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Carbon Border Adjustment Mechanism (CBAM) – Now it is Up and Running!

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What is CBAM?

Have you heard of CBAM? No? Well, depending on your line of business it may now be time to read up on it. The major EU framework was established by an EU Regulation adopted by EU co-legislators on 16 May 2023 (OJ L 130/52 <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023R0956>; the CBAM Regulation). It lays down obligations arising when certain goods are imported into the EU. The mechanism started with a reporting procedure relating to imports made from 1 October 2023. From 1 January 2026 there will be a financial obligation.

About 200 000 importers throughout the different EU Member States are estimated to be subject to the new rules – are you one of them or do you sell goods from a 3rd country to such an importer?

The CBAM is part of the EU's Fit for 55 Package, which is a set of measures aiming to help the EU to reduce greenhouse gas emissions by 55% in 2030. Read more about the background of CBAM and its key elements at the website of the EU Commission https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en#legislative-documents/.

What can you learn by reading this blog?

This blog will not elaborate on the reasons why the EU has introduced CBAM but will rather give a short overview of the administrative obligations you need to consider if you are dealing with imports of CBAM goods to the EU. Questions you may ask yourself are the following:

- Where can I find more practical information and hands-on assistance on how to manage CBAM obligations?
- What goods are within the scope of CBAM? Do I engage in a business relating to import of such goods?
- What obligations have arisen for imports of CBAM goods from 1 October 2023?
- What will happen when imports are done from 1 January 2026 and onwards?
- Who is responsible for fulfilling the CBAM obligations?
- What is my role if I am producing CBAM goods in a 3rd country and exporting them to the EU?

The above questions will be briefly answered in this blog post. For more detailed information please consult the EU Commission's CBAM website at [Carbon Border Adjustment Mechanism \(europa.eu\)](#) as well as the websites of the National Competent Authorities in the different EU Member States ([231117 Updated provisional list of NCAs.pdf \(europa.eu\)](#)). One example with information in English is the Finnish website [Carbon Border Adjustment Mechanism \(CBAM\) – Finnish Customs \(tulli.fi\)](#).

What goods does the CBAM apply to – CBAM scope?

The CBAM is applicable to certain goods in following sectors: iron & steel; aluminium; cement, fertilisers, electricity and hydrogen. Check out Annex I of the CBAM Regulation for an exact identification of these goods, based on customs Combined Nomenclature codes (CN codes).

There are certain exemptions. The CBAM does not apply for imported goods

- of a value per consignment of maximum 150 EUR;
- to be moved or used in the context of certain military activities;
- originating in Iceland, Liechtenstein, Norway or Switzerland;
- originating in Büsingen, Helgoland, Livigno, Ceuta or Melilla territories.

Who is responsible for fulfilling CBAM obligations during the transitional period (1 October 2023 – 31 December 2025)?

During the transitional period, there is an obligation to report certain information about imported CBAM goods (see further in the next section). This reporting obligation lies on an importer established in the EU (the person lodging the customs declaration for release for free circulation into the EU) or an indirect customs representative agreeing to take on this task. For an importer established outside the EU, the obligation always lies on the indirect customs representative.

The person reporting needs to hold an EORI number (Economic Operators Registration and Identification number) to be able to fulfil the reporting obligation. An EORI number is a unique registration number assigned by the customs authorities for customs purposes carried out in the EU.

Via its EORI number a CBAM reporting declarant can access the CBAM Transitional Registry. This is an IT platform, developed by the EU Commission, where the information necessary to fulfil reporting obligations is to be lodged. Access to the registry needs to be requested through a national authority in the Member State in which the importer or indirect customs representative is established. Member States have chosen different approaches, where in some Member States this access is granted through the National Competent Authority while others have decided to let the customs authorities deal with this task. Via an Authentication portal established by the EU Commission ([UUM&DS \(europa.eu\)](#)), the importer or indirect customs representative will be directed to the relevant national authority.

What information shall be reported?

The CBAM report during the transitional period needs to contain certain information on the imported CBAM goods, namely

- The total quantity of each type of CBAM goods, expressed in MWh for electricity and in tonnes

for other goods, specified for each installation producing the goods in the country of origin.

- The actual embedded CO₂e emissions from the production of the goods. The method for this calculation is found in Annex IV of the CBAM Regulation and is further outlined in a Commission Implementing Act for the Transitional Period (OJ L 228/94, [EUR-Lex – 32023R1773 – EN – EUR-Lex \(europa.eu\)](#)). The EU Commission has also published detailed guidelines for importers ([CBAM Guidance_EU 231121 for web_0.pdf \(europa.eu\)](#)). In reports covering imports made during the period 1 October 2023–June 2024, default values may be used if actual emission data is not available. The EU Commission will publish these default values on their website before the end of 2023.
- Information of a carbon price which may have been paid for the embedded emissions in a 3rd country of origin of the goods.

When and how shall the information be reported?

A report during the transitional period shall contain information of all imports carried out by the importer or the indirect customs representative during a given quarter of a calendar year. The report shall be submitted to the EU Commission via the Transitional Registry no later than one month after the end of each quarter. This means that the first CBAM Reports needs to be lodged by 31 January 2024, containing information on imports carried out during the period 1 October–31 December 2023.

What is the role of 3rd country producers?

Note that all legal CBAM obligations lie on the EU importer or indirect customs representative. The CBAM is an internal EU measure regulating the EU market. However, as the CBAM reporting requires detailed information on embedded emissions in the imported goods, there is a need for the EU importer or indirect customs representative to have access to relevant data from the 3rd country producer.

The EU Commission has published guidelines for installation operators outside the EU ([CBAM Guidance_non-EU 231121 for web_0.pdf \(europa.eu\)](#)). These guidelines will be available not only in English but soon also in French, German, Spanish, Italian, Arabic, Mandarin, Hindi, Turkish and Ukrainian language versions. The EU Commission has, in order to facilitate the information exchange, published a Communication Template for Installations (available at the general EU CBAM website [Carbon Border Adjustment Mechanism \(europa.eu\)](#)). However, this is just a voluntary template as it is up to the bilateral interaction between importer and producer how to ensure access to relevant data to be reported. There are also on-line information webinars available.

What will happen during the definitive period (post 1 January 2026)?

On 1 January 2026 the CBAM will be fully up and running with a financial obligation. Imports can only be made by an authorised CBAM declarant. This will be a prerequisite for customs authorities to release the goods for free circulation into the EU. An importer or indirect customs representative may, prior to importation, apply for such a status. The National Competent Authority of the EU Member State where the applicant is established will grant the status of CBAM declarant once the applicant has demonstrated financial and operational capacity. It will be possible to submit applications from 31 December 2024.

The authorised CBAM declarants will by the 31 May each year be required to declare the embedded emissions in the total goods they have imported during the previous calendar year. This means that the first CBAM declarations, covering imports during 2026, will need to be submitted by 31 May 2027.

The declared embedded emissions need to be verified by verifiers accredited by a national accreditation body in an EU Member State. If these emissions have been subject to a carbon price in a 3rd country, this is deducted from the financial CBAM obligation. It will be possible to use a person accredited as an EU ETS verifier or a person may seek specific CBAM accreditation.

The authorised CBAM declarants must also, at the same time as filing their declarations, submit CBAM certificates covering the declared embedded emissions. These certificates will be sold at the same price as EU ETS allowances but are not tradable. A special platform for these sales will be set up. The declarations will be reviewed by the EU Commission and the National Competent Authorities. Non-compliance will result in penalties.

To ensure a uniform application in more detail of the CBAM obligations, a range of secondary legislative acts will be adopted by the EU Commission prior to 2026 after votes in the CBAM Committee, composed of representatives from the EU Member States. There will also be informal consultations during 2024 and 2025 with a stakeholder Informal Expert Group and as well as public feed-back consultations of draft proposals of these implementing and delegated acts.

The CBAM regulation obliges the EU Commission to present regular reports of the effectiveness of the CBAM to the European Parliament and the Council, as well as review certain aspects of the mechanism and, if appropriate, come forward with legislative proposals of amending the CBAM Regulation. Issues to review include for example extending the scope of CBAM to other kinds of goods, including products further down the value chain as well as to embedded indirect emissions in a broader range of goods. There are different deadlines for these reports and reviews, the first one due by 31 December 2024.

Final remarks

The CBAM starts by a gradual phase-in to allow businesses to adjust. As briefly outlined above, the first phase consists of a transitional phase with no financial obligation nor authorisation of declarants but a requirement for importers or indirect customs representatives to report embedded emissions according to a set methodology. At this stage no verification is needed of the embedded emissions.

However, the definitive period is only about two years away. There are yet many details of the administration during that period that needs to be put in place by secondary EU legislation. So, keep track of the developments to be sufficiently ready to fulfil CBAM obligations also from 1 January 2026. The EU Commission's CBAM website is a good place for those interested in following the ongoing work (https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en#latest-developments).

[1] The views expressed in this post do not necessarily reflect those of the Swedish Ministry of Finance.

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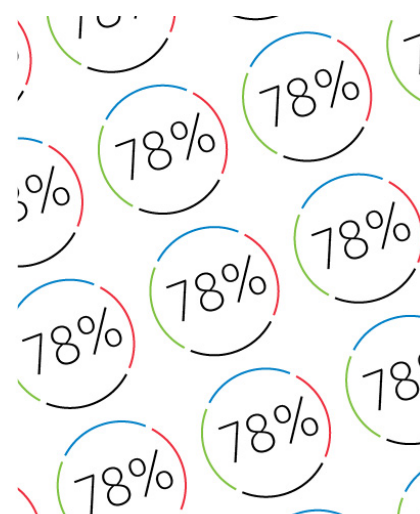
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