

Proposal for a Carbon Border Adjustment Mechanism (CBAM) Focus on Electricity - update

Nicolas Kuen

European Commission, DG ENER



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 feasable, non-EU countries applying market coupling outside scope if they meet <u>all the conditions (a) to (f)</u> in Article 2 §7

→ Transition phase until end 2025; application as of 2026



Article 2 §7: derogation conditions

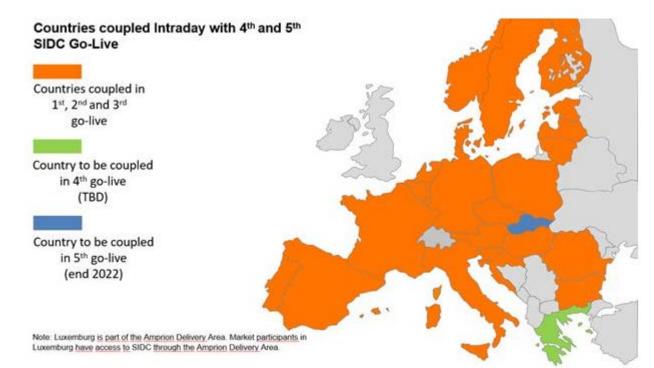
- a) Agreement with the Union in the field of electricity renewable energy sources, energy, environment and competition
- b) Implementation at national level renewable energy sources and market coupling
- c) Adoption of a decarbonisation roadmap
- d) Commitment to climate-neutrality by 2050
- e) Progress 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 crossborder 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





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 <u>accredited verifier (monthly interim reports</u>)
- \rightarrow Guarantees of Origins (GOOs) are out of scope !!



Thank you



© European Union 2020

Unless otherwise noted the reuse of this presentation is authorised under the <u>CC BY 4.0</u> license. For any use or reproduction of elements that are not owned by the EU, permission may need to be sought directly from the respective right holders.



Slide xx: element concerned, source: e.g. Fotolia.com; Slide xx: element concerned, source: e.g. iStock.com