

# A Storm in a teacup: the CBAM in numbers



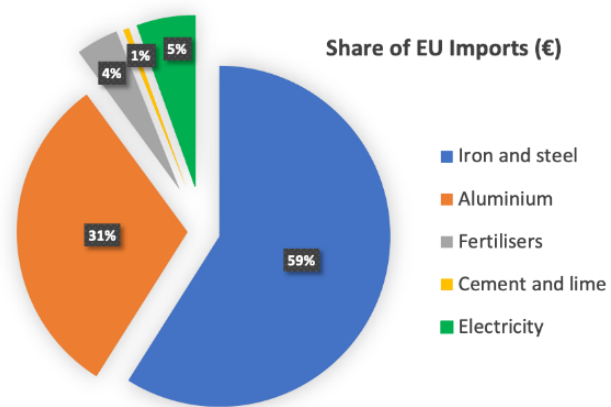
July 2021

Last month, a draft regulation proposal for a Carbon Border Adjustment Mechanism (CBAM) was leaked by the European Commission, causing outrage around the world. Sandbag analysed its impacts on the EU's foreign trade.

## Steel and Aluminium

The proposal covers 111 products in 5 carbon intensive sectors. Of these, steel and aluminium products are the most imported (in € value) by the EU.

The picture on the right represents the relative share of products covered by CBAM proposal in EU27 trade with 6 major trading partners (US, Russia, China, South Korea, Ukraine, Turkey).



## Small trade, big carbon permits

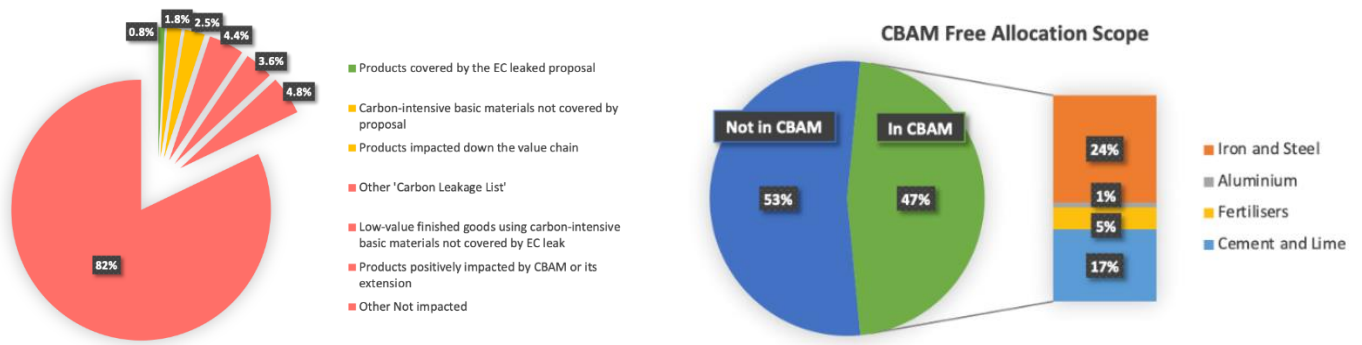
Of EU imports, the products listed by the leaked regulation represent a very small amount. For example, it is 0.8% of the € value of all goods imported from China, and still a small subset of the imports involving processes listed as "at risk of carbon leakage" in the EU.

However, the facilities involved in making these product types in the EU are receiving **nearly half of all free emission allowances** in the EU ETS. Covering them by a CBAM would facilitate the phasing out of free allocation to those sectors.

*Sandbag is a non-profit think tank which uses data analysis to build evidence-based climate policy. We focus on EU policies such as the EU ETS, the Effort Sharing Regulation and emissions reductions in industrial sectors.*

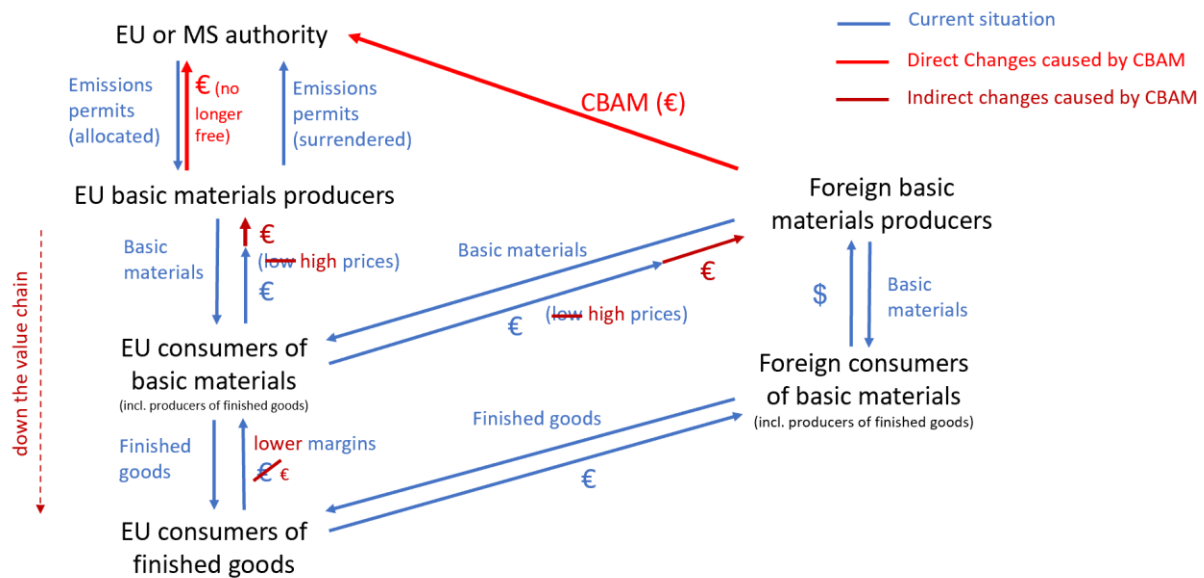
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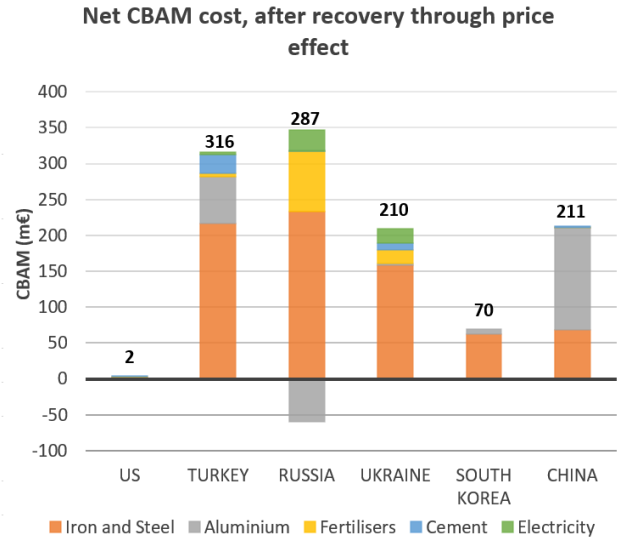
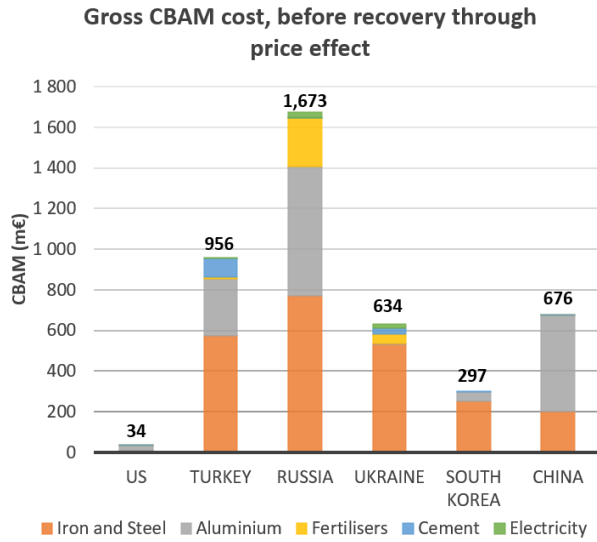


## 'Gross' CBAM and its knock-on effects

The CBAM is paid by importers of foreign goods, but it is partly recovered by selling the goods at higher prices, thanks to cost pass-through.



Below are the expected cost of the CBAM on the importers of products covered by the leaked regulation. According to our estimates, gross CBAM (before price effect) ranges between €40m (for US imports) and 1.7bn (for Russians imports). Net CBAM cost (i.e. balance after additional revenue from price increase) would only range between nearly zero (US) and €316m (Turkish). For comparison, the EU27 imported €360bn worth of goods from China in 2019.



Sandbag will publish a more complete report later this month, which will detail methodological aspects.

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