



Proposal for a Carbon Border Adjustment Mechanism (CBAM)

Focus on Electricity - update

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CBAM for Electricity

- Recitals §47-49, Article 2 §7-12, Article 5 §2, Annex II, Annex III §4.2 and §5
- CBAM for Electricity applicable to all non-EU countries trading/physically connected with EU Member States
 - Annex II § 1: Norway and Switzerland outside scope (part of EU ETS and/or linking agreement with EU ETS)
 - Annex II § 2 and Article 2 §7: if not technically feasible, non-EU countries applying market coupling outside scope if they meet **all the conditions (a) to (f)** in Article 2 §7

→ Transition phase until end 2025; **application as of 2026**

Article 2 §7: derogation conditions




- a) Agreement with the Union in the field of electricity – renewable energy sources, energy, environment and competition
- b) Implementation at national level – renewable energy sources and market coupling
- c) Adoption of a decarbonisation roadmap
- d) Commitment to climate-neutrality by 2050
- e) Progress in the field of climate action on the basis of the roadmap
- f) Effective systems to prevent indirect import of electricity not meeting those requirements

→ **By 1 January 2030:** implementation of an **emission trading system for electricity** – with a price equivalent to the EU ETS

Article 2 §7: market coupling

- **Why?** Not possible to trace imports to specific countries/assets with **implicit cross-border capacity auctions** (market coupling) >< **explicit cross-border capacity auctions** (Article 5 §2 – hourly CBAM application)
- **Scope?** Energy Community Contracting Parties; Decarbonisation Roadmap and integration of the Clean Energy Package into the Energy Community acquis

Countries coupled Intraday with 4th and 5th SIDC Go-Live

-  Countries coupled in 1st, 2nd and 3rd go-live
-  Country to be coupled in 4th go-live (TBD)
-  Country to be coupled in 5th go-live (end 2022)



Note: Luxembourg is part of the Amprion Delivery Area. Market participants in Luxembourg have access to SIDC through the Amprion Delivery Area.

Annex III – default values and embedded emissions

- Reinforcement of default values in Council General Approach (15 March) - also in case of no reliable data on imported electricity)
- Conditions to apply actual embedded emissions in electricity:
 - Power Purchase Agreement with a producer of electricity located in the third country
 - Direct physical connection to EU transmission grid or no physical network congestion at any point
 - Firm nomination of cross-border transmission capacity (explicit auctions)
 - All above criteria to be certified by an accredited verifier (monthly interim reports)

→ Guarantees of Origins (GOOs) are out of scope !!

Thank you



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