



EORI (UK) LIMITED

A 360PAY COMPANY

Carbon Border Adjustment Mechanism

Whitepaper



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Overview

This whitepaper is a simplified guide of the Carbon Border Adjustment Mechanism (CBAM). CBAM is an EU strategy to fight climate change. The main aim is to level the playing field for EU producers subject to EU carbon pricing, to ensure fair competition with countries where carbon pricing is less stringent. It also aims to incentivise foreign producers adopting cleaner and more sustainable production processes. This ensures that goods produced abroad and imported into the EU, pay a fair price for their carbon emissions compared to goods manufactured domestically under the EU ETS (Emission Trading System).

EU ETS creates a financial incentive for EU's largest emitters to cut back. It sets a cap on the total amount of greenhouse gases that a company can emit each year. There is a fixed number of allowances which are the currency of the carbon market. Companies are fined if they exceed their emissions allowance but they can buy extra allowances from another emitter. Over time, the cap is reduced and alternative methods of energy production are encouraged.



Initially, CBAM applies to imports in carbon-intensive sectors such as:

- Cement
- Fertilisers
- Iron and steel
- Aluminium
- Electricity
- Hydrogen

Over time, this list is expected to expand, potentially affecting a broader range of goods as climate ambitions evolve.

Timeline

CBAM will be implemented in two stages, a Transitional Period and a Definitive Period. The Transitional Period began on 1st October 2023. This Period had reporting obligations on direct and indirect emissions where EU importers must have complied with the reporting requirements but did not need to purchase CBAM certificates yet.

Instead, they must have submitted a CBAM report which states:

- Quantity of CBAM goods imported
- Embedded emissions in those goods
- Carbon price paid in country of origin (if applicable).



Transitional Period

This will run until 31st December 2025.

During this period, all CBAM goods must have their indirect emissions reported quarterly, as accurately as possible.

- Global Default Values may be used.
- Surrender of CBAM certificates is not yet required.

This is done via the CBAM transitional Registry, the EU commission database that enables communication, checks the information between the EU commission, Competent Authorities, Member States customs, and reporting declarants.

Who Must Submit Quarterly Reports?

- Authorised Declarants placing CBAM goods on the EU market.
- Importers lodging the customs declarations to release CBAM goods for free circulation.
- Indirect customs representatives, as long as the representative is appointed in accordance with Article 18 of Regulation (EU) No 952/2013 and the importer is located outside the Union.

If there are multiple parties involved in the import, all goods are only to be attributed to one declarant and should not be duplicated or omitted.



EU simplifications following the transitional period

The EU commission reviewed the data that has been submitted to them via reporting done during the transitional period. On 8 October 2025 they issued an amendment to the CBAM regulations containing omnibus simplifications.

A "De Minimis" exemption has been granted for operators that import less than 50t of CBAM goods annually (with the exception of Electricity and Hydrogen). EU research has shown that the majority of emissions are attributed to larger companies, and that 90% of EU importers could be exempted from CBAM requirements while still covering 99% of import emissions. This removes the requirement for burdensome reporting requirements for smaller enterprises.

Initially the "De Minimis" rule was that no consignment totalling below €150 would be subject to CBAM, however the commission have found that this "appears insufficient to ensure that the CBAM applies to importers in proportion to the impact of those importers on the emissions covered by (the) Regulation"



The purchase of CBAM certificates is deferred until February 2027.

The deadline for submission of annual CBAM declarations for EU Importers has been extended from 31 May to 30 September of the following year. This will provide suppliers with additional time to provide the applicable data. There has also been some simplifications to the data that is to be provided to reduce the administrative burden that CBAM places on members of the supply chain.

Standard annual average carbon prices or default carbon prices can be used where a country of production have pricing mechanisms available, but an actual price paid can't be accurately established.

Authorised Declarants can now delegate submission of CBAM declarations to third parties while still retaining legal responsibility. There are requirements for this, and the third party must be:

- Established in an EU state
- Hold a valid EORI number

Definitive Period

The second phase is a Definitive Period, beginning on 1st January 2026. During this period, the EU importers do not need to purchase CBAM certificates to import CBAM Goods. However from 2027, importers should purchase certificates for emissions embedded in goods imported during the year 2026. From 2026 (Definitive Period), there are several key features of the CBAM:

CBAM Certificate

EU importers to purchase CBAM certificates corresponding to embedded emissions in the imported goods.

Certificates are limited by quarter and must correspond to 50% of embedded emissions.

The number of CBAM certificates subject to resale to the authorities are limited to the total number of CBAM certificates that the authorised CBAM declarant had an obligation to purchase during the calendar year of the purchase of the CBAM certificates.

Default Value

Embedded Emissions in CBAM goods calculated based on default value unless lower emissions are demonstrated at import.

Authorised Declarants

EU Importers must be authorised by competent authorities to import CBAM goods.

CBAM Declaration

EU importers to submit a CBAM declaration for the preceding year on the quantity of imported goods and their total embedded emissions.

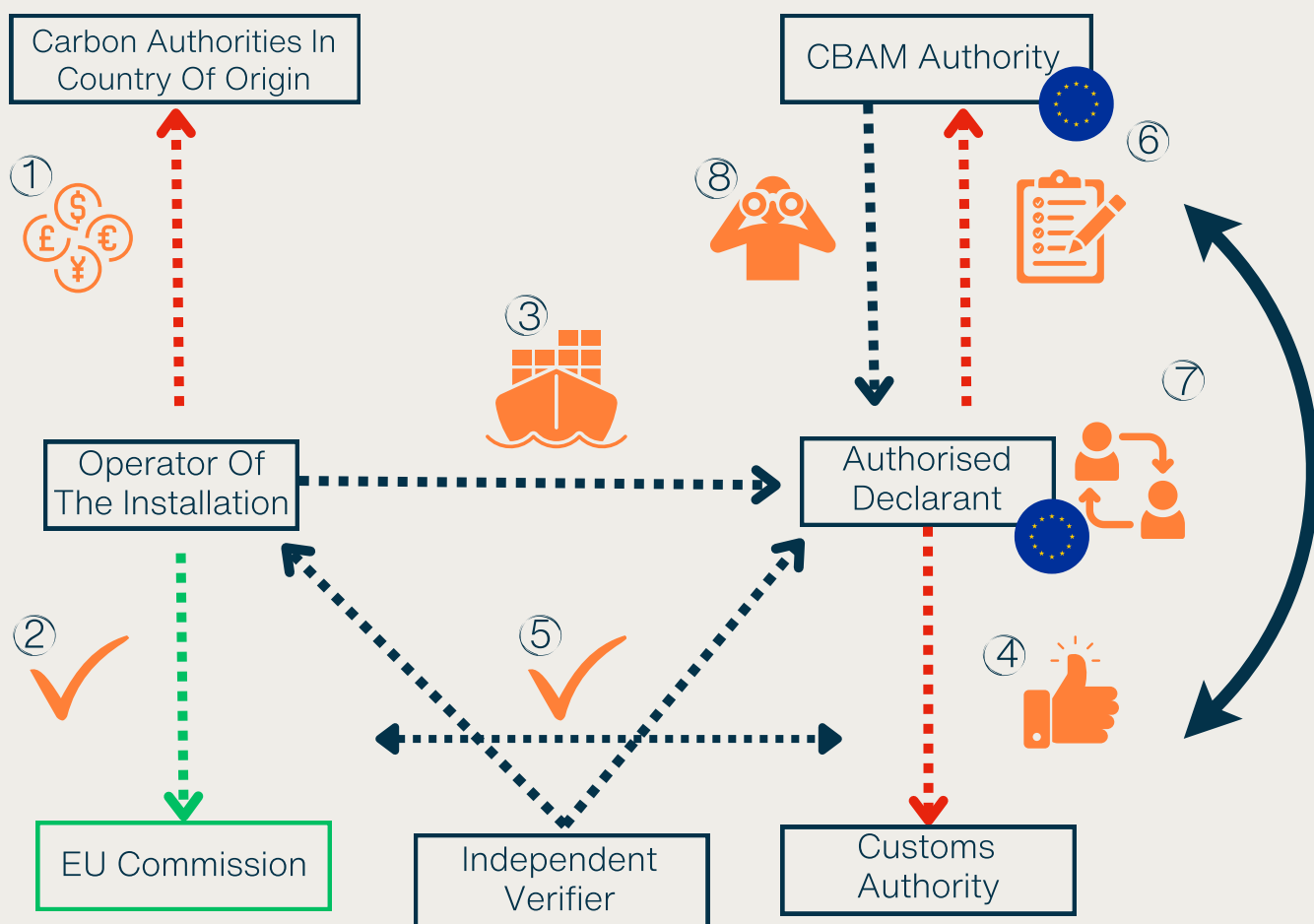
Carbon prices paid in country of origin

- If an importer can prove that carbon price has been paid in the country of origin of the imported goods, required CBAM certificates can be reduced.
- An authorised CBAM declarant may claim a reduction in CBAM certificates to be surrendered to take into account for carbon price paid in country of origin.
- Carbon Price is a monetary amount paid in a third country.



CBAM in the Definitive Period

ACITA National slide deck



- 1 Carbon price paid in the origin country
- 2 Registration with EU Commission (optional)
- 3 EU Import of CBAM listed goods
- 4 Authorised Declarant identified towards customs authority
- 5 Independent Verifier to verify embedded emissions and carbon payments in country of origin that are declared in CBAM declaration

- 6 Authorised Declarant :
 - Gathers emission data (from suppliers, EU-Commission or benchmarks)
 - Previously registers and annually submits CBAM declaration
 - Acquires CBAM certificates*
- 7 Periodically exchange of information about imported goods
- 8 CBAM authority controls Authorised Declarant

*Purchasing CBAM certificates has been delayed until 2027 but the balance for 2026 will still be charged in 2027.

Economic Operator

Roles in CBAM

Non-EU Producers

Bear the burden for mandatory CBAM certificates for every tonne of carbon emitted during production process of their products. Certificates can be reduced if carbon prices have been paid in country of origin.

EU Importers

Must be an authorised declarant. Purchase CBAM certificates accordingly and submit manual CBAM declaration. Price of certificates is determined by price of emissions allowances under EU ETS.

EU Domestic Producers

CBAM not applicable on domestic production within the EU. Also includes EEA and Switzerland.

Customers

Carbon intensive products become more expensive in the EU, may be less competitive. Likely to prefer products with low carbon emissions.

Transfer of CBAM Certificates



Trading in CBAM certificates has strict rules attached to it. An EU importer must purchase CBAM certificates corresponding to embedded emissions in the imported goods based on actual embedded emissions or the default value. Limitations are as follows:

- At the end of each quarter, companies must purchase and surrender CBAM certificates in the CBAM registry, covering at least 50% of the embedded emissions in the imported goods.
- The number of CBAM certificates subject to resale to the authorities are limited to the total number of CBAM certificates that the authorised CBAM declarant had an obligation to purchase during the calendar year of the purchase of the CBAM certificates.
- CBAM certificates are valid only for a limited period of time from the date of purchase.

What Does It Mean For EU Importers?

India reported 16.59% of its exports were to the EU in 2022 and 9.6% of these were base metals and articles.

EU importers should be prepared, whether their goods are already in the CBAM remit or not. The CBAM is likely to extend the goods that are currently in scope. The EU are consulting on when CBAM will apply to downstream products (screws, bolts, containers of steel or aluminium etc). It is also likely to extend to automobiles and machines as well as electronic devices and batteries.

For now, importers should report embedded emissions on imported goods and should be prepared to purchase CBAM certificates from 2027.

CBAM application is linked to Tariff classification so EU importers should ensure that their goods have been classified accurately. As well as this, they should ensure that the origin has been determined correctly. They must be authorised by competent authorities, though it is the authorised declarant who must pay for the certificates and any fines or penalties. It is the EU importer who should calculate their embedded emissions and submit these as part of their CBAM declaration.

Products could get stopped at the border if the goods have not been declared by an authorised declarant. If declared incorrectly, the authorities may require payment of CBAM after importation. This could also be the case if the products are incorrectly classified or if origin is incorrectly declared.



Requesting Information

from the Supplier / Plant Operator

1. Define which CBAM goods you are importing.

Issue	CBAM good					
	Cement	Fertilisers	Iron/Steel	Aluminium	Hydrogen	Electricity
Reporting metrics	(per) Tonne of good					(per) MWh
Greenhouse gases covered	Only CO ₂	CO ₂ (plus nitrous oxide for some fertiliser goods)	Only CO ₂	CO ₂ (plus perfluorocarbons (PFCs) for some aluminium goods)	Only CO ₂	Only CO ₂
Emission coverage during transitional period	Direct and indirect					Only direct
Emission coverage during definitive period	Direct and indirect		Only direct, subject to review			Only direct
Determination of direct embedded emissions	Based on actual emissions, unless they cannot be adequately determined					Based on default values, unless several cumulative conditions are met
Determination of indirect embedded emissions	Based on default values, unless conditions are met (i.e. direct technical connection or power purchase agreement)					Not applicable

2. Identify parameters to be requested from operators and to report on:

- Direct Emission of installation
- Indirect Emissions (occurring during production of electricity that installation of manufacturer consumed)
- Precursors – report detailed data on precursors from the operator to the importer is not mandatory but is necessary for the emissions related to the precursors to be included in the data reported for the CBAM good. It is good practice for the precursor data to be provided to facilitate the checking of the reported data.
- Additional qualifying parameters to report as the importer, depending on the CBAM goods produced (e.g., for cements imported, the total clinker content needs to be reported; for mixed fertilisers, the contents of the different forms of nitrogen, etc.)



UK CBAM

The UK will launch its own version of CBAM in 2027 to coincide with the surrender of certificates in the EU to avoid the UK becoming a dumping ground of high carbon-intensive products that face levies at import into the EU.

Unless the UK aligns its carbon prices with those of the EU then UK exports will face levies when exporting to their continental neighbours, as the current carbon prices set by the UK are far lower than those across the Channel.

If both the EU and UK implemented CBAM in full today, then UK exporters would be at a significant disadvantage as the UK carbon price is around £41 per tonne compared with £66 a tonne in the EU.



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We're here to support you!

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