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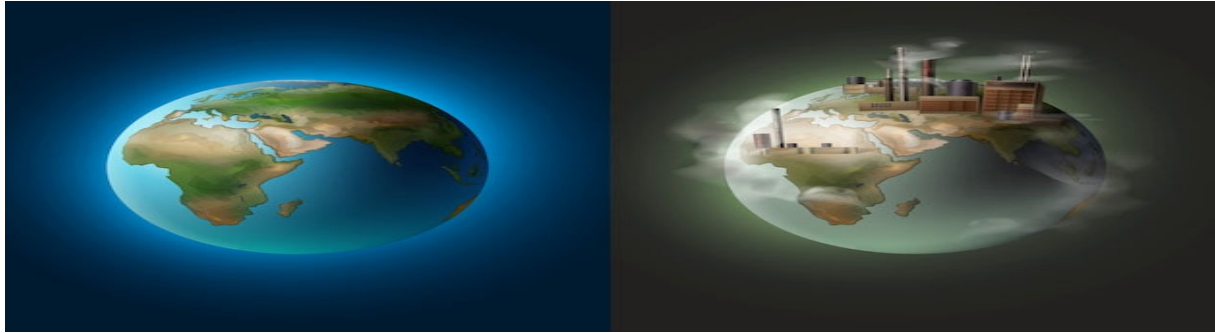
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Carbon Border Adjustment Mechanism (CBAM) in Effect as of October 1, 2023: Draft Implementing Regulation Open for Feedback

On June 13, the European Commission submitted the draft implementing regulation on reporting obligations under the Carbon Border Adjustment Mechanism (CBAM) during the transitional period between October 2023 and 2025 for stakeholder feedback.

In addition to outlining reporting obligations, the draft regulation details the information importers must provide regarding CBAM goods, as well as the methodologies for calculating the embedded emissions released during the production processes of these products. The compliance process is critical to address potential challenges during implementation and to establish the necessary data infrastructure.

During this transition phase, importers are only required to fulfill emission reporting obligations without incurring any financial liabilities until the official implementation date in 2026. The identified gaps in the regulation are also expected to be addressed throughout this period.



In its first year, the draft regulation does not mandate a single method for calculating embedded emissions. Instead, it offers importers several options. Accordingly, until January 1, 2025, companies may choose one of the following methods, after which the EU methodology will become mandatory:

1. Full reporting in line with the new EU methodology
2. Reporting based on equivalent national systems of third countries
3. Reporting based on reference values

The Commission emphasized that the reporting obligations were developed through a fully transparent process involving informal consultations with the “Expert Group,” consisting of industry representatives, third countries, and other stakeholders. This phased approach is deemed essential to ensure that both companies and the Commission are adequately prepared. The Commission aims to use this process to collect data, address shortcomings, support necessary technologies, and prepare for post-transition training and guidance.

Therefore, the “transitional phase” is critical for all stakeholders, including third countries, and represents a strategic opportunity for producers of goods subject to or expected to be subject to CBAM. As of October 1, importers will be responsible for submitting reports for the final quarter of the year, which must be delivered by January 2024.

Stakeholders may submit their feedback until July 11. The next step will involve a vote by the CBAM Committee, composed of Member States, after which the Implementing Regulation is expected to be officially adopted by the Commission before the end of summer.

Background

CBAM was first introduced as part of the Fit for 55 Package. The mechanism aims to reduce emissions by leveling the cost of carbon-intensive imported goods with that of domestically produced goods under EU climate policy. By assigning a fair carbon price to emissions released during the production of CBAM-covered imported products, the EU seeks to both protect domestic producers and encourage non-EU companies to invest in greener production, ultimately accelerating progress toward emission reduction targets.

The system is modeled after the EU Emissions Trading System (ETS), which has been in effect since 2005. It introduces a carbon pricing mechanism at the point of import for products falling within the scope of CBAM.

Following the completion of the transitional phase, CBAM will enter into full implementation on January 1, 2026.

Note: For further details on the legislation, please refer to the June 2023 issue (No. 126) of Satınalma Dergisi.



REFERENCES

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