



EU Carbon Border Adjustment Mechanism - live October 2023

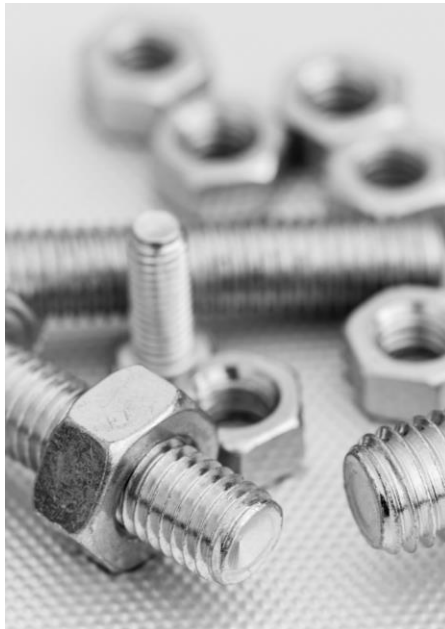
What is CBAM?

Regulation (EU) 2023/956 established the EU's Carbon Border Adjustment Mechanism. CBAM will be implemented in 2 phases:

- ▶ Phase 1: October 2023 - reporting requirements
- ▶ Phase 2: anticipated January 2026 - reporting and payments take effect.

Initially, CBAM will apply to imports into the EU for certain types of:

- ▶ Aluminium
- ▶ Fertiliser
- ▶ Cement
- ▶ Hydrogen
- ▶ Electricity
- ▶ Iron/Steel.



Background

The EU wants to stop 'carbon leakage' (where a business relocates its operations to a location outside the EU where environmental regulation is less stringent); the introduction of CBAM is designed to prevent this.

Effectively, CBAM works by applying a charge on the import of certain goods that equalises the cost levied on carbon emissions embedded in those goods relative to the domestic EU carbon cost of producing them.

The theory is that if the gross prices for imported goods are the same as those manufactured in the EU, the incentive for carbon leakage is removed.

What happens in October 2023?

- ▶ CBAM reporting requirements start with the initial period 1 October 2023 - 31 December 2023
- ▶ CBAM affected EU importers must maintain records of CBAM data for affected goods
- ▶ Importers must submit quarterly declarations in the country of import with the first return due at the end of January 2024
- ▶ UK Business supplying these goods to an EU importer must provide CBAM data to their customer
- ▶ UK businesses importing into the EU themselves must collate and submit CBAM data.

What happens if you don't comply?

- ▶ Fines and penalties
- ▶ Inability to export affected goods to the EU and/or import them
- ▶ Negative impact on your corporate brand and ESG strategy
- ▶ Potential loss of customers who may source goods from your competitors.

No double counting

CBAM will take account of any domestic emissions charges applied to the manufacture of affected goods in third countries, so non-EU manufacturers will not have to pay a carbon charge (CBAM) twice on the goods imported into the EU.

Green gain

The EU also hopes that this measure will encourage manufacturers around the world to invest in more environmentally friendly processes so they can continue to have cost-effective access to the EU Market.



Focus on steel importers

New surveillance and origin requirements will apply for steel importers into the EU and UK - failure to meet them will mean your goods will not clear customs.

How we can help you with CBAM

CBAM risk assessment

This is designed for a business to determine its exposure to the EU CBAM regulations.

We will hold a half day workshop with your business to determine:

- ▶ The extent to which your goods are covered by CBAM
- ▶ Your reporting requirements as a supplier to EU customers or direct importer into the EU
- ▶ What data you are required to collate and report.

We will work with your team to draft a CBAM reporting template to make compliance simpler and suggest a best practice CBAM control process.

Indicative cost:

- £5,000 plus VAT (and travel expenses, if required).

CBAM training

This is designed for a business to educate its staff on the EU CBAM regulations.

We can provide your staff with sector specific practical training on:

- ▶ What CBAM is and how it will work
- ▶ How to determine whether goods are subject to CBAM
- ▶ Data requirements for reporting for your industry
- ▶ How to prepare a CBAM quarterly report
- ▶ How to review a CBAM quarterly report
- ▶ How to submit a CBAM quarterly report.

Training can be provided online or at your premises to suit your needs.

Indicative cost:

- £3,500 plus VAT (and travel expenses, if required).

CBAM reporting service

You can outsource the completion of your CBAM quarterly reporting to BDO:

- ▶ This includes an initial CBAM Risk Assessment
- ▶ Agreeing CBAM raw data collation process (push by the business or pull by BDO)
- ▶ Drafting quarterly reports
- ▶ Agreeing a sign-off process with business
- ▶ Submitting the reports direct to Member State CBAM authorities or to your business for submission if direct submission is not possible.

Indicative costs:

- ▶ Price upon application, dependent on:
 - type and number of goods covered
 - specific sector requirements
 - number of countries of import.

For more information contact us for a no-obligation discussion

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