



ZERO CARBON ONE

The CBAM Scoping Guide

Understand Your Risks & Requirements



The Carbon Border Adjustment Mechanism (CBAM) is an EU initiative designed to create a fair carbon pricing system between European producers and those outside the EU. It aims to prevent “carbon leakage,” where manufacturers relocate production processes to countries with less stringent environmental regulations, undermining the EU’s climate goals. Companies importing goods into the EU will need to buy CBAM certificates to match the carbon costs covered by the EU Emissions Trading System (ETS), ensuring that producing carbon-intensive goods abroad for the EU market is no longer a cheaper option.

The scope of CBAM is tied to the manufacturing of certain carbon-intensive goods, falling into six main goods categories. They are identified by CN code within Annex I of the regulation

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





Requirements for Companies

Manufacturers and importers face several key requirements under CBAM. The legal importer of goods must report quarterly on all goods falling under the identified CN codes. This reporting is mandatory, and must be completed for each quarter during the transitional phase, which starts on October 1, 2023, and ends on December 31, 2025. The first reports were due by January 31, 2024.

To comply, importers need to closely monitor, report, and verify the emissions of in-scope goods. This involves collecting detailed emissions data, including direct and indirect emissions, and ensuring the accuracy of the data reported. Additionally, importers should prepare for the financial obligations associated with carbon pricing, which will impact the cost structure of imported goods.

CBAM is enforced through imports to the EU, and though your organization may not be directly importing goods, you may be impacted as your customers reach out for support with their reporting obligations.

As of July 31, 2024, importers can no longer rely solely on default estimated values. Instead, they need

to engage their supply chains for primary embedded emissions data. Consequently, importers may

reach out to collect the necessary embedded emissions data on in-scope products from you, the actual manufacturing locations of the goods (i.e., “installations”). As such, customers may reach out for support with their reporting obligations.

Determining Your Next Steps

This section will help you determine whether your company is in scope of CBAM. It will also guide you through your requirements and the next steps you need to take to ensure compliance by the deadline.

Taking Action to Ensure CBAM Compliance

Quarterly CBAM reporting is currently required for importers, with increasing pressure to integrate primary supply chain data after July 31, 2024. It's crucial to take steps now to ensure compliance with evolving requirements and/or prepare to support your own clients' requirements. Understanding whether your products are in scope and gathering the necessary emissions data from your supply chain are essential first steps.

Determining Your Next Steps for CBAM

This section will help you determine whether your company is in scope of CBAM. It will also guide you through your requirements and the next steps you need to take to ensure compliance by the deadline.



STEP 1

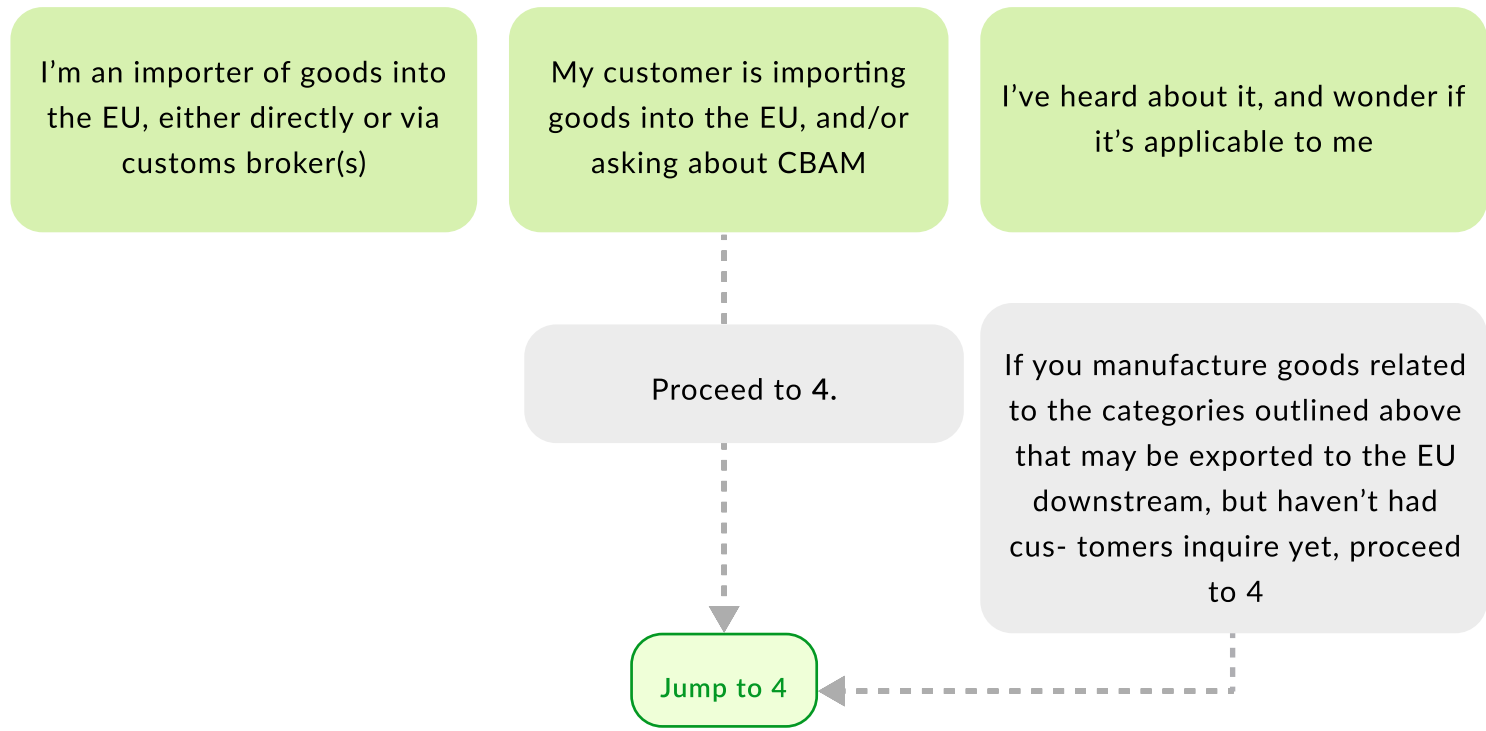
Notification Source

How did you receive notification about CBAM?

- a. Regulatory agency
- b. Customs broker
- c. Customer
- d. Media source
- e. Other/Unknown

Source of CBAM Pressure

Where is your CBAM pressure coming from?



STEP 3

For Importers (Direct or Via Customs Brokers)

a. Have you registered and been completing quarterly reporting obligations to the CBAM registry?

Yes

Proceed to 3c

No

Have you looked at the Annex List from the CBAM regulations to see if you are importing in-scope goods?

b. Have you established a process to identify in-scope shipments and relevant data to support CBAM reporting?

This would include quantities and values of shipments of goods by CN code, as well as your suppliers of these goods.



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Yes

No

Start establishing processes to identify in-scope shipments and relevant data.

c. Have you established a process to engage your supply chain to attempt to collect primary data related to the embedded emissions of in-scope products at an installation (manufacturing facility) level?

(This becomes increasingly important with the July 31, 2024 deadline for reporting with primary data.)



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Yes

No

Start establishing processes to identify in-scope shipments and relevant data. Contact Assent for support in identifying and engaging the supply chain to get installation-level data.

STEP 4

For Customer-Driven Requests

Even if you are not in scope of CBAM as an importer, your customer may ask you to provide embedded emissions data from the installation(s) where the in-scope products are manufactured to support their reporting obligations.

Has your customer specified which products they are requesting embedded emissions data for?

Yes

No

Look at the Annex I list to see if you are exporting in-scope goods

a. In either case, are you manufacturing or selling in-scope products that are being imported to the EU?

Yes

No

Your process is on track.

b. For any of the Yes options, have you identified the installation(s) where the products are manufactured?

Yes

No

Contact Assent for support in identifying and engaging the supply chain to get installation-level data.

- c. Are you able to provide relevant data in line with CBAM expectations to support your customer's reporting obligations?

Yes

Your process is on track.

No

Contact Assent for support in identifying and engaging the supply chain to get installation-level data.

To avoid CBAM risks and streamline your compliance process, it's important to start taking action now.

Contact us on info@zerocarbon.one to get ahead of your requirements today.