

Cognitud



**EU Eases Carbon Tariff Rules,
Exempts 90% of Importers**

On May 27, 2025, European Union (EU) member states approved significant revisions to the Carbon Border Adjustment Mechanism (CBAM), opting to exempt the majority of importers from the forthcoming carbon border tariff. This decision marks a pivotal shift in the EU's strategy to balance environmental objectives with economic and administrative considerations.

Key Highlights of the Revised CBAM

Substantial Reduction in Scope

Original Plan

The CBAM was initially set to impact approximately 200,000 importers, requiring them to pay a levy on certain imported goods.

Revised Plan

The scope has been restricted to only about 10% of these businesses. These businesses are accountable for more than 99% of the emissions of the imports that are targeted.

New Threshold Criteria

Previous Threshold

The tariff applied to importers of goods valued at more than €150.

Updated Threshold

Only businesses that import more than 50 metric tons of certain high-emission products per year, like fertilizers, steel, cement, and aluminium, will now be held accountable.

Implementation Timeline

Permit Requirements

Starting in 2027, businesses will have to buy emissions permits for imports made after 2026.

Objective

This phased approach aims to align import costs with the EU's internal carbon pricing, ensuring a level playing field for EU producers

Rationale Behind the Adjustments



Administrative Efficiency

- By exempting smaller businesses, the EU aims to reduce bureaucratic burdens without compromising environmental goals.
- To maintain the environmental integrity of the CBAM, the emphasis is still on the biggest importers, who are responsible for the majority of emissions.



Economic Considerations

- The changes are a component of larger initiatives to improve the EU's competitiveness and simplify regulations for companies.
- This move is also seen as a response to concerns from industries and member states about the potential economic impact of stringent climate regulations.

Global Implications

- Trade Dynamics: The EU's decision may influence other countries to consider similar mechanisms, potentially reshaping global trade practices concerning carbon emissions.
- Environmental Leadership: While the EU adjusts its approach, it continues to position itself as a leader in integrating environmental considerations into trade policies.



Next Steps

In 2026, the finalized regulations will be formally adopted and put into effect, with continuous monitoring to determine how the tariff and exemptions affect trade and emissions.

The EU will continue to engage with international partners to ensure the CBAM aligns with World Trade Organization (WTO) rules and to encourage broader climate action globally.