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Commission Welcomes Political Agreement to Simplify and Strengthen the Carbon Border Adjustment Mechanism

Key policies: *Carbon Border Adjustment Mechanism (CBAM), EU Emissions Trading System (EU ETS), European Green Deal, Fit for 55 package, Clean Industrial Deal, EU Climate Law, EU Climate Neutrality Objective 2050, Omnibus I Simplification Package*

The **European Commission** has welcomed the **provisional political agreement** reached between the **European Parliament** and the **Council of the European Union** on the Commission's proposal to **simplify and strengthen the Carbon Border Adjustment Mechanism (CBAM)**.

The agreement marks an important step towards reducing administrative burden for businesses while preserving the environmental integrity of one of the EU's flagship climate instruments.

Reducing burden while preserving climate ambition

On **26 February 2025**, the Commission proposed targeted simplifications to the CBAM Regulation aimed at making compliance **more cost-efficient and proportionate**, particularly for small operators, without undermining the mechanism's climate objectives.

A central element of the proposal is the introduction of a **new exemption threshold of 50 tonnes**. Importers bringing in **less than 50 tonnes of CBAM-covered goods per year** will be exempt from CBAM obligations.

This measure primarily benefits **small and medium-sized enterprises (SMEs)** and individuals importing small or negligible quantities, while ensuring that **around 99% of emissions embedded in CBAM goods remain covered**.

As a key deliverable under the **Clean Industrial Deal**, the simplification contributes to strengthening the EU's competitiveness and unlocking investment capacity across the single market.

Simplifications for importers above the threshold

Beyond the exemption threshold, the proposal introduces a series of **procedural simplifications** for importers that remain subject to CBAM obligations. These include improvements to:

- Authorisation procedures for CBAM declarants
- Data collection and reporting requirements
- Calculation of embedded emissions
- Emissions verification rules
- Calculation of annual financial liability
- Claims for carbon prices paid in third countries

Together, these measures aim to significantly **reduce regulatory complexity and compliance costs**, especially for companies operating across multiple supply chains.

CBAM implementation timeline

CBAM is currently operating in its **transitional learning phase**, during which importers report emissions without financial adjustment. The **definitive phase will begin on 1 January 2026**, when financial obligations apply.

The current simplification package represents a **first step** ahead of a broader and more comprehensive review planned for later in 2025.

Preparing for the next phase of CBAM

The forthcoming review will be accompanied by a **legislative proposal** to:

- Extend CBAM to **downstream products**
- Introduce additional **anti-circumvention measures**
- Examine ways to prevent **export-related carbon leakage** for CBAM-covered goods

The CBAM simplification is part of the Commission's **"Omnibus I" simplification package**, presented on 26 February 2025, which aims to streamline EU legislation while maintaining policy effectiveness.

Next steps

The European Parliament and the Council must now **formally adopt the agreed package**. Once adopted, the revised rules will **enter into force 20 days after publication** in the Official Journal of the European Union.

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