



The EU Carbon Border Adjustment Mechanism (CBAM)

Staalfederatie Nederland

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EY

Building a better
working world

Agenda

0

3

Summary

1

7

Highlights

2

10

Product Scope

3

13

Reporting, registration
and record keeping
obligations

4

18

Sanctions

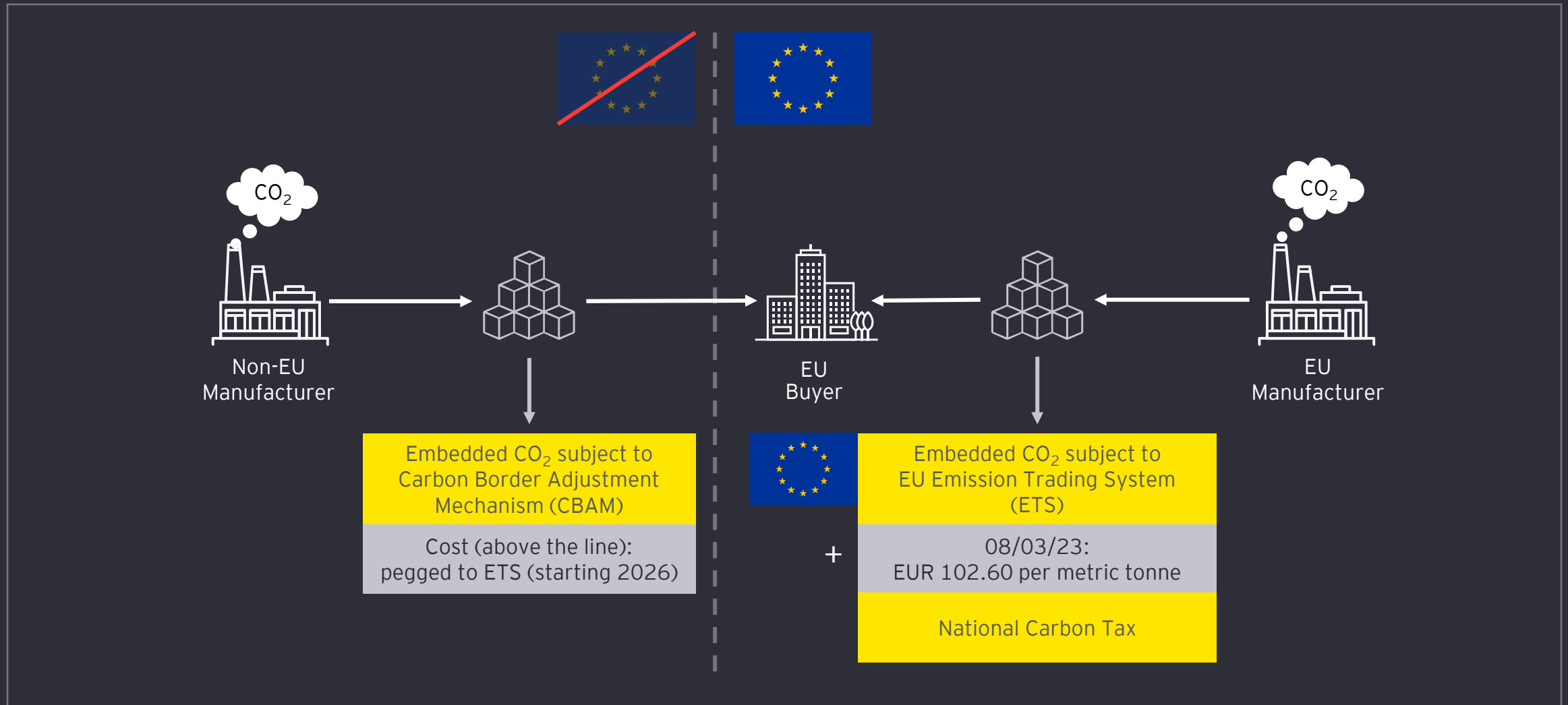
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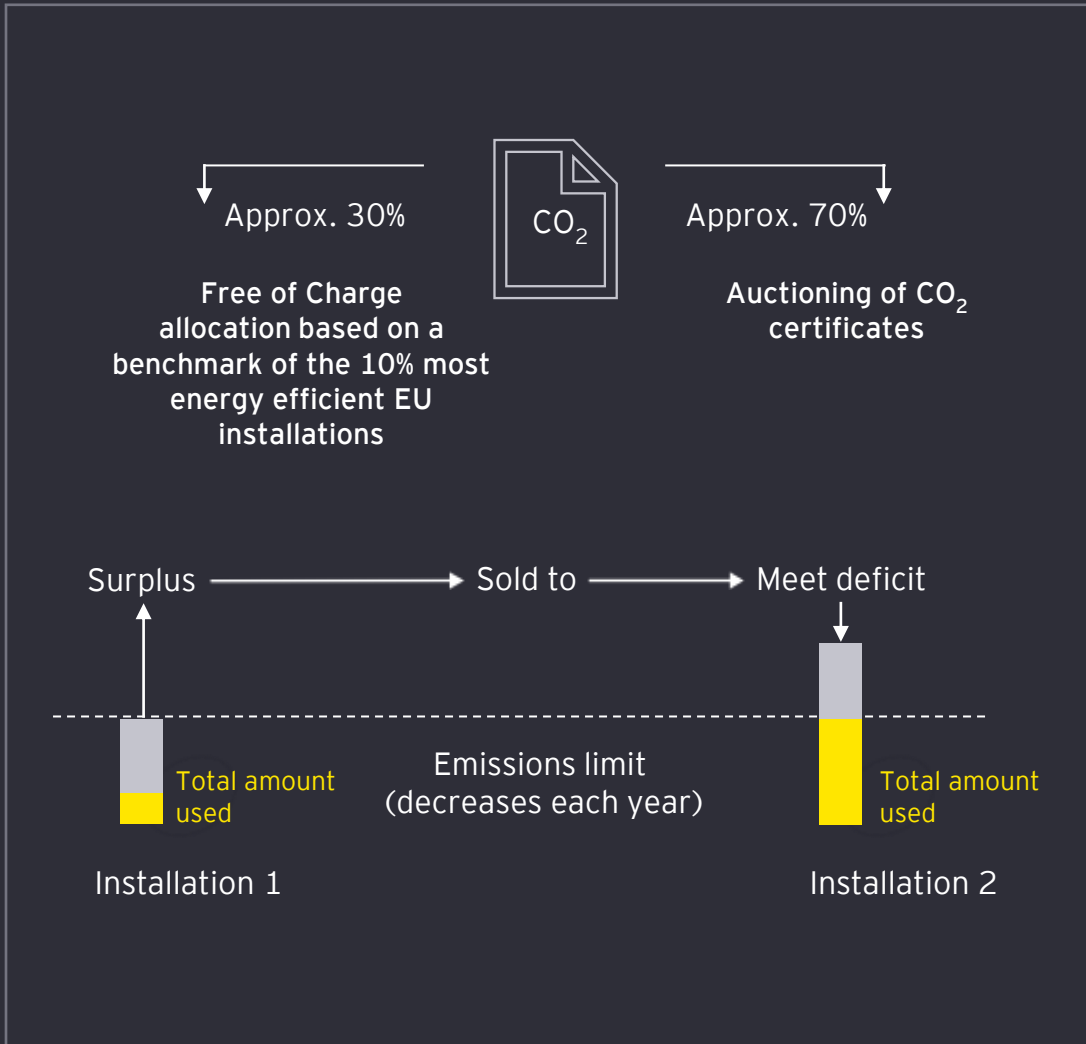
Next steps

Summary

What is CBAM? - High-level



Emission Trading System



Scope of the EU Emission Trading System

Currently:

- ▶ High emission industries (> 20MW), such as e.g., iron and steel, cement, glass, ceramics, paper, chemical, energy and heat sectors, aviation sector as well as the maritime sector.

New separate emissions trading system

- ▶ Road transport (from 2027);
- ▶ Buildings (from 2027);
- ▶ Fuels for certain other sectors (from 2027).

Reduction of free allocation

- ▶ 2021 - 2025: free allocation in the maximum amount of 30% of benchmark value;
- ▶ 2026 - 2030: free allocation planned to gradually decrease to 0%.

Impact per type of economic operator

1. Non-EU Manufacturers of goods in scope

Impact: Indirect, compliance

Will be asked by customers to provide details on embedded CO₂ (direct and indirect emissions)

Goods/industries in scope:

- ▶ Aluminum
- ▶ Iron/steel
- ▶ Cement
- ▶ Electricity
- ▶ Fertilizers
- ▶ Hydrogen

2. EU Importers/Distributors of goods in scope

Impact: Direct, compliance & cost

Will have to purchase CBAM certificates for non-EU embedded CO₂ (direct and indirect emissions)

Goods/industries in scope:

- ▶ Aluminum
- ▶ Iron/steel
- ▶ Cement
- ▶ Electricity
- ▶ Fertilizers
- ▶ Hydrogen

3. EU Manufacturers of goods that require materials in scope

Impact: Indirect, cost

When purchasing materials from outside EU, will have to pay price including CBAM cost

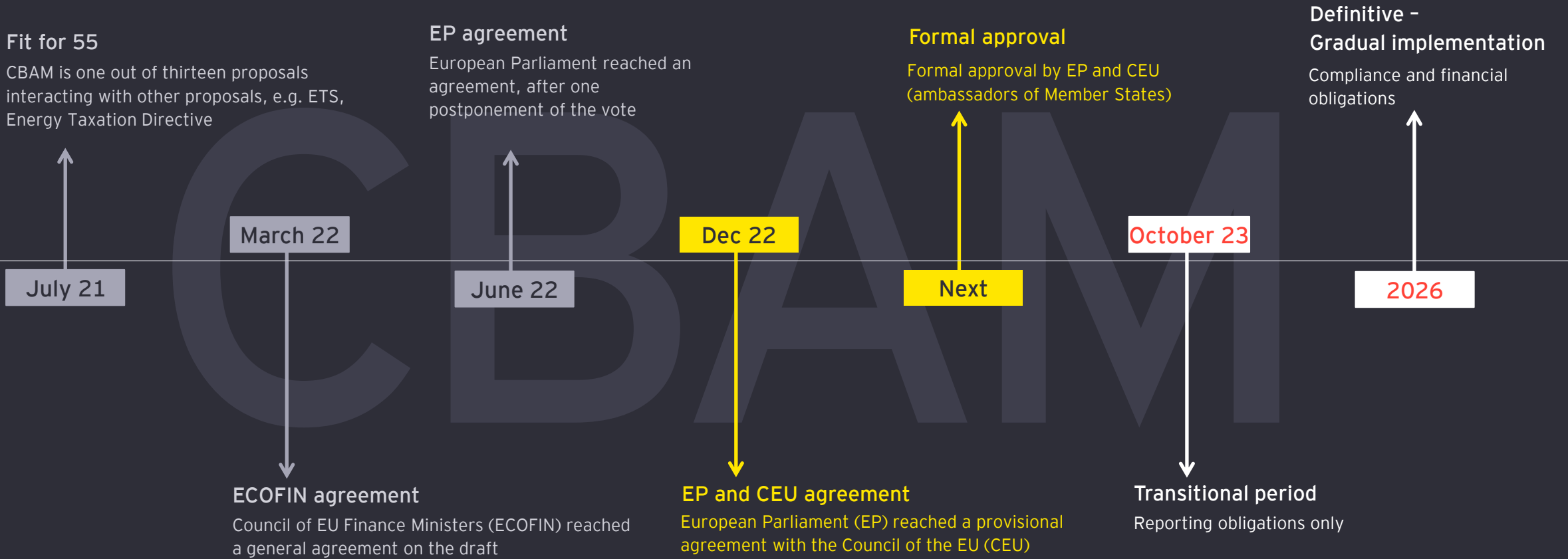
Goods/industries in scope:

- ▶ Automotive
- ▶ Construction
- ▶ Diversified industrial products
- ▶ Oilfield services
- ▶ Machinery
- ▶ Etc.

Highlights



CBAM - New Timeline



What is CBAM? – New Key Information (final stage starting 2026)

Geographic scope



Import from non-EU, except:

- Switzerland
- Iceland
- Norway
- Lichtenstein

Product scope

Diverse energy intensive raw materials and products from the following categories:

- ▶ Cement
- ▶ Fertilizers
- ▶ Iron & Steel
- ▶ Aluminum
- ▶ Electricity
- ▶ **Hydrogen**

Particular precursors as well as a limited number of **downstream products** (e.g. screws and bolts and similar articles of iron and steel).

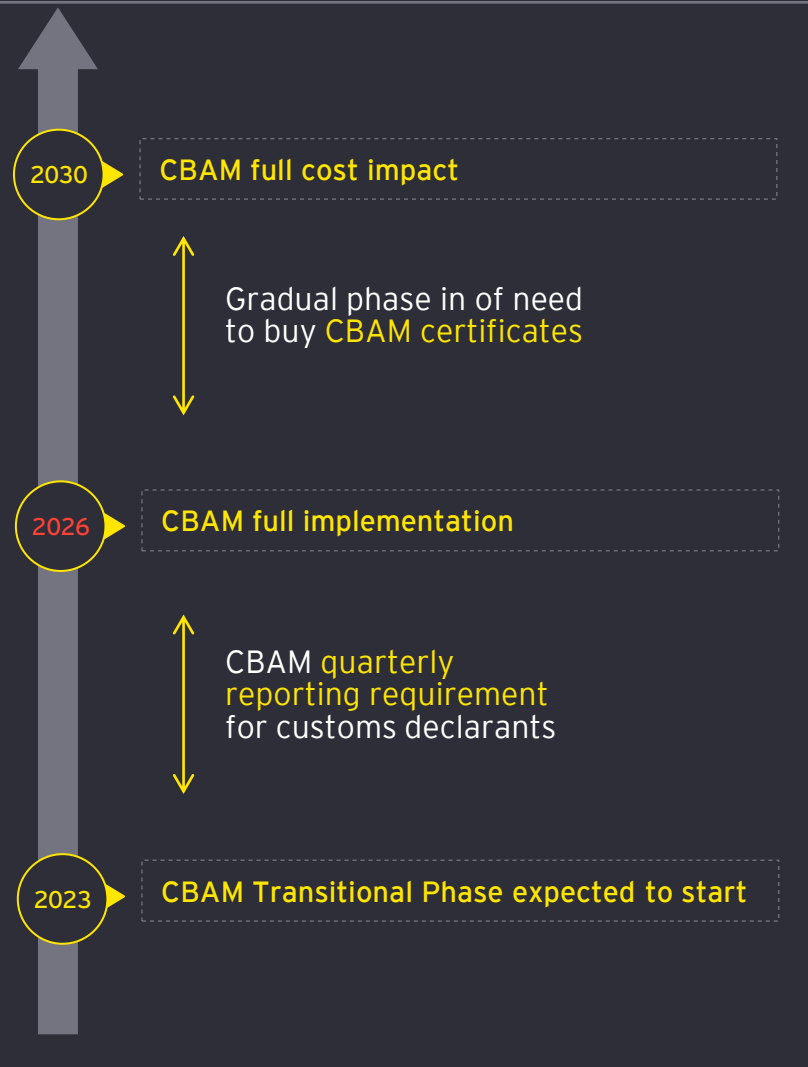
Emissions covered



Direct & indirect emission* related to manufacture + electricity used

Footprint calculation may be extended to cover further indirect emissions

* After the transitional period, for certain CBAM indirect emissions will be excluded



A large, stylized, light gray number '2' is positioned on the left side of the slide. The text 'Product Scope' is overlaid on the upper part of the '2'.

Product Scope

Product Scope (CN Codes)

Product scope (CN codes)

Cement

- 2523 10 00 – Cement clinkers
- 2523 21 00 – White Portland cement, whether or not artificially colored
- 2523 29 00 – Other Portland cement
- 2523 30 00 – Aluminous cement**
- 2523 90 00 – Other hydraulic cement

Electricity

- 2716 00 00 – Electrical energy

Fertilizers

- 2808 00 00 – Nitric acid, sulphonitric acids
- 2814 – Ammonia, anhydrous or in aqueous solution
- 2834 21 00 – Nitrates of potassium
- 3102 – Mineral or chemical fertilizers, nitrogenous
- 3105 – Mineral or chemical fertilizers containing two or three of the fertilizing elements nitrogen, phosphorus and potassium; other fertilizers; goods of this chapter in tablets or similar forms or in packages of a gross weight not exceeding 10 kg
 - ▶ Except: 3105 60 00 – Mineral or chemical fertilizers containing the two fertilizing elements, phosphorus and potassium

Iron and steel

- 2601 12 00 – Agglomerated iron ores and concentrates, other than roasted iron pyrites**
- 72 – Iron and steel
 - ▶ Except:
 - 7202 – Ferro-alloys
 - 7202 3 – Ferro-silico-manganese
 - 7202 50 00 - Ferro-silico-chromium
 - 7202 70 00 - Ferro-molybdenum

- 7202 80 00 -- Ferro-tungsten and ferro-silico-tungsten
- 7202 91 00 - Ferro-titanium and ferro-silico-titanium
- 7202 92 00 - Ferro-vanadium
- 7202 93 00 - Ferro-niobium
- 7202 99 - Other:
 - 7202 99 10 - Ferro-phosphorus
 - 7202 99 30 - Ferro-silico-magnesium
 - 7202 99 80 - Other
- 7204 – Ferrous waste and scrap; remelting scrap ingots and steel

- 7301 – Sheet piling of iron or steel, whether or not drilled, punched or made from assembled elements; welded angles, shapes and sections, of iron or steel
- 7302 – Railway or tramway track construction material of iron or steel, the following: rails, check-rails and rack rails, switchblades, crossing frogs, point rods and other crossing pieces, sleepers (cross-ties), fish-plates, chairs, chair wedges, sole plates (base plates), rail clips, bedplates, ties and other material specialized for jointing or fixing rails
- 7303 00 – Tubes, pipes and hollow profiles of cast iron
- 7304 – Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel
- 7305 – Other tubes and pipes (for example, welded, riveted or similarly closed), having circular cross-sections, the external diameter of which exceeds 406.4 mm of iron or steel
- 7306 – Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel
- 7307 – Tube or pipe fittings (for example, couplings,

- elbows, sleeves) of iron or steel
- 7308 – Structures (excluding prefabricated buildings of heading 9406) and parts of structures (for example, bridges and bridge-sections, lock-gates, towers, lattice masts, roofs, roofing frameworks, doors and windows and their frames and thresholds for doors, shutters, balustrades, pillars and columns), of iron or steel; plates, rods, angles, shapes, sections, tubes and the likes, prepared for use in structures of iron or steel
- 7309 – Reservoirs, tanks, vats and similar containers for any material (other than compressed or liquefied gas), of iron or steel, of a capacity exceeding 300 l, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment
- 7310 – Tanks, casks, drums, cans, boxes and similar containers, for any material (other than compressed or liquefied gas), of iron or steel, of a capacity not exceeding 300 l, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment
- 7311 – Containers for compressed or liquefied gas, of iron or steel
- 7318 – Screws, bolts, nuts, coach screws, screw hooks, rivets, cotters, cotter pins, washers (including spring washers) and similar articles, of iron or steel
- 7326 – Other articles of iron or steel

Aluminum

- 7601 – Unwrought aluminum
- 7603 – Aluminum powders and flakes
- 7604 – Aluminum bars, rods and profiles
- 7605 – Aluminum wire
- 7606 – Aluminum plates, sheets and strip of thickness exceeding 0.2 mm

- 7607 – Aluminum foil (whether or not printed or backed with paper, paperboard, plastics or similar backing materials) of thickness (excluding any backing) not exceeding 0.2 mm
- 7608 – Aluminum tubes and pipes
- 7609 00 00 – Aluminum tube or pipe fittings (for example, couplings, elbows, sleeves)

- 7610 - Aluminium structures (excluding prefabricated buildings of heading 9406) and parts of structures (for example, bridges and bridge-sections, towers, lattice masts, roofs, roofing frameworks, doors and windows and their frames and thresholds for doors, balustrades, pillars and columns); aluminium plates, rods, profiles, tubes and the like, prepared for use in structures

- 7611 00 00 - Aluminium reservoirs, tanks, vats and similar containers, for any material (other than compressed or liquefied gas), of a capacity exceeding 300 litres, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment

- 7612 - Aluminium casks, drums, cans, boxes and similar containers (including rigid or collapsible tubular containers), for any material (other than compressed or liquefied gas), of a capacity not exceeding 300 litres, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment

- 7614 – Stranded wire, cables, plaited bands and the like, of aluminium, not electrically insulated

- 7616 - Other articles of aluminium

Chemicals

- 2804 10 000 - Hydrogen



Product Scope (Direct and indirect emissions)

Direct and indirect emissions - Change of Definition:

- Direct emissions = “emissions from the production processes of goods, including emissions **from the production of heating and cooling consumed during the production processes, regardless of the location of the production of the heating and cooling.**”
- Indirect emissions = “emissions from the production of electricity, which is consumed during the production processes of goods, **regardless of the location of the production of the consumed electricity.**”

Direct and indirect emissions - Change in reporting:

Transitional Period

Direct + Indirect emissions have to be reported

Post-Transitional Period

If goods listed in Annex 1A :

Direct emissions only

If goods are not listed in Annex 1A:

Direct and indirect emissions

3 Reporting, registration and record keeping obligations

Transitional Period (October 2023 to end of 2025)



Quarterly reports

Data:

- ▶ The total quantity of each type of goods, specified **per installation producing the goods** in the country of origin.
- ▶ The **actual total embedded emissions** per ton of each type of goods.
- ▶ The **actual total embedded indirect emissions** (emission from 3rd party sourced electricity).
- ▶ The **carbon price paid in a country of origin for the embedded emissions in the imported goods.**

The CBAM declarant shall ensure that the total embedded emissions declared in the CBAM declaration submitted.

First Quarterly Report due no later than end of January 2024

Post Transitional Period (January 2026 and onwards)

Reportings



Annual reportings for CBAM declarants (CBAM declarations):

- ▶ The total quantity of each type of goods (in tons).
- ▶ The **actual verified total direct and (for other than Annex IA goods) indirect embedded emissions** per ton of each type of goods.*
- ▶ Total number of CBAM certificates corresponding to the total embedded emissions after reduction of the **carbon price due in a country of origin for the embedded emissions in the imported goods.**

Failure to submit CBAM reports is subject to **penalties.**

* Or country based/worst case default values.

Sanctions

Sanctions

In the Netherlands two types of penalties can be imposed:

1. An incremental penalty can be imposed by NEa if a CBAM declaration has not been submitted to 'force' the importer to file the CBAM declaration.

2. An administrative penalty can be imposed in case a CBAM declaration has not been submitted (in time) or in case the information included in the declaration is incorrect/incomplete.
 - The administrative penalty is max. 450,000 EUR per offence
or
 - In case the turnover of the company exceeds 4,500,000 EUR in the previous financial year, the administrative penalty is max. 10% of the turnover.

5

Next Steps

Next Steps



Commission shall present prior the end of Transitional period, a **report** to the European Parliament and the Council on the application of the Regulation.

The report shall contain (among other elements) an assessment of:

- the possibility to extend the scope to:
 - i. embedded indirect emissions to the **sectors listed in Annex Ia**;
 - ii. embedded emissions in the **transport of goods** listed in Annex I
 - iii. other goods at risk of carbon leakage than those listed in Annex I specifically organic chemicals and polymers;
 - iv. **other precursor materials** for the goods listed in Annex I
- the **methodology for the calculation of indirect emissions**.

➔ Implementing and delegating acts concerning the application are yet to be developed by the European Commission and expected in **April 2023**.

Get connected

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