

THE CARBON BORDER ADJUSTMENT MECHANISM (CBAM) AND WHAT IT CAN MEAN FOR THAI EXPORTS

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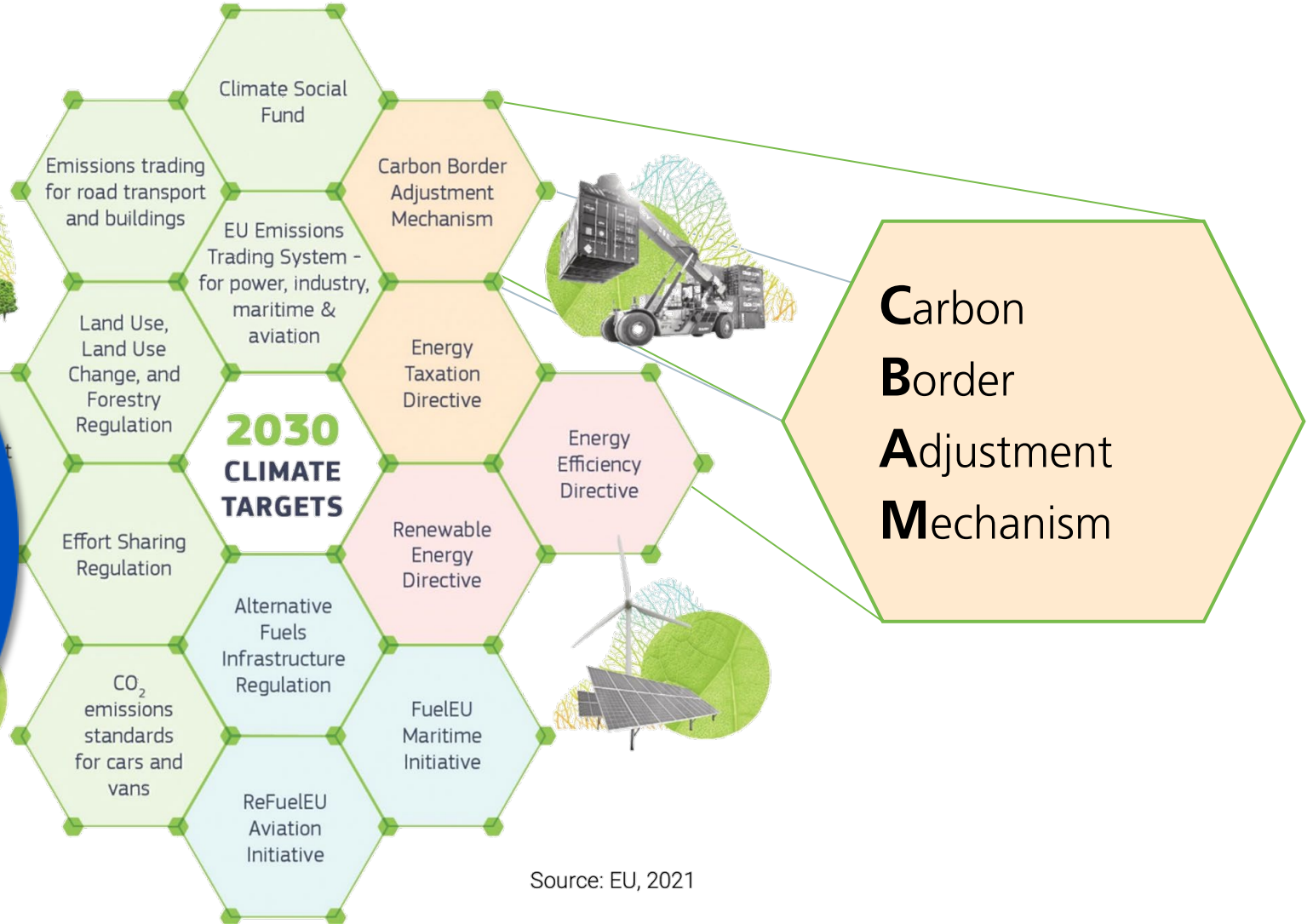
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Fit for 55

Introduction



Fit for 55



Source: EU, 2021

Cap & Trade

How it works?

- Emission trading, also known as cap and trade, is a market-based approach to controlling pollution by setting a limit (or cap) on the amount of emissions allowed
- Companies can trade permits to emit pollutants, incentivizing reductions where they are most cost-effective and ensuring overall emissions remain within the set limit

The EU Emissions Trading System: Cap & trade mechanism

EMISSIONS CAP

Unused permits



Company A sells permits



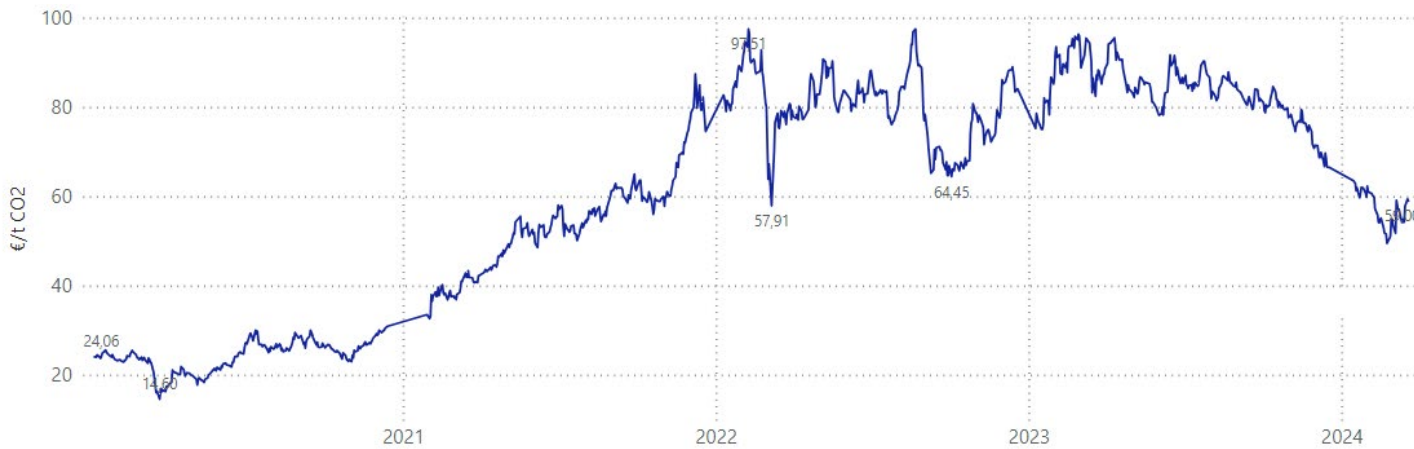
Needed permits



Company B buys permits



Source: Climate Policy Info Hub.



Source: WIFO, EEX.

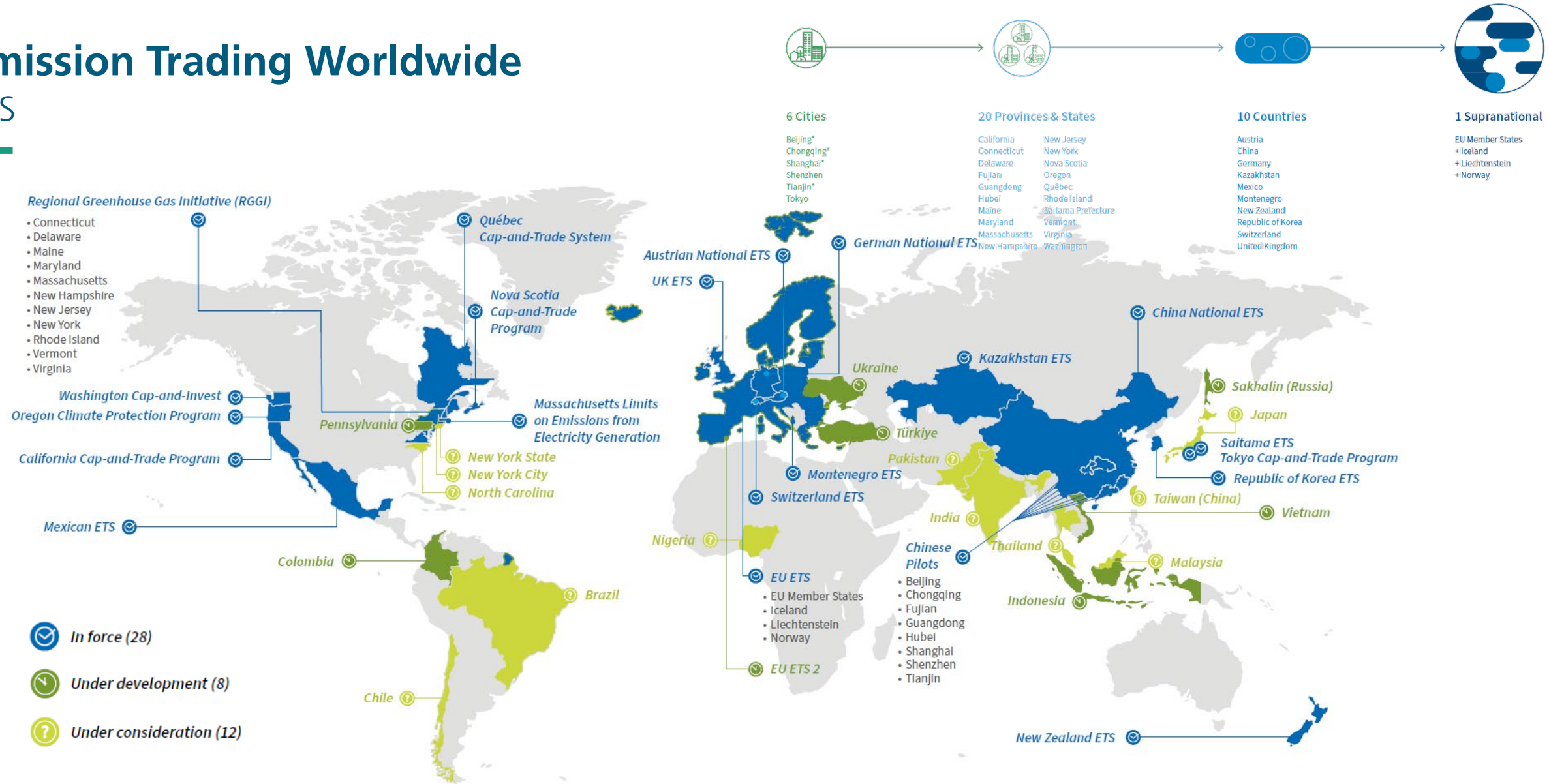
EU-ETS

- In operation since 2005
- Four phases for implementation
- Now in final phase

Current Price
60,62 €/t

Emission Trading Worldwide

ETS



Source: ICAP Status Report 2023

ETS and Carbon Leakage

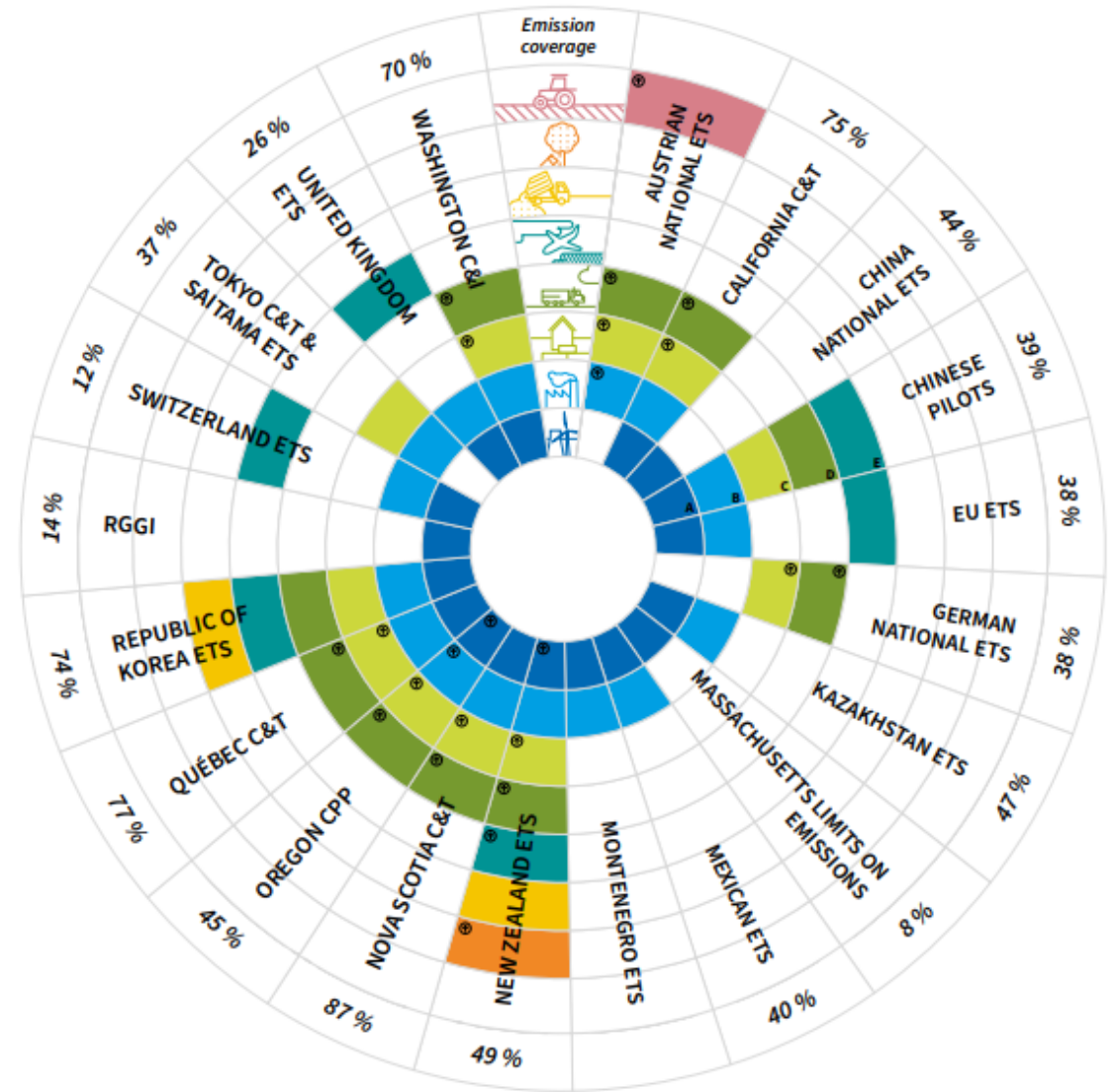
Emission in World Trade

- 1/3 of the world's population and 17% of global greenhouse gas emissions covered by emission trading
- Possible **carbon leakage**:
 - Carbon intense production could move to countries with less strict climate policies
 - Imported goods could have a price advantage
- Carbon Border Adjustment Mechanisms (CBAM)

ALMOST 1/3 OF THE GLOBAL POPULATION LIVES UNDER AN ETS IN FORCE

17%

OF GLOBAL GHG EMISSIONS ARE COVERED BY AN ETS



Source: ICAP Status Report 2023

Factsheet

CBAM

“The CBAM equalises the price of carbon paid abroad for foreign products and in the EU by putting a tariff on emissions embedded in goods produced outside the ETS.”

- Transitional Period from **2023 (no financial obligation)**
- Roll-Out from **2026 (purchase and surrender CBAM certificates)**
- Covers **direct and indirect emissions** who occur outside or partial outside the EU
 - Direct Emissions: Production process of goods, including heating and cooling
 - Indirect Emissions: Arising from production of electricity, which is needed for the production process
- Countries covered by or linked to EU ETS are excluded from the application of CBAM

TRANSITIONAL PERIOD

GRADUAL ROLL-OUT OF CBAM

Source: Deloitte 2023

October 01, 2023

First Quarter of transitional period

December 31, 2023

End of first quarter of the transitional period

January 31, 2024

Deadline for the first CBAM report submission (Quarterly submission)

December 31, 2025

End of transitional period

January 01, 2026

Go-live of the full CBAM - with gradual CBAM certificates roll-out

January 31, 2026

Submission deadline for final Quarterly report (transitional period)

May 31, 2027

Submission deadline of the first annual CBAM declaration + surrender CBAM certificates

FULL ROLL-OUT OF CBAM

From 2034

Products and Reporting of Exports

CBAM

Products covered



IRON & STEEL



HYDROGEN



FERTILIZER



ELECTRICITY



CEMENT



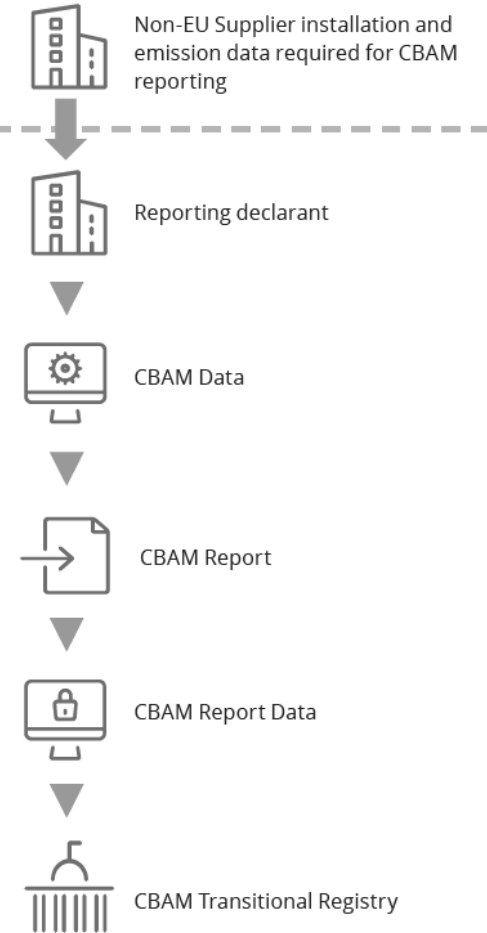
ALUMINIUM

Source: FFE

The regulation will include certain precursors and downstream products

Indirect emissions would also be included in the regulation in a well-defined manner

- Relevant companies must adapt to comply with the Carbon Border Adjustment Mechanism (CBAM)
- Penalties may also be levied based on non-reporting/ wrong reporting during transitional period – EUR 10 to 50 per ton of unreported embedded emissions
- The reduction is necessary as the free allowance under the EU Emissions Trading System decreases annually

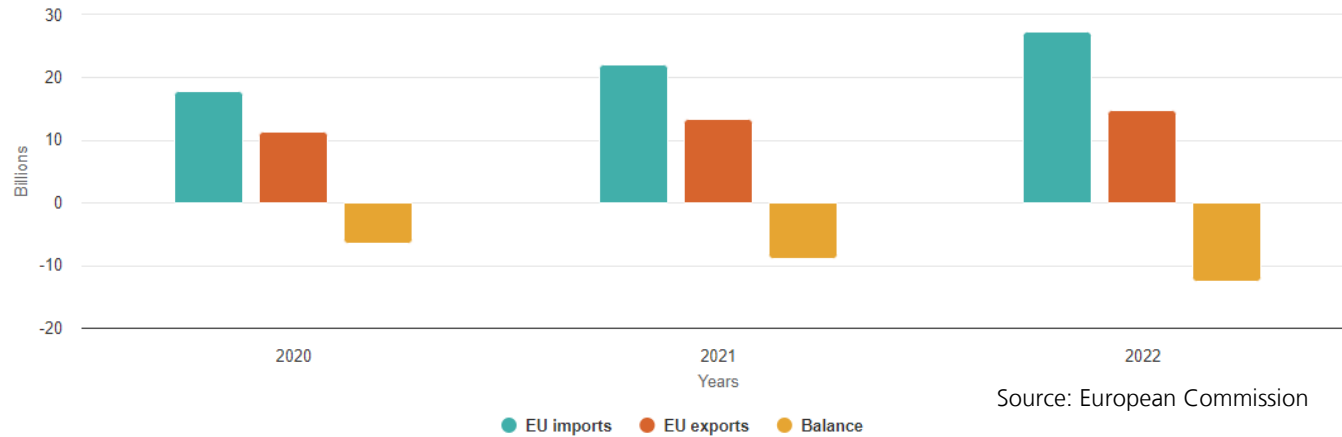


Source: Deloitte 2023

International Trade and implications

Thailand - EU

Trade in goods, € billions



European Union Imports from Thailand (2022)

▪ Electrical, electronic equipment	\$8.07B
▪ Machinery, nuclear reactors, boilers	\$6.60B
▪ Rubbers	\$2.31B
▪ Vehicles other than railway, tramway	\$1.70B
▪ Pearls, precious stones, metals, coins	\$1.53B
▪ Optical, photo, technical, medical apparatus	\$1.32B

Limited Impact on Thai Exporters:

- Thai exports to the EU are comparatively lower than exports to other major markets like the US, China, or Japan
- Thus, the immediate impact of CBAM on Thai exporters may be limited

Potential Expansion of CBAM:

- CBAM's product scope may expand to additional goods under the EU-ETS
- Future expansion could include goods like organic chemicals and polymers, paper and downstream goods, that might affect a broader range of exporters
- Consideration of CBAM in Canada, Australia, USA and Japan

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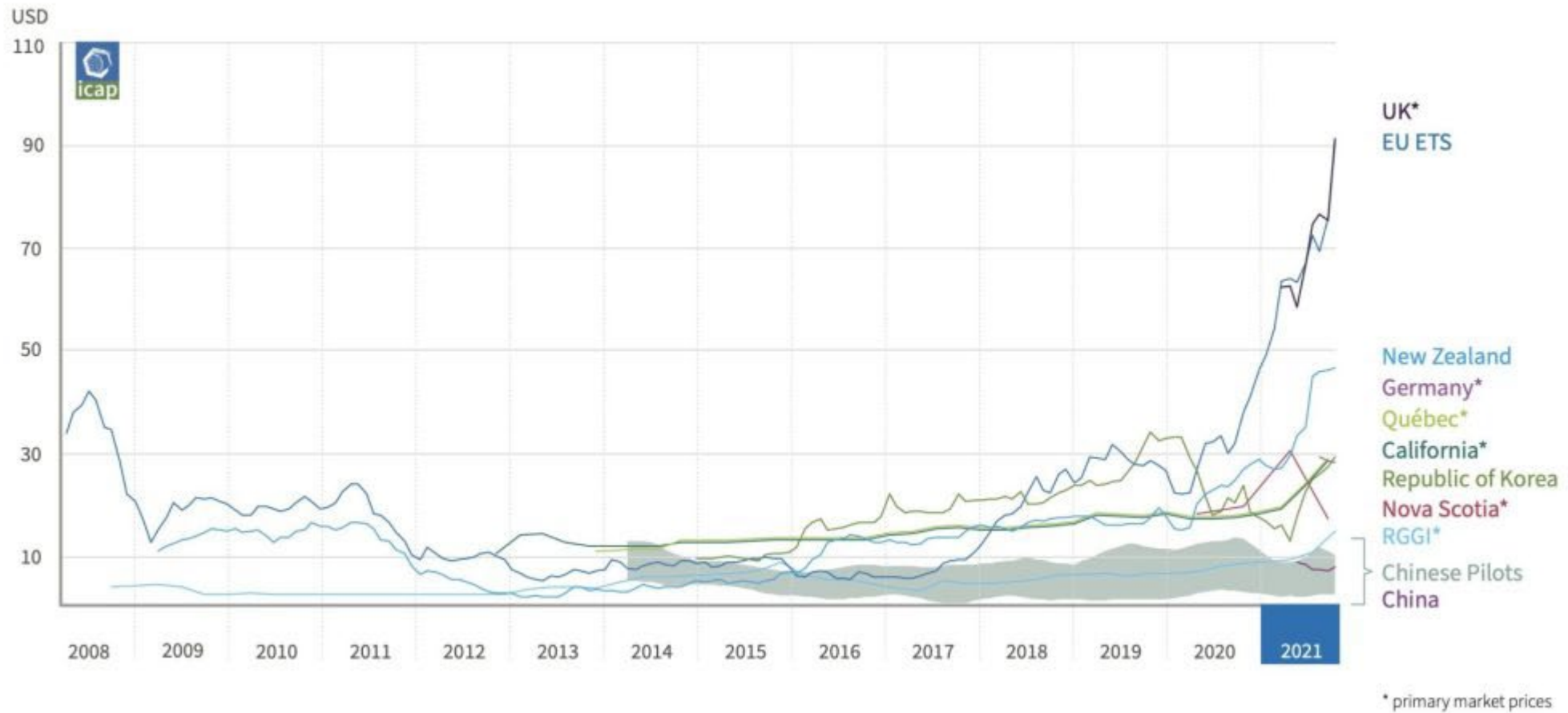
LinkedIn



Backup slides

Emission Trading Worldwide

Carbon price trends



Phase I

Phase II

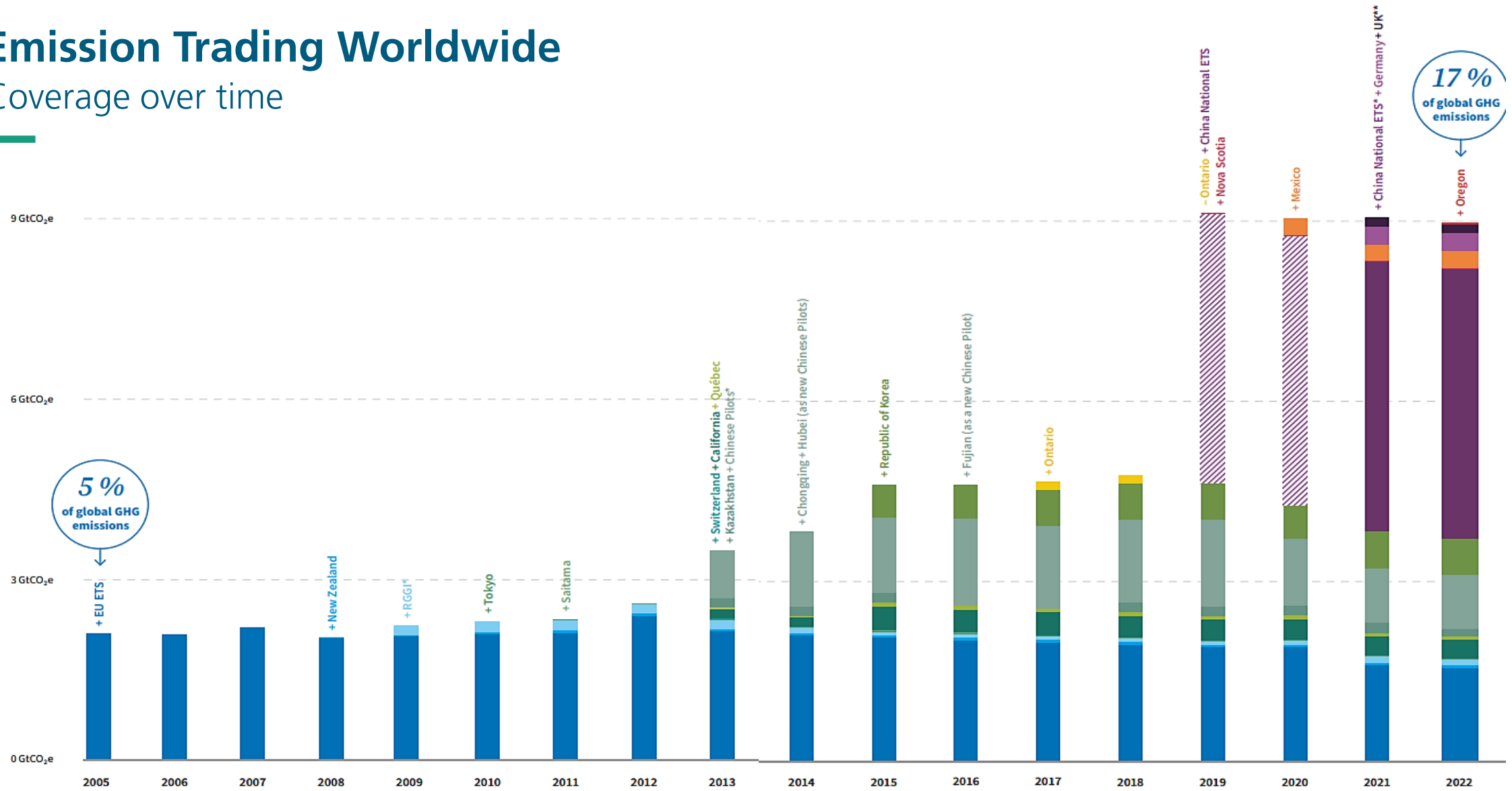
Phase III

Phase IV

Quelle: ICAP Status Report 2022

Emission Trading Worldwide

Coverage over time



Quelle: ICAP Status Report 2022