



# Carbon Border Adjustment Mechanism (CBAM)

Understanding CBAM and Its Impact

# What is Europe's Carbon Border Adjustment Mechanism or 'CBAM'?

Imposing the first-of-its-kind carbon emission tariffs on imports of high carbon footprint goods

## What is CBAM

- The EU's Carbon Border Adjustment Mechanism (CBAM) combats carbon leakage by ensuring imported goods face the same carbon costs as those produced within the EU.
- As part of the "Fit for 55 in 2030" plan, CBAM supports the EU Emission Trading System (ETS) in reducing greenhouse gas emissions by at least 55% by 2030 (compared to 1990 levels).
- Under CBAM, importers must declare annually the quantity of imported goods and their embedded GHG emissions
- To offset these emissions, importers pay for a corresponding number of CBAM certificates which are priced based on the weekly average ETS allowance auction (in €/ton of CO<sub>2</sub> emitted)
- CBAM does not apply to goods originating from Iceland, Liechtenstein, Norway and Switzerland given they already participate in the EU ETS
- Additionally, goods imported from countries with their own carbon price can offset the amount paid under CBAM by an amount equivalent to their domestic carbon price

Goods that  
come under  
CBAM



Cement



Aluminium  
(all forms)



Iron & steel  
(all forms)



Fertilizer



Electricity



Hydrogen

Responsibility of the Importers



Gather data from producers and calculate the direct and indirect embedded emissions of the imported goods



Calculate total verified GHG emissions in the goods imported in a calendar year. Carbon costs paid at origin are deducted from payable CBAM charges.



Acquisition of CBAM certificates from the relevant CBAM authority



Ensure CBAM reporting every quarter and that the number of CBAM certificates held at each quarter end is equal to at least 80% of the embedded emissions in imports since the calendar year start.

# What are the timelines for the implementation of CBAM?

CBAM is being implemented in a phased manner to provide time for businesses to adapt

## CBAM's Three Phases: Transitional, Gradual Roll Out, and Full Roll Out

### Transitional Period

#### 1 October

The first quarter of CBAM reporting begins. Data collection from suppliers starts for quarterly reporting

#### 31 December

End of the first quarter of the transitional period

#### 31 January

Deadline for the first CBAM report submission (Quarterly submission).

This data does not need to be verified and no CBAM certificates need to be purchased.

#### 31 December

End of the transitional phase of CBAM.

Post this, financial adjustments needs to be made through purchase of CBAM certificates

2023

2024

2025

### During the Transitional Period:

- The EU importers will be required to report the embedded GHG emissions data associated with production of imported commodities under CBAM
- This period is expected to help the EU importers and their suppliers in the practical implementation of CBAM and a new CBAM transitional registry will become available to help importers perform and report these calculations
- The data collected from the suppliers does not need to be verified and no CBAM certificates need to be purchased.
- However, proportionate and dissuasive penalties apply to declarants that fail to submit the CBAM reports

### During the Gradual Roll-Out Period:

- The EU importers need to purchase CBAM certificates and verify the data collected from their suppliers
- The reported data to be verified by the independent verifiers and need to be submitted annually as a CBAM declaration
- The CBAM certificates corresponding to the embedded emissions will start to be traded

2026

#### 1 January

Full CBAM reporting goes live with gradual CBAM certificates rollout for financial adjustments

#### 31 January

Submission deadline for the final quarterly report of the transitional period

2027

#### 31 May

Submission deadline of the first Annual CBAM declaration along with the financial adjustment and surrendering of CBAM certificates

### Gradual Roll Out

New products to be included under the scope of CBAM include:

### Full Roll Out of CBAM

- Oil refined products
- Upstream products
- All metals
- Pulp and paper
- Glass and ceramics
- Organic chemicals

# What types of data need to be reported under CBAM?

The different commodities under CBAM are subjected to different types of reporting

## The reporting of GHG emissions during the transitional phase will be expanded as the gradual roll-out phases comes into implementation

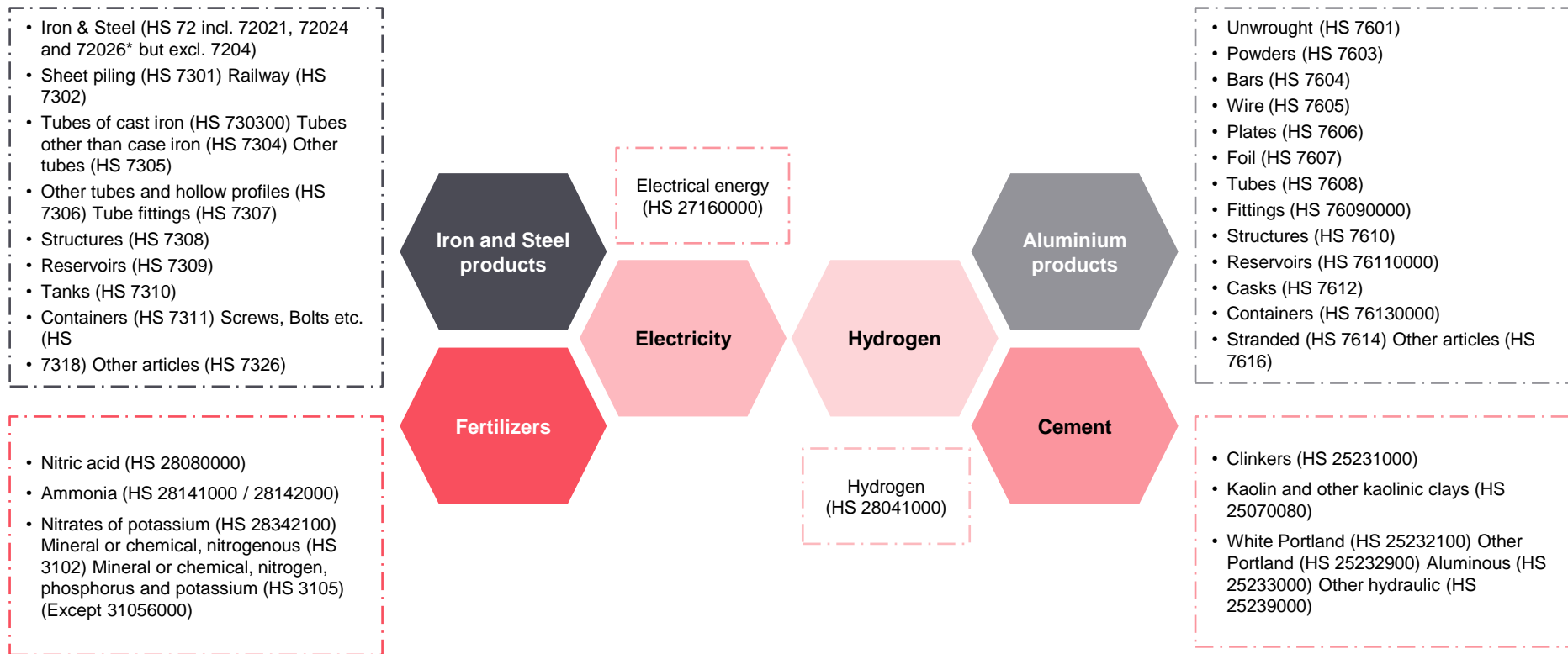
Each sector's specific characteristics have been considered when designing the methods for reporting and calculating embedded emissions in these goods ensuring alignment with the EU Emissions Trading System

Issue	Goods under the CBAM					
	Cement	Fertilizer	Iron/Steel	Aluminium	Hydrogen	Electricity
Reporting Metrics	(per) Tonne of Goods					(per) MWh
Greenhouse gases covered	Only CO <sub>2</sub>	CO2 plus N2O for some fertilizer goods	Only CO <sub>2</sub>	CO2 plus perfluorocarbons (PFCs) for some Al goods	Only CO <sub>2</sub>	Only CO <sub>2</sub>
Emission coverage during transition period	Direct and indirect					Only direct
Emission coverage during definitive period	Direct and indirect		Only direct, subject to review			Only direct
Determination of direct embedded emission	Based on actual emissions, unless they cannot be adequately determined					Based on default values, unless several cumulative conditions are met
Determination of indirect embedded emission	Based on default values, unless conditions are met (i.e., direct technical connection or power purchase agreement)					Not applicable

# A detailed overview of the goods covered under CBAM

Most of the goods imported under the 6 categories below will come under their Harmonized System (HS) codes

## HS codes covered under CBAM



# How will CBAM affect industries in the EU?

Industries will need to reshape their business and trade strategies

Almost all industries importing or exporting goods that come under CBAM will feel its effect – and chemicals/polymers are under consideration

## Commodity prices may increase

Industries importing products with high carbon emissions will be required to pay more under CBAM

The allocation of ETS free allowances to several domestic sectors will be gradually reduced as CBAM phases in, driving up costs for EU producers

## New suppliers may need to be identified

EU imports commodities under CBAM from countries such as Egypt, Ukraine, and Africa which may not have stringent regulations for monitoring and reporting GHG emissions

Thus, importers now may need to shift supply bases to countries with established carbon pricing mechanisms or look for players that have better mechanisms to track direct/indirect GHG emissions



## Trade impact – imports and exports

Imports: Suppliers without adequate emissions data will become less favorable, creating growth opportunities for those with proper carbon pricing.

Exports: The eventual removal of ETS free allowances will negatively impact the export competitiveness of European goods unless regulatory amendments are approved.

## Production strategies will need revisiting

With the phasing out of the free carbon allowance, the manufacturers of high emission products within the EU will also need to move towards more sustainable production processes

This implies changes in production processes and increases in capital expenditure for the manufacturers within the EU as well

## Clean Industrial Deals and CBAM in the EU's climate action plan

CBAM and the Clean Industrial Deal (CID) are two interconnected initiatives to achieve the EU's climate and industrial policy goals under the European Green Deal.

### Clean Industrial Deal (CID)

The European Commission published the 'Clean Industrial Deal' in February 2025. It aims to enable energy-intensive sectors to remain competitive while maintaining the EU's commitment to achieve net zero emission by 2050. Both CID and CBAM complement each other with similar objectives.

#### Common goals of CID and CBAM

- **Shared goals of decarbonization and competitiveness:**

- CID focuses on fostering clean technologies and decarbonizing EU industries, while CBAM ensures that imported goods face equivalent carbon costs, preventing carbon leakage

- **Harmonized Carbon Accounting:**

- Both CID and CBAM emphasize harmonized methodologies for calculating embedded emissions

- **Incentives for Innovation and Green Investments:**

- CID mobilizes funding for industrial decarbonization projects, while CBAM ensures it is not undermined by high-emission imports

- **Circular Economy Integration:**

- CID promotes circular economy principles to reduce raw material dependencies. CBAM reinforces this by encouraging global producers to adopt cleaner and more sustainable practices

- **Phasing Out Free Allowances Under ETS:**

- CBAM is aligned with the gradual phase-out of free allowances under the ETS. While CID ensures that European industries remain competitive as they adopt low-carbon technologies

**Note:** The CID include several measures to ease administrative and financial burdens; particularly for imports under 50 tonnes annually. The European Commission plans to exempt these companies from CBAM reporting and ensure only larger entities are subject to detailed reporting requirements.

Sources: [Emission reduction target](#), [Questions and answers on CID](#), [Clean Industrial Deal](#), [Carbon watch](#), [Clean Industrial Deal](#), [Simplification of CBAM](#)

# How FutureBridge helps organizations minimize the effects of CBAM

A future-oriented perspective is key to mitigating high-risk aspects and strategically shaping the path forward.

FutureBridge can partner and support through our Solution Frameworks which are designed to de-risk and accelerate your objectives

## Challenges for Companies

### Supply Chain Reorganization

EU companies may need to revamp supply chains for various commodities to minimize payment of additional carbon charges

### Pricing Dynamics

Imported raw material prices are expected to rise as manufacturers adapt to carbon adjustment costs and seek to mitigate them through supply chain changes.

### Global Decarbonization of Processes

As free carbon allowances are phased out and CID comes to force, companies will need to reduce carbon emissions further to avoid carbon emission payments

## FutureBridge solutions

#### • Current raw material supplier risk

- Understand the current risk status of different materials in the supply chain
- Analyse the current state of operations and decarbonization efforts of the current suppliers

#### • Switchover to new suppliers

- Identify new suppliers from countries that already have a carbon tax in place
- Identify suppliers who already report their emission data
- Understand the type of contracts in place with these suppliers

#### • Analysis of new materials for various applications and their availability

#### • Pricing trends and analysis

- Analyse the current prices of commodities and changes over a period
- Identify the pricing trends by different grades and different country of origin

#### • Pricing trend forecasting for commodities

- Identify signals to track, as commodity prices will vary based on market supply and demand.

#### • Analysis of pricing/ availability of alternate products/ feedstocks based on demand and supply

#### • Circularity and Resource Efficiency:

- Analyse and benchmark the best practices in the industry/among peers
- Feasibility analysis of implementing new processes/solutions

#### • Water management and stewardship:

- Evaluation of new/novel technologies
- Assessment of key KPIs

#### • Alternate feedstock and green energy:

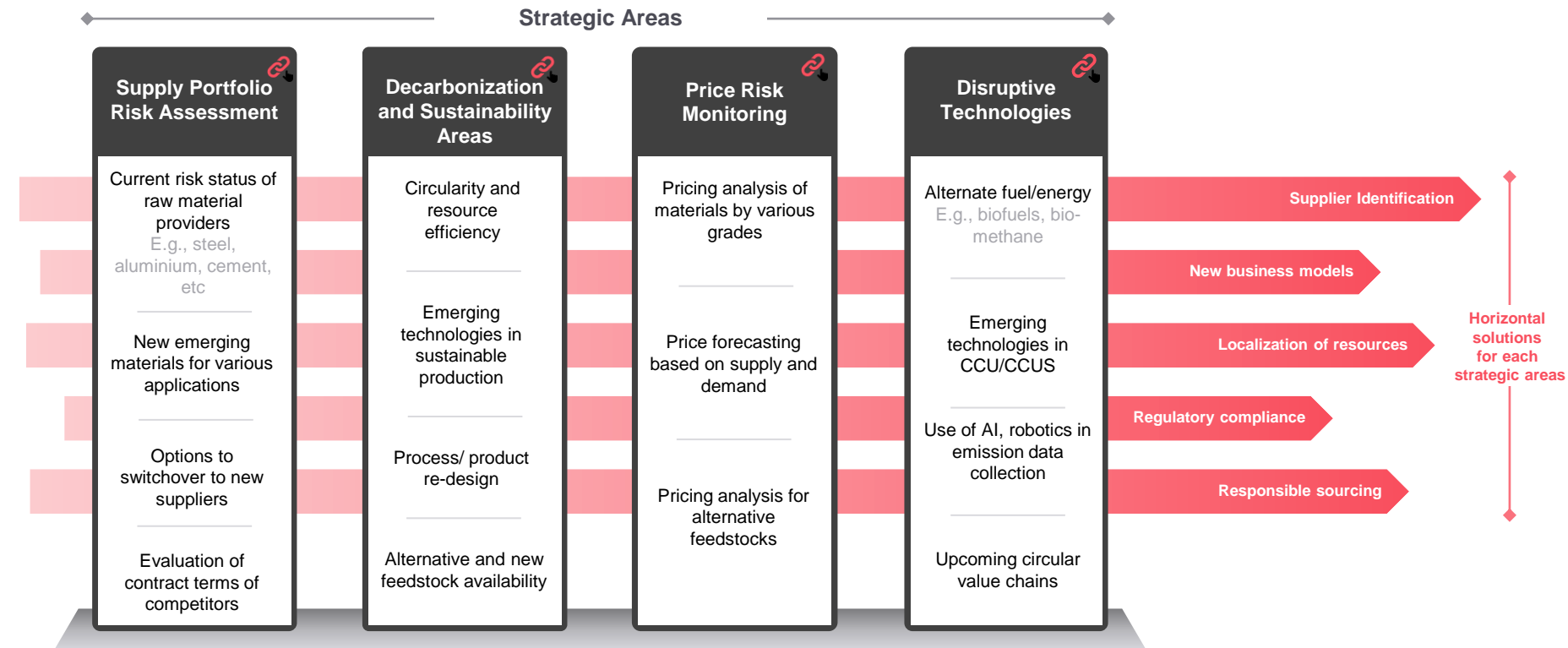
- Evaluation of available greener feedstocks that produce less emissions
- Best practices in green energy usage and evaluation of economics of different green energy



# FutureBridge partners with clients to adapt to new regulations

The new regulations, or mechanisms such as CBAM, PFAS, EUDR, and ESRS, require a new thinking and knowledge to comply

FutureBridge solution frameworks help organizations navigate new regulations and optimize their strategic approach across key areas.




# Thank you





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