

FACTSHEET

Carbon Border Adjustment Mechanism (CBAM)



Background

Introduced in 2023, the EU's Carbon Border Adjustment Mechanism (CBAM) is a groundbreaking initiative designed to mitigate carbon leakage by imposing a CO₂ price on imports of certain high-carbon goods into the EU. The free allowances for the sectors covered by the EU ETS will expire by 2034, step by step phased out from 2026. CBAM will apply to the emissions for which free allowances are no longer available under the EU Emissions Trading Scheme. With this CBAM aims to ensure that imported goods bear a similar carbon cost to those produced within the EU. The CBAM will initially apply to imports of certain goods whose production is carbon-intensive and where the risk of carbon leakage is highest: cement, iron and steel, aluminium, fertilizers, electricity and hydrogen.

Through a transitional phase leading up to full implementation in 2026, the mechanism encourages global shifts towards more sustainable production processes. Companies must pay the same price for carbon emissions, regardless of whether they produce in the EU or import into the EU.

As CBAM mirrors the emissions covered by the EU ETS the scope of carbon emissions for CBAM is narrower than the scope of product carbon footprints (PCFs). CBAM emissions must be determined by specific EU methodology following the same rules as the ETS. EU therefore provides guidance documents for installations. Operators may consider verification of the emissions calculation by a third-party as a voluntary means, but ultimately, the reporting declarant is the one who is responsible for ensuring the completeness and correctness of the CBAM reports.

Cement



Electricity



Fertilisers



Iron and Steel



Aluminium



Hydrogen



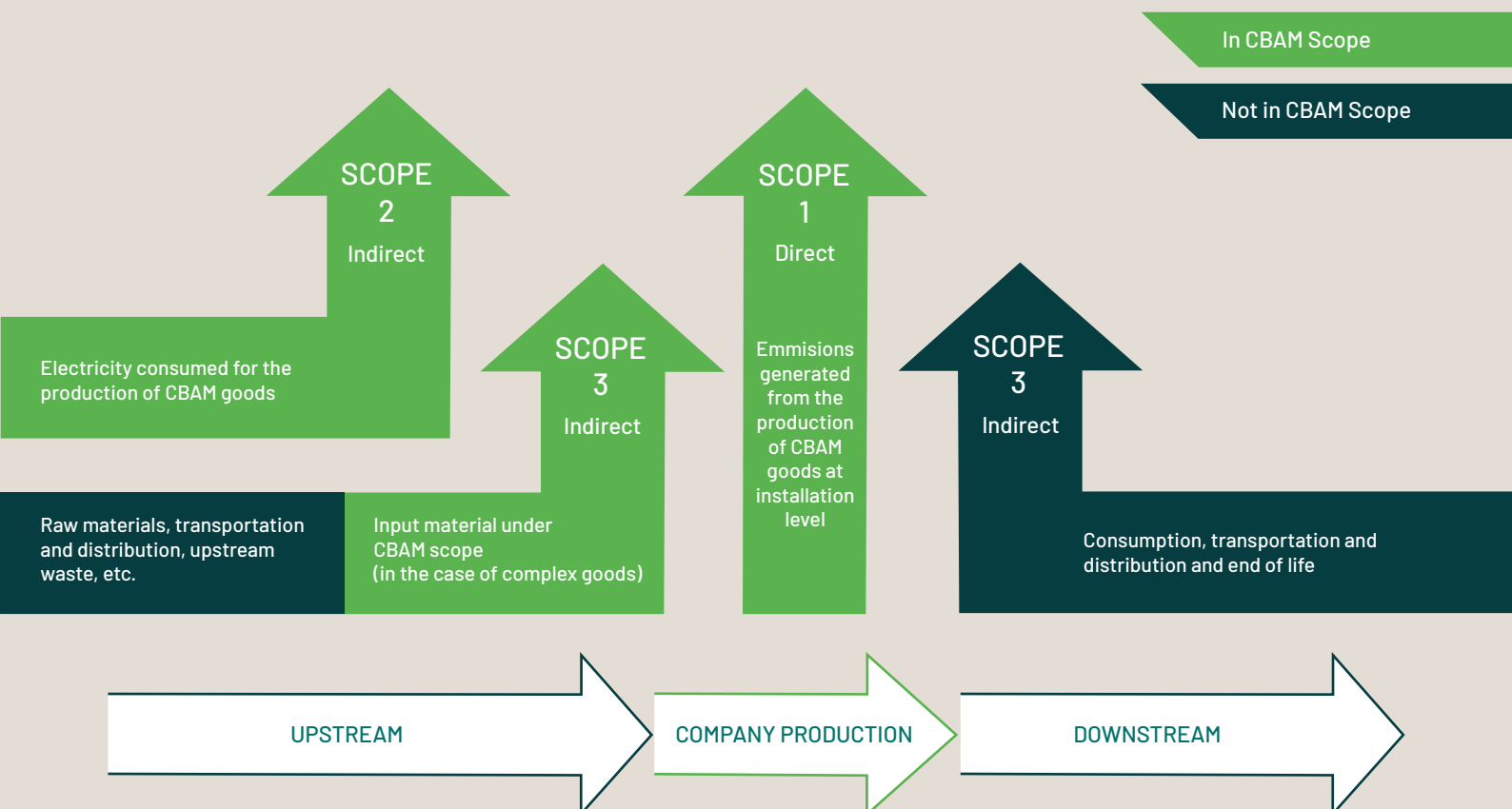
Who is affected:

- > Importers of specified high-carbon goods entering the EU market: steel, cement, iron, aluminum, hydrogen, electricity, and fertilizers.
- > All goods for which the embedded emissions must be reported are defined by their CN codes (Combined Nomenclature) listed in Annex I to the CBAM Regulation.
- > Operators of European companies producing

Who is not affected:

- > Companies exporting goods from the EU, as the mechanism targets imports into the EU.
- > Industries dealing with goods not specified in the CBAM's high-carbon goods list during the initial phase.
- > Companies importing small quantities of CBAM goods if the value of the total CBAM goods in one consignment is less than EUR 150.
- > Importers of goods for personal use.
- > Importers of goods originating from Switzerland, Liechtenstein, Norway, Iceland, Büsingen, Heligoland, Livigno Melilla and Ceuta.

CBAM emissions to be taken into account during the transition phase



Transitional Period Requirements for CBAM Reporting:

During the transitional phase, from October 2023 to December 2025, entities involved in importing CBAM-regulated goods must:

- > Identify and classify goods subject to CBAM regulations.
- > Specify the production site (country of origin).
- > Gather emissions data directly from production sites, including both direct and indirect emissions.
- > Use only actual data for all simple goods and a maximum of 20% default values for precursors of complex goods from July 2024.
- > Account for the carbon price paid in the country of origin, if applicable.
- > Perform quarterly reporting of embedded emissions per imported good to the CBAM Transitional Registry.
- > Engage in initial calculations of total embedded emissions and potential CBAM allowances required.
- > Pay penalties ranging from EUR 10 to EUR 100 for each ton of delayed, incompletely or incorrectly reported emissions.

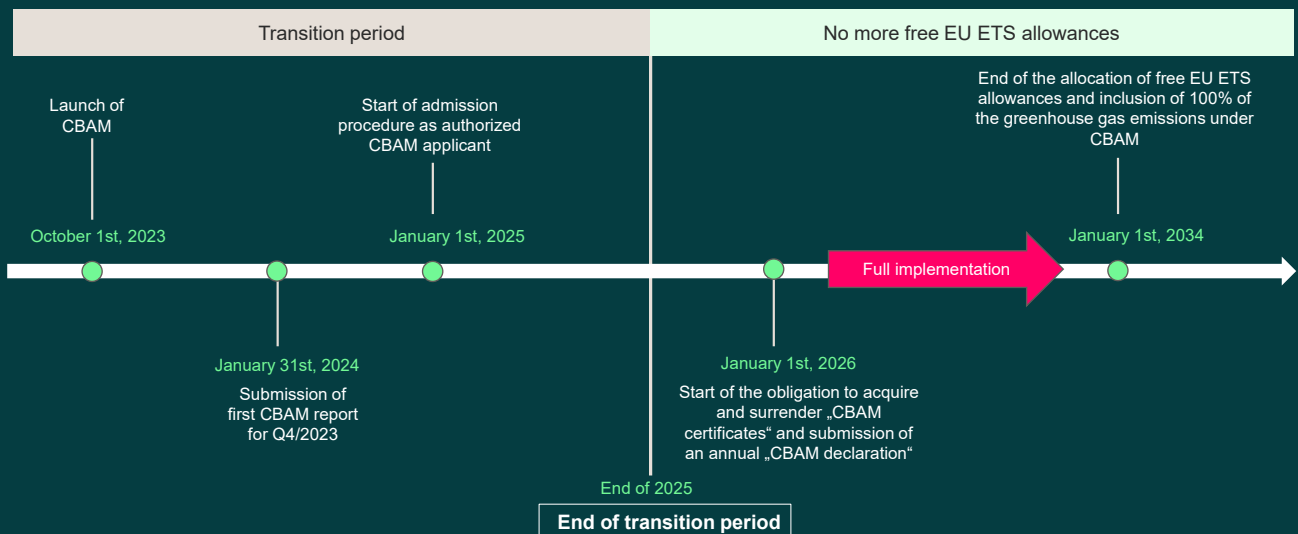
Full Implementation Period Requirements:

With full implementation beginning in January 2026, the requirements evolve to include:

- > Only authorized CBAM declarants may import CBAM goods into the EU.
- > Mandatory acquisition and surrender of CBAM certificates, corresponding to the CO2 emissions of imported goods.
- > Annual submission of a comprehensive CBAM declaration, detailing the total emissions associated with imported goods.
- > Transition from using any allowances to solely relying on CBAM certificates, reflecting the EU ETS prices.
- > CBAM declarations must be verified by a verifier, accredited in accordance with specific accreditation rules (to be defined by the Commission during the transitional period).
- > Enhanced scrutiny on the verification of emissions data and the accuracy of reported information.

Timeline of CBAM

2 phase approach






CO_2



Our solution for you

SupplyOn's CBAM Reporting Manager is a comprehensive software solution to manage CBAM obligations efficiently.

- ✓ **CBAM Goods Mapping:**
Easily maps the goods and suppliers subject to CBAM, ensuring all relevant imports are accurately tracked.
 - ✓ **Direct and Indirect Emissions Tracking:**
Collects and consolidates data on both direct and indirect emissions from all installation sites, providing a comprehensive emission profile for each product.
 - ✓ **Carbon Price Information Management:**
Gathers and manages data on carbon prices paid abroad, ensuring accurate calculation of CBAM certificates needed.
 - ✓ **Quarterly Reporting:**
Offers streamlined solutions for transitional quarterly reporting, with features like XML upload to the CBAM transitional registry.
 - ✓ **CBAM Allowance Calculation:**
Helps calculate the exact number of CBAM allowances required, taking into account all variables and ensuring compliance with EU regulations.
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About SupplyOn

Since establishment in 2000, SupplyOn has been a pioneer in supply chain innovations by connecting business partners worldwide, resolving complexities, reproducing processes in digital supply chains and **supporting companies on their path to supply chain sustainability and compliance**. Our **ESG team** is powered by multidisciplinary teams and experts from purchasing, governance and IT to ensure the **state-of-the-art** solution is offered to our customers.

Among our customers are renowned industrial enterprises as Airbus Group, Alstom, BMW Group, BorgWarner, Bosch, Continental, Deutsche Bahn, DEUTZ, Johnson Electric, Kautex Textron, Leonardo, Liebherr, Oerlikon, Safran, Schaeffler, Schindler, Schneider Electric, Siemens, Thales and ZF.

The SupplyOn shareholders are:



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