similar accuracy of emissions data:

- methods used under monitoring, reporting and verification systems (MRV);
- other methods, with any of the following applicable monitoring rules:
  - a carbon pricing scheme where the installation is located;
  - an emission monitoring scheme at the installation which can include verification by an accredited verifier; or
  - compulsory emission monitoring schemes.

If importers do not have all the data required to fulfil these requirements, other methods may be used until 31 July 2024. Furthermore, default values supplied by the Commission may be used for subprocesses contributing less than 20% of total emissions of the good.

### *Reporting of information regarding carbon price*

Importers are obliged to report any carbon prices paid in non-EU countries for the relevant goods they have imported. This includes information such as the form of carbon price, the country of origin, any rebates or refunds received, the carbon price's legal act, the type of product, the quantity of embedded emissions covered by the price and by any rebate, and the monetary amount.

## Penalties

Importers can be penalised in cases where they do not comply with the above requirements within the CBAM report, or if they have not taken necessary steps to correct the report. The applicable penalty may amount to between 10 – 50 EUR per tonne of unreported embedded emissions, increasing with inflation.

## Public Consultation

The European Commission is currently consulting on the Implementing Regulation for the CBAM transitional period. The deadline to provide feedback is 11 July 2023.

To view the draft Implementing Regulation and contribute feedback to the Commission please visit:

<https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13873-The-reporting-obligations-during-the-transitional-period-of-the-carbon-border-adjustment-mechanism-en>

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