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Empowering MNCs to Tackle CBAM Challenges

From Policy to Practical Action

The introduction of the Carbon Border Adjustment Mechanism (CBAM) by the European Union represents a seismic shift in global trade, directly impacting OEMs with operations or supply chains extending into the EU.

CBAM preparedness to safeguard the EU market access

The CBAM aims to prevent carbon leakage and level the playing field for EU industries, its implementation poses significant challenges for OEMs in China whose CBAM products are imported into the EU, from understanding complex policy frameworks to aligning operational and supply chain processes.

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Familiarize yourself and getting prepared

CBAM is Coming…

Carbon Border Adjustment Mechanism (CBAM) is a policy introduced by the European Union to address carbon leakage and support its ambitious climate goals under the European Green Deal. Importers of **covered goods (cement, steel, aluminum, fertilizers, electricity, and hydrogen)** into the EU must purchase **CBAM certificates** equivalent to the greenhouse gas emissions embedded in their products. The price of these certificates is linked to the EU's Emissions Trading System (ETS), reflecting the carbon price faced by EU producers.

The EU's Carbon Border Adjustment Mechanism (CBAM) is the EU's tool/mechanism based on carbon emission quotas that EU levies taxes and fees on the carbon emissions of some imported goods

탄소국경조정제도
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МЕХАНІЗМ ВУГЛЕЦЕВОГО КОРИГУВАННЯ ІМПОРТУ
MECANISMO DE AJUSTE EN FRONTERA POR CARBONO
कार्बन सीमा समायोजन तंत्र
CBAM
MECANISMO DE AJUSTAMENTO CARBÓNICO FRONTEIRIÇO
MÉCANISME D'AJUSTEMENT CARBONE AUX FRONTIÈRES
MEKANISME PENYESUAIAN BATAS KARBON
الآلية الحدودية لضبط الكربون
炭素国境調整措置
ISIXHOBO SOKUHLENGAHLENGISA UMDA WE-KHABON
碳边境调节机制

- **Definition**: the EU's tool to put a fair price on the carbon emitted during the production of carbon intensive goods that are entering the EU, and to encourage cleaner industrial production in non-EU countries
- **Goal**: support the EU's climate ambitions, level the price of carbon emissions and counter the risk of carbon leakage
- **Effective date**: The CBAM entered into application in its transitional period on 1 October 2023; CBAM will apply in its definitive regime from 2026
- **Competent authority**: European Commission
- **Covered sectors**: cement, iron and steel, aluminum, fertilizers, electricity and hydrogen (transitional period)
- **Affected party**: companies that import high emission goods into the EU
- **Actions needed**: quarterly declare the emissions embedded in imports (2023-2025), and surrender the corresponding number of certificates each year (since 2026)
- **Where to register**: National Competent Authority (NCA) of the Member State

Source: European Commission, EAC assessment

CBAM: Aiming To Address Carbon Leakage And Support EU's Climate Objectives

As a global leader in climate neutral and pioneer in carbon emission reduction, EU has made CBAM a key component in its climate strategy, **aiming to:**

- **Preventing Carbon Leakage** | imposing a carbon cost on imports, discouraging industries from shifting production outside the EU
- **Leveling the Playing Field** | ensuring foreign producers face comparable costs for carbon emissions as EU players
- **Encouraging Global Decarbonization** | incentivizes other countries to adopt stricter carbon reduction measures to remain competitive in the EU market
- **Transition to a More Sustainable Economy** | ensures environmental costs reflected in price
- **Compatibility with WTO Rules** | applying equal treatment to domestic and foreign producers
- **Support for EU Carbon Pricing Policies** | extending carbon pricing to imported goods and reducing reliance on free allowances, which are being phased out

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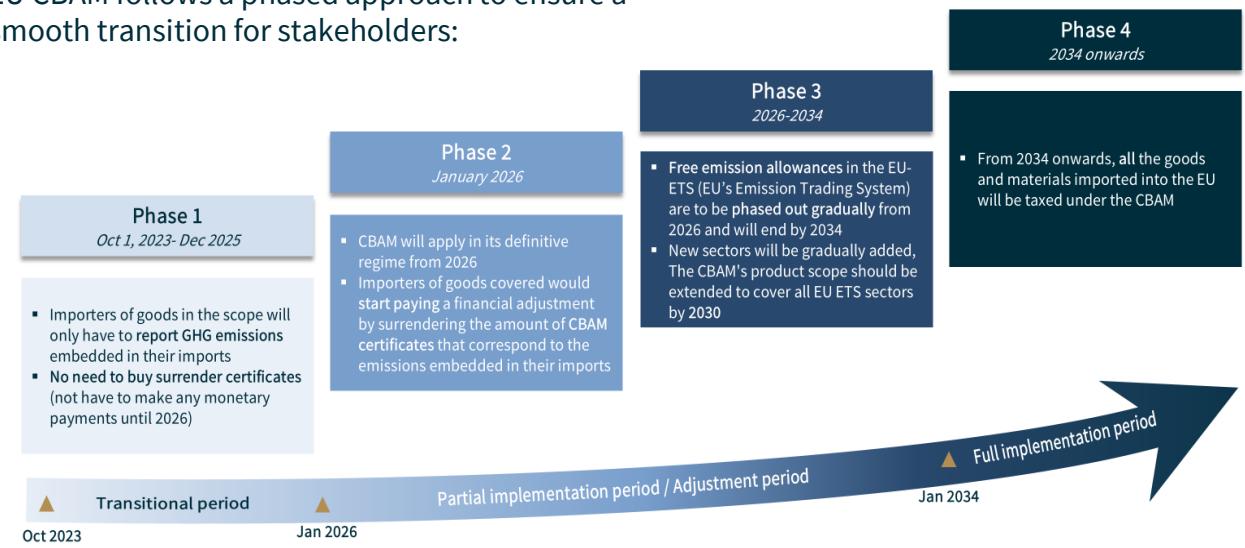
From transitional to full implementation

CBAM Roll-out Roadmap

EU CBAM follows a phased approach to ensure a smooth transition for stakeholders:



Source: European Parliament, EAC research

Key Milestones

- ❖ **October 1, 2023** | Start of transition phase (quarterly reporting obligations only)
- ❖ **October 31, 2024** | Importers can only use default value not exceeding 20% for reporting
- ❖ **January 1, 2026** | Full implementation begins (certificate payments required)
- ❖ **2026–2034** | Gradual phase-out of free allowances under the EU ETS
- ❖ **Beyond 2026** | Possible expansion of CBAM scope and periodic reviews

Since effectiveness of CBAM in October 2023, EU importers are required to declare on a quarterly basis, but during the transition period, the declarant has the option to request a delayed submission within a certain period due to technical or other reasons

REPORTING PERIOD	SUBMISSION DUE BY	MODIFICATION POSSIBLE UNTIL
2023 October – December	2024 January 31	2024 July 31
2024 January – March	2024 April 30	2024 July 31
2024 April – June	2024 July 31	2024 August 30
2024 July – September	2024 October 31	2024 November 30 *Default value ≤ 20%*
2024 October - December	2025 January 31	2025 February 28
2025 January – March	2025 April 30	2025 May 31
2025 April – June	2025 July 31	2025 August 31
2025 July – September	2025 July 31	2025 November 30
2025 October - December	2026 January 31	2026 February 28

Source: European Parliament, EAC research

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The 6 sectors covered by CBAM are impacted first

Sectors with Most Significant Risk of Carbon Leakage

During the transitional phase (2023-2025), 6 sectors covered by CBAM. It will further assess the feasibility of including other sectors covered by the EU Emissions Trading System in the scope of CBAM, and it will include a timetable setting out their inclusion by 2030

Cement	▪ The quantity of cement goods (in tons) imported into the EU ▪ Direct CO_2 emissions embedded in the goods imported into the EU ▪ Indirect emissions embedded in the goods resulting from the production of electricity used in producing those goods ▪ Any carbon price due or paid in the country of origin of imported goods
Fertilizers	▪ The quantity of fertilizer goods (in tons) imported into the EU ▪ Direct CO_2 emissions (plus N_2O) embedded in the goods imported into the EU ▪ Indirect emissions embedded in the goods resulting from the production of electricity used in producing those goods ▪ Any carbon price due or paid in the country of origin of imported goods
Electricity	▪ The quantity of electricity (in MWh) imported into the EU ▪ Direct CO_2 emissions embedded during the production of electricity being imported to the EU, at installation or production site level ▪ Any carbon price due or paid in the country of origin of imported electricity
Iron and Steel	▪ The quantity of iron and steel goods (in tons) being imported to the EU ▪ Direct CO_2 emissions embedded in the goods being imported to the EU ▪ Indirect emissions embedded in the goods resulting from the production of electricity used in producing those goods ▪ Any carbon price due or paid in the country of origin of imported goods
Aluminum	▪ The quantity of aluminum goods (in tons) being imported to the EU ▪ Direct CO_2 emissions (plus PFCs) embedded during production of goods ▪ Indirect CO_2 emissions embedded in the goods as a result of activities involved other than the physical production (e.g. electricity, heating / cooling) ▪ Any carbon price due or paid in the country of origin of imported goods
Hydrogen	▪ The quantity of hydrogen (in tons) being imported to the EU ▪ Direct CO_2 emissions embedded in the goods being imported to the EU ▪ Indirect emissions embedded in the goods ▪ Any carbon price due or paid in the country of origin of imported goods ▪ Contextual information on the produced CBAM goods e.g., production route

Source: EU Taxation and Customs Union, EAC research

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Implications for the EU importers and Non-EU OEMs

Influence On EU Importers And Non-EU OEMs

CBAM is both a **challenge and an opportunity**. European importers will need to **manage higher costs** and adjust their **supply chains**, while non-EU OEMs face pressure to **decarbonize** to remain competitive in the EU market. Both parties must adopt **proactive strategies** to minimize risks and leverage opportunities for sustainability-driven innovation and market positioning.

Imperative questions to be answered by EU Importers And Non-EU OEMs…

Do we understand what is CBAM? Are our products included in the scope of CBAM?

- Do we have **methods/systems** in place to **calculate, track, and report** the embedded emissions of imported goods in compliance with CBAM requirements?
- How can we **optimize our supply chain** to minimize CBAM-related costs, such as sourcing from lower-emission suppliers or regions with carbon pricing?

- Are we prepared to provide **accurate, verifiable emissions data** to EU importers to meet CBAM compliance requirements for **own production and precursors we used**?
- What is the **carbon intensity of our products**, and what steps can we take to **reduce it** to remain competitive in the EU market?

…to better prepare for CBAM, EU Importers and Non-EU OEMs should:

EU Importers

- **Understand CBAM requirements** | *Familiarize with CBAM scope, reporting obligations, certificate purchases*
- **Assess supply chain carbon footprint** | *engage with suppliers, identify high-emission suppliers*
- **Establish accurate reporting systems** | *develop internal system, getting staff and OEM trained for data collection and reporting table fill-in*
- **Review and optimize supply chains** | *promote decarbonization in supply chain*
- **Budget for compliance costs** | *monitor EU ETS price, evaluate financial impact*
- **Seek support** | *seek external support*

Non-EU OEMs

- **Understand CBAM requirements** | *Familiarize with CBAM scope, reporting obligations, carbon price impact*
- **Assess and reduce product carbon intensity** | *conduct carbon footprint assessment, production upgrading*
- **Enhance supply chain transparency** | *engage suppliers, ensure data accuracy*
- **Align with EU Importers** | *enhance communication, provide verifiable emission data*
- **Mitigate financial and market risks** | *plan for certificate cost, diversify markets*
- **Training and external support**| *attending trainings regarding CBAM and seek external support*

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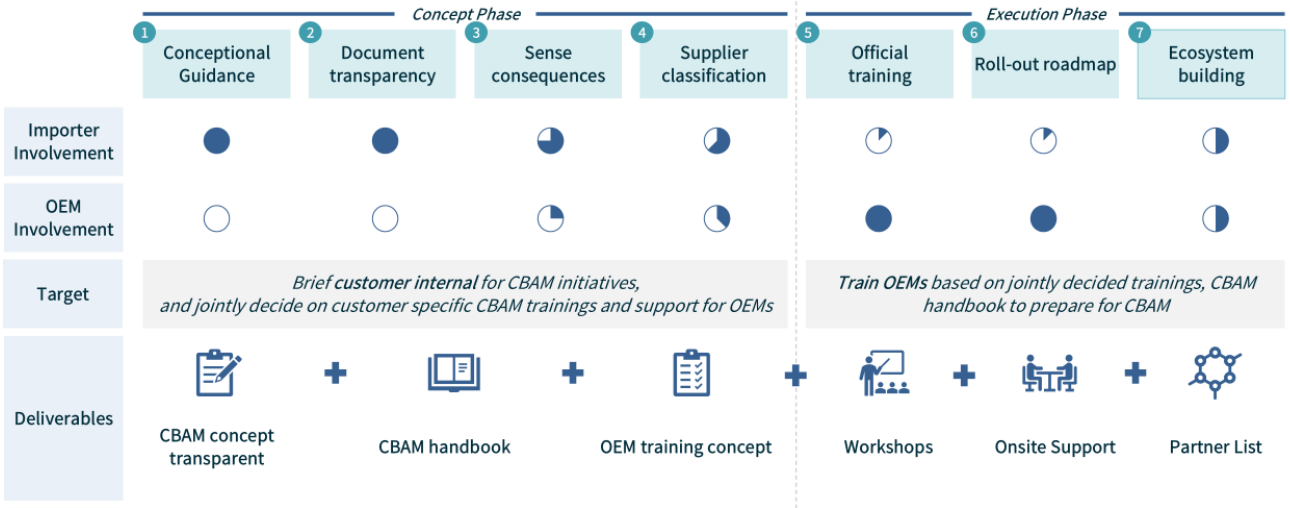
EAC potential support and recent cases

EAC – International Consulting provides **European importers and Chinese exporters with comprehensive consulting solutions to effectively prepare for CBAM**, including policy transparency, tailor-made trainings, on-site guidance to get you fully prepared.



Detailed interpretation of CBAM's policy framework, mechanism, scope of application, required information

Tailor-made group training on CBAM concept, GHG emission data collection, EU communication template fill-in

Customized CBAM handbook based on interpretation of CBAM concept and special preparation of target industry

Onsite guidance on data collection and table (EU communication template) fill-in in case needed

EAC CASE STUDIES – OUR LATEST PROJECTS

Foreign garden tool player CBAM operational excellence: Training and Solution for OEM ecosystem

SCOPE & OUTCOME

- ✓ CBAM briefing workshop jointly organized by the client and EAC for the **onboarding of OEMs**
- ✓ Customize a detailed **CBAM implementation guidance handbook** for the OEMs, including the CBAM transparency and implementation guide
- ✓ A well-planned **full-day OEM training** with ~40 OEMs (~100 participants) in total was conducted by EAC, key delivery is to teach how to fill the excel
- ✓ **Check and review** the carbon emission data submitted by all the OEMs

Chinese power tool manufacturer CBAM preparation: onsite training and support

SCOPE & OUTCOME

- ✓ Customized **CBAM handbook** for aluminum and iron & steel industry, including the CBAM transparency and implementation guide
- ✓ **2 full-day onsite training** with ~20 participants from sales, quality, procurement, manufacturing, supply chain departments, key delivery is on CBAM interpretation, emission data collection, EU communication template fill-in, potential carbon-reduction concept
- ✓ **Check and review** the carbon emission data and EU communication template filled-in

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Positive and referential feedback from the client

The voice from EAC's Clients and OEMs

EAC provides tailored solutions for seamless compliance of CBAM for brands and OEMs in China, offering insights and actionable practices to navigate CBAM requirements effectively. We have received positive feedback from our clients and a larger number of OEMs

"Thank you for organizing the CBAM ***implementation training for our OEMs****, we really appreciate a lot of your efforts and talents"*

*"****Thank you very much for the excellent guidance and support****…Our headquarters has already* ***received all data from the OEM side on time*** *so that they can process those data and fill the respective report in the following days "*

Einhell

"I think this is a very ***practical training****, which helped us understand what CBAM is and what CBAM requires of us. EAC's consultants are very professional and patient to carefully guide us to collect production data and fill in the Excel Template so that we can submit our carbon emission data to our customers…"*

LIANGYE

However, in the practical implementation, OEMs still have some troubles and complaints…

"In China, for example, the entire iron and steel industry chain is very long, and we are only a manufacturer of screws and nuts at the very downstream, and our carbon emission is very low compared to upstream. ***It is difficult for us to influence suppliers at the upper levels*** *to collect carbon emission data of our precursors."*

"We are just an ***assembly plant*** *and do not produce these CBAM products ourselves. We need to* ***ask suppliers*** *for all carbon emission data, but we do not have much bargaining power because our order quantity is low, and* ***suppliers do not give us****…"*

"I can't understand the EU's Excel Template, because it's English, and it's too complicated to understand, ***I don't know how to fill it*** *…"*

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Benefit from our vast project experiences

Contact our experts directly to discuss potential support options

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For four years in a row, EAC has been one of the best management consultancies in Germany.

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