

A landscape photograph showing a vast vineyard in the foreground with rows of grapevines. In the middle ground, there is a small village with houses. In the background, a line of wind turbines is silhouetted against a sunset sky over rolling hills.

IMPACT OF CBAM ON THE ENERGY COMMUNITY CONTRACTING PARTIES

CONTENT

- ✓ CPs obligations under the EnC Treaty
- ✓ Secretariat's role
- ✓ Exemptions from CBAM's application
- ✓ Cumulative conditions for exemptions
- ✓ Conditions for removal from exemptions

OBLIGATIONS AND COMMITMENTS UNDER THE ENERGY COMMUNITY TREATY

- **Climate**

- *MC Policy Guidelines*
- *Decarbonisation Roadmap*
- *Sofia Declaration by WB6 CPs*
- *Implementing Governance Regulation*

- **Electricity markets**

- *Transpose and implement CEP – in progress*
- *Complete incorporation and implementation of market network code in EnC enabling market coupling*
- *Step up efforts in finalizing establishment of organized electricity markets*
- *Finalise projects on market coupling*



THE ROLE OF THE ENERGY COMMUNITY SECRETARIAT

Compliance assessment

- Article 67(b) EnC Treaty tasks the Secretariat to “*review the proper implementation by the Parties of their obligations under the Treaty*”
- Done by the Secretariat annually in Implementation Report and *ad hoc* reports (e.g. Energy Transition Tracker) that could be adapted to assess compliance with the CBAM Regulation.

Assisting CPs in preparing

- Roadmap for exemption from the CBAM Regulation
- reports to be submitted based on Article 2(8) of the CBAM Regulation
- Introduction of carbon pricing
- Designing national ETS, in particular in relation to the energy sector

To be empowered by the CBAM Regulation or delegated acts / to work jointly with the Commission on the delegated and implementing acts related to exemptions

EXEMPTIONS FROM CBAM'S APPLICATION (1/2)

General exemption

Article 2(5) of the draft
CBAM Regulation

•CBAM will not apply to countries provided that the following cumulative conditions are fulfilled:

- EU ETS applies to that country or ETS of that country is linked with the EU ETS
- Carbon price is effectively applied



No CP has an ETS in place yet

Specific exemptions

Article 2(7) et seq. of the
draft CBAM Regulation

•Temporary exemption until 2030 provided that:

- market coupling is in place between a CP and the Union's electricity market and
- there is no technical solution for the application of CBAM to the import of electricity into the Union.



No CP has a coupled electricity market yet; there are plans for coupling before 2025

Specific temporary exemptions are not automatic

If a CP would like to apply for exemption:

- **cumulative** conditions need to be fulfilled;
- by countries **individually**, and not as a region or CPs of the Energy Community;
- **BUT**: the **reporting and application for exemption** for all CPs could be prepared with the **assistance** of the EnC Secretariat

Agreement with the EU in place

obligation to apply the Union law in the field of electricity, including legislation on RES, energy, environment and competition

⇒ This criterion is fulfilled – the EnC Treaty is aligned with this
Condition: **fulfilled**



Main provisions of EU electricity legislation

including RES and coupling of electricity markets are implemented at national level.

⇒ Most CPs fulfil this criterion and have such legislation in place
BUT: CEP Electricity Regulation and Market Network planned for incorporation in EnC by MC / PHLG in 2022
Condition: **in progress**



Roadmap

containing a timetable for the adoption of measures to implement the conditions set out in points (d): climate neutrality by 2050; LTS; domestic legislation; and (e): substantial progress with the Union law on climate action.

⇒ Substantial progress could be done with assistance of the Secretariat for all CPs
⇒ The EnC **Decarbonisation Roadmap** would need to reflect commitments at **national** level
Condition: **in progress**



CUMULATIVE CONDITIONS FOR EXEMPTION (2/2)

Clarification needed

- What is considered **substantial progress**?
- What is considered an **equivalent level**?
- How often such compatibility needs to be assessed?

Carbon pricing study

Gradual carbon pricing and market integration scenario as the best policy option for the Energy Community:
would that be acceptable?

General Policy Guidelines

- Implement an ETS, with a price equivalent to the EU ETS, by 1 January 2030**
- Decarbonisation Roadmap contains commitment for future adoption of ETS related legislation;
 - Timeline not defined yet

Decision for exemption and removal from the list of exempted countries based on **two reports**:

1. Due **before 1 July 2025** and
2. Due **before 1 July 2029**

CONDITIONS FOR REMOVAL FROM THE LIST OF EXEMPTED COUNTRIES

If the Commission *has reasons to consider* that the Contracting Party:

- *has not shown sufficient progress* to comply with one of the requirements or
- *has taken action incompatible* with the objectives set out in the Union climate and environmental legislation

What would be considered:

- substantial progress?
- incompatible action?

If the Contracting Party *has taken steps contrary to its decarbonisation objectives*.

- (such as) providing public support for the establishment of new generation capacity that emits more than 550 grammes of CO₂ of fossil fuel origin per kilowatt-hour of electricity.

By way of example...but what else?



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