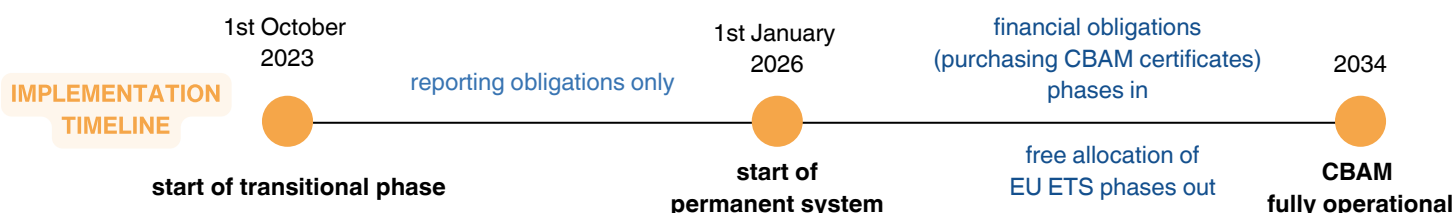




# THE EUROPEAN UNION'S CARBON BORDER ADJUSTMENT MECHANISM

The Carbon Border Adjustment Mechanism (CBAM) is one of the key measures envisaged by the **European Green Deal** (the EU's climate strategy for reaching net zero emissions by 2050) launched in 2019. The proposal for the CBAM was formally submitted by the European Commission in July 2021. It has since progressed to the final stages of the EU legislative process: in December 2022, the council of the EU and EU Parliament reached a provisional agreement on the final text of the CBAM regulation.



## WHY?



To reduce the risk of **carbon leakage**: the process where EU firms relocate emissions-intensive production to other countries with less stringent emissions reduction policies or EU products are replaced with more carbon-intensive imports.



The CBAM replaces the **free allocation of allowances** under the EU's Emission Trading System (ETS) which compensated EU producers in emissions-intensive industries who were impacted by higher electricity costs because of carbon pricing under the EU ETS.

## HOW?

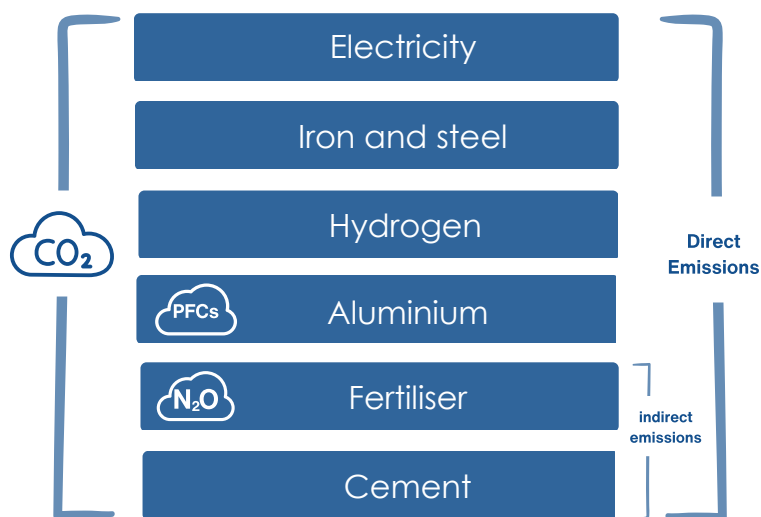


EU importers purchase and surrender the amount of **CBAM certificates (electronic)** that correspond to the emissions embedded in their imports where one certificate covers one tonne of embedded emissions. The price of certificates is based on the EU ETS price (weekly average).



By confirming that a price is paid for the embedded carbon emissions generated in the production of goods imported into the EU, the CBAM ensures that **the carbon price of imports is equivalent to the carbon price of domestically produced products.**

## SECTORS & EMISSIONS COVERED

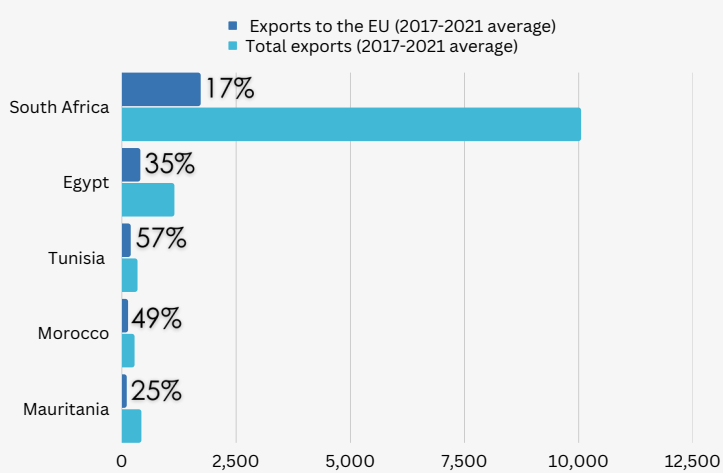


The actual embedded emissions of goods that will be covered by the CBAM comprise

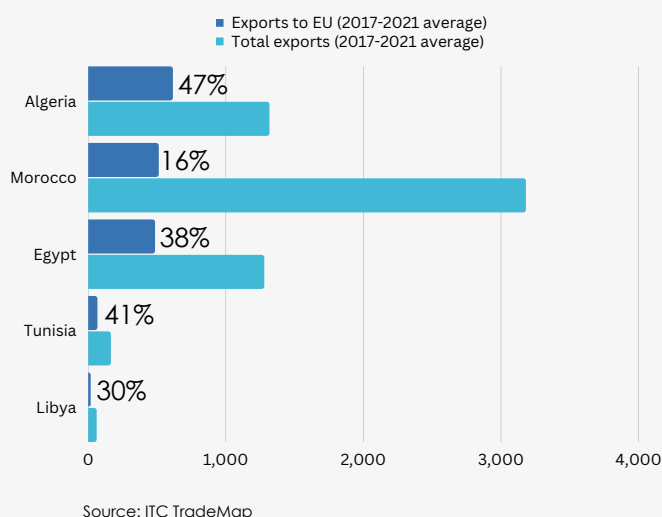
- Direct emissions:** emissions resulting from the production processes of goods and for some sectors, where applicable,
- Indirect emissions:** emissions resulting from the production of electricity consumed in the production processes of goods.
- Greenhouse gases** covered include CO<sub>2</sub> for all sectors, Perfluorochemicals (PFCs) for certain aluminium imports, and Nitrous Oxide (N<sub>2</sub>O) for certain fertiliser imports.
- Unit:** tonne of CO<sub>2</sub> equivalent

## TOP AFRICAN EXPORTERS OF CBAM GOODS 2017-2021 AVERAGE (USD MILLION)

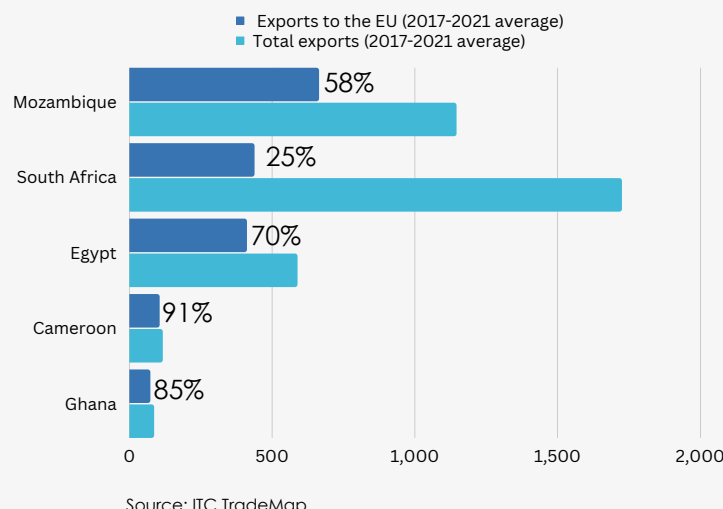
### Iron and steel



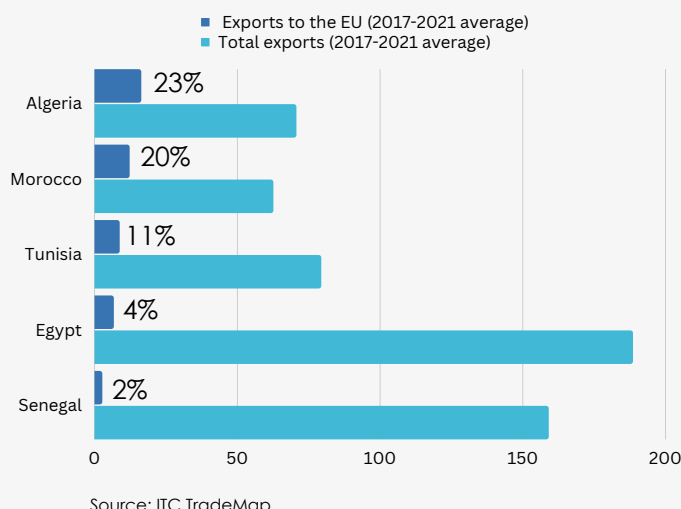
### Fertiliser



### Aluminium



### Cement



The % value represents the share of total exports destined for the EU  
**Hydrogen** and **Electricity** exports from African countries to the EU from 2017-2021 were negligible