

Carbon Border Adjustment Mechanism



Background

ABOUT

Following the formal adoption of the Carbon Border Adjustment Mechanism (better known as CBAM) by the European Parliament on 18 April 2023, the Regulation entered into force the day following its publication in the Official Journal of the EU 16 May 2023 (EUR-Lex - 32023R0956 - EN - EUR-Lex (europa.eu)).

The CBAM addresses carbon leakage from products and goods, derivatives, and certain precursors imported into the European Union and aims at equalizing the carbon cost of imported products with that of domestic products. Annex I of the Regulation includes the full list of products/goods and precursors with related HS code.

HOW DOES IT WORK?

EU importers are required to apply for the status of authorised CBAM declarant.

In the event importers appoint indirect custom representatives, the latter will need to apply for the authorisation. Each authorised CBAM declarant will be issued with a CBAM account number.

CBAM Registry and the Common Central Platform are two key elements of the CBAM Regulation. The Registry includes data on authorized CBAM declarants, operators and installations in non-EU countries. The Common Central Platform will be used for the sale and repurchase of CBAM certificates.

What to expect in the transitional period

During this period importers of goods falling within the scope of the CBAM will have to report greenhouse gas emissions embedded in their imports without surrendering CBAM certificates.

This transitional period is geared towards information collection to ensure preparedness for the definitive system and to create awareness on what will be required from exporters and importers alike. Importers will have to report on a quarterly basis the embedded emissions in goods imported during the previous quarter of the calendar year, setting out direct and indirect emissions as well as any carbon price effectively paid abroad.

This reporting-only process will run through the end of 2025, with the last CBAM report, for the three months ending 31 December 2025 needing to be submitted by 31 January 2026.

EXEMPTIONS

Certain third countries that have an emissions trading scheme linked to the EU scheme or that participate to the EU scheme are exempt.

This is the case for Members of the European Economic Area and Switzerland. Additional third countries that have a cap and trade system or a carbon tax will be considered for exemption should the EU recognise those systems as equivalent.



Industries and products

The CBAM Regulation covers imports of cement, iron and steel, aluminum, fertilizers, electricity, and hydrogen for emissions of carbon dioxide, nitrous oxide and perfluorocarbons.

Cement, fertilizers, and electricity will be covered, and in the future taxed, for direct and indirect emissions, while iron and steel, aluminum, and hydrogen will only be covered, and in the future taxed, for direct emissions.

The CBAM scope will likely cover additional sectors and products, and it is expected to cover all sectors included in the EU ETS (European Union Emissions Trading Scheme) by 2030.

Industries and sectors can be added during the transitional period.



Cement



Iron & Steel



Aluminum



Fertilizers



Hydrogen



Electricity



Why choose SGS

OUR SERVICES



ON-GOING SUPPORT THROUGHOUT THE TRANSITIONAL PERIOD

Development and implementation of an accounting methodology and system to monitor and report emissions, in line with CBAM Regulation requirements. Quarterly support for reports to CBAM declarants.



TECHNICAL TRAINING

Bespoke technical trainings for industry and products.



GAP ASSESSMENT

Is your accounting system meeting CBAM requirements? Assessment of current GHG emission accounting and alignment with CBAM requirements.



EMISSIONS VERIFICATION

From 2026, GHG emissions third-party independent accredited verification.

We are market leaders in EU ETS verification with more than 15 years' experience verifying GHG emissions of installations across all CBAM covered sectors.

We have a global presence and can provide a range of CBAM related solutions in your language with local experts.

We provide a one stop shop solution for all your CBAM needs, from accounting to gap assessment to verifications.

SGS is the world's leading inspection, and certification company. We are recognized as the global benchmark for quality and integrity.

With more than 97,000 employees, we operate a network of more than 2,650 offices and laboratories around the globe enabling reach and local support.

For more information, contact Industries.Environment@sgs.com

SGS.COM

SGS Headquarters
1 Place des Alpes
P.O. Box 2152
1211 Geneva 1
Switzerland

