

## CBAM: What's new?

*The CBAM will enter into force on 1 October 2023 in its transitional phase. The definitive Regulation (EU) 2023/956 of the European Parliament and of the Council has been published last 16 May*

**Green taxes** involve taxes on energy, transport, pollution and resources. The environmental taxation measures at both EU and Member State level are used as a booster to reach the EU environmental objectives by encouraging a transition to cleaner energy, greener industry and more sustainable habits.

Following the “polluter-pays” principle, the impact of environmental taxation should be higher for those that consume the most. In this context, the **Carbon Border Adjustment Mechanism (CBAM)** is a crucial initiative to put a price on the carbon emitted during the production of carbon intensive goods that are imported in the EU to prevent carbon leakage.

CBAM can be compared with customs duties considering that it will affect mainly EU importers through new administrative burdens and costs related to emissions embedded in imported products. Finally, CBAM will affect the EU market too, because – in general – it will cause that imports will be more expensive due to financial adjustments, levelling the playing field for EU producers subject to the EU Emissions Trade System (ETS).

### Latest developments

The **Regulation (EU) 2023/956** of the European Parliament and of the Council of **10 May 2023** establishing a carbon border adjustment mechanism provides the legal basis for the application and implementation of the CBAM.

The mechanism will **initially apply to imports of** certain goods and selected precursors whose production is carbon intensive and at most significant risk of carbon leakage: **cement, iron and steel, aluminium, fertilisers, electricity and hydrogen** (recently added because it is mainly produced with coal in non-EU countries). With this enlarged scope, CBAM will eventually capture more than 50% of the emissions in ETS covered sectors. Under the political agreement, **the CBAM will enter into force in its transitional phase as of 1 October 2023.**

### Transitional period & permanent system

During the **transitional period, importers of goods will only have to report greenhouse gas emissions (GHG) embedded in their imports** (direct and indirect emissions), **without making any financial payments or adjustments.**

The agreement foresees that indirect emissions will be covered in the scope after the transitional period for some sectors (cement and fertilisers), on the basis of a methodology to be defined in the meantime.



The purpose of this transition period is to serve as a pilot and learning period for all stakeholders, including importers, producers and authorities, and to gather useful information on embedded emissions to adjust the definitive methodology.

Once the definitive system enters into force on **1 January 2026, importers will need to declare each year the quantity of goods imported into the EU in the preceding year and their embedded GHG.** They will then surrender the corresponding number of CBAM certificates.

The **price of the certificates** will be calculated depending on the weekly average auction price of EU ETS allowances expressed in €/tonne of CO<sub>2</sub> emitted. The phasing-out of free allocation under the EU ETS will take place in parallel with the phasing-in of CBAM in the period 2026-2034.

### What to expect?

A review of the CBAM's transitional system will be concluded before the entry into force of the definitive mechanism. Likewise, **CBAM product scope might be reviewed** to assess the feasibility of including other goods produced in sectors covered by the EU ETS, such as certain downstream products, polymers or organic chemicals.

CBAM will surely imply new administrative burden and extra costs for importers. The most affected logistics flows will concern goods coming from countries like **Russia, Ukraine, Turkey, China, United States** or the **United Kingdom.**

Importers shall start preparation for the transitional period as they will need to comply with reporting obligations. In this sense, key challenges for the importers are related to reliable calculation of embedded emissions and gathering information about the carbon price paid in third countries. Indeed, even during the transitional period a penalty may be imposed due to **non-compliance** of the reporting obligations. Penalties are not yet specified, however **we can expect effective, proportionate and dissuasive fines.**

For more information on the content of this document, please contact Andersen. Andersen Global has a presence in more than 390 locations worldwide.

**Find your International Tax local expert at:**  
[global.Andersen.com](https://global.Andersen.com)