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Call for evidence: CBAM

Ecohz AS welcomes the potential of the Carbon Border Adjustment Mechanism (CBAM) to incentivise renewable energy expansion globally. Through a policy instrument intended to protect domestic industries against unfair carbon competition the EU has also shaped a tool that can reward companies for using renewable energy and penalise embedded emissions on an individual level. With the correctly adapted methodologies for assessing embedded emissions, the CBAM becomes a tool to push for renewable energy expansion and adoption in all of Europe's trading partners.

For the CBAM to have such an effect, companies must have clear, simple and robust guidance on how to claim individual emission levels based on contractual ownership of renewable energy and related emissions. Such guidance has in part been developed for producer-specific claims to renewable electricity consumption and for replacing fossil source streams with biomass source streams. To strengthen the positive effect of CBAM on global renewables up-take, the European Commission should ensure CBAM's methodologies remain clear and adaptable in countries with different energy sectors.

Several robust and transparent tracking systems for production, ownership and consumption of renewable electricity through energy attribute certificates (EACs) exist worldwide. These include global I-RECs, North American RECs and Australian LGCs. In many cases such systems are local and regional adaptations of the European Guarantee of Origin system as established in the Renewable Energy Directive. Tracking systems for renewable electricity should be measured according to five criteria to ensure they convey specific, unique and verifiable claims.

- Issued certificates must reliably convey attributes relating to the renewable and sustainable nature of electricity production;
- Issued certificates must protect against double-counting by constituting a unique claim to production, ownership and consumption of specific volumes of energy;
- Each system must have quality assurance routines in place to ensure reliability;
- Issued certificates must specify time of production to make it possible for companies to match their consumption with the production of the associated energy; and
- Issued certificates must specify their market of production to allow companies to match this to their market of consumption.

In the current methodology the European Commission points to power purchase agreements (PPAs) as the means by which companies claim producer-specific emission intensity for electricity used for the production of CBAM goods. Ecohz points out that limiting claims of renewable electricity consumption to PPAs severely limits the type and number of companies able to source renewable electricity in accordance with the CBAM, disproportionately impacting small and medium-sized enterprises. Thus, relying on verifiable EAC-systems to track ownership of renewable electricity remains our recommended option for scope 2 emissions. Should the Commission nevertheless decide to limit the methodology for producer-specific reporting of scope 2 emission intensity to direct PPAs, the requirements should be kept clear, simple and robust.

Lack of clarity in the current language on whether the European Commission will publish a more detailed methodology is already a cause of uncertainty in global PPA markets preventing new PPAs from being signed. If no new methodologies are forthcoming, the European Commission should make this clear. Keeping in mind that electricity markets function differently in several of Europe's trading partners, any detailed requirements beyond a direct contract between one or more producers and consumers on the same grid risks rendering locally adapted PPAs invalid. PPAs should be defined by reference to existing EU legislation, e.g. the RED, and the methodology should specify that future changes will not be made retroactive. This will ensure confidence that already contracted PPAs will not be rendered invalid by future revisions of

the CBAM. One criterion must remain in place to protect against double counting: any CBAM PPA must specifically include ownership of renewable and sustainable attributes including of any EACs issued for the electricity production.

The methodologies for zero-rating biomass in source-streams given by the CBAM transitional regulation are in and of themselves sufficient to provide extra-European production with the same opportunities as production in Europe. Ecohz recommends that the European Commission take steps to authorise voluntary schemes according to Article 30, paragraphs 4-7 of the Renewable Energy Directive to verify the GHG savings and sustainability criteria as well as the chain of custody for mass balancing in production outside of Europe. Encouraging existing voluntary schemes certifying biomass and derived energy products in Europe to expand outside of Europe, and working with existing international systems for tracking sustainability attributes of energy should both be given high importance. In the latter case, Ecohz would like to point the European Commission to the ongoing development of the I-TRACK (G) standard by Evident Global intended to certify production, ownership and consumption of sustainable biomethane and biogas.

Best regards
Tom Lindberg
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