IFIEC answer to the EU consultation

CBAM implementing regulation – carbon price paid in third countries

Ensure environmental integrity and a level playing field

The robustness of the CBAM depends on the strict equivalence between the carbon costs borne by EU producers and those applied to imports. The implementing rules on the recognition of carbon price paid in third countries must therefore ensure consistency, transparency and comparability across jurisdictions in order to preserve both environmental integrity and fair competition.

Align the use of international carbon credits with EU standards

The possible recognition of international carbon credits up to 10% of emissions, without clear quality criteria, raises concerns regarding environmental integrity and fair competition. It would allow non-EU producers to reduce their carbon costs, while EU industries cannot use such credits under the ETS.

This diverges from the EU framework, where international credits are only foreseen from 2036, limited to 5% and subject to strict quality requirements. Their use should also be limited at country level, not company level.

To ensure a level playing field, any recognition under CBAM should be fully aligned with EU rules on timing, volume and quality. These credits should not be allowed until they are also authorized within the EU.

Ensure equivalence of emissions calculation methodologies

Methodologies for calculating and reporting greenhouse gas emissions in third countries should be equivalent to those applied under the EU ETS MRR.

Differences in system boundaries, emission factors or accounting approaches could result in non-comparable carbon footprint and lead to distortions in favour of imports.

Ensuring methodological equivalence is therefore essential for the comparability and effectiveness of CBAM.

Align monitoring, reporting and verification requirements

Reliable emissions data are a prerequisite for accurately assessing the carbon footprint. MRR plans, measurement accuracy and verification procedures applied in third countries should meet standards comparable to those required within the EU.

This alignment is necessary to avoid the risk of under-reporting emissions and ensure that reported carbon footprint reflects real conditions of production.

Ensure comprehensive application of carbon pricing instruments and reflect the effective carbon cost

Where carbon pricing systems exist in third countries, whether in the form of an emissions trading system or a carbon tax, they should cover the full production of CBAM goods. Mechanisms limiting their application to specific volumes (e.g. exports) create circumvention risks and undermine equivalent carbon constraints; any such limitations should therefore be strictly controlled and applied consistently across all volumes. Recognition of carbon prices should be conditional on their broad and non-discriminatory application.

The carbon price recognized under CBAM should reflect the actual cost borne by companies. All forms of public support reducing this cost should be taken into account, in particular subsidies and schemes related to energy procurement such as contracts for difference for renewable electricity or gases. This is necessary to ensure an accurate and fair calculation of CBAM obligations.

Prevent circumvention through robust safeguards

The risk of circumvention must be adequately addressed in the implementing framework. Diverging methodologies, partial carbon pricing systems or insufficiently robust monitoring rules may create opportunities to underestimate carbon costs already paid in the third country.

The regulation should therefore include a safeguard mechanism allowing the EU commission for the immediate application of conservative default values in cases where inconsistencies or risks of circumvention are identified.

Such a provision would strengthen legal certainty, ensure consistent application and preserve the environmental effectiveness of CBAM.