

CBAM

ADVISORY NOTE

August 2024

MIA Member **Global Logistics Management** have provided a helpful advisory note relating to the CBAM (Carbon Border Adjustment Mechanism) policy due to come into effect by 1st January 2026 but is already impacting Customs.

IMPLICATIONS FOR UK EXPORTERS

CBAM is potentially the most significant EU policy that the average company knows little about, and it will impact on virtually all UK businesses that export to the EU. The scale, cost and complexity may be significant.

Taking the example of an automotive or automotive parts manufacturer exporting their products to the EU, they must comply with requests for emissions data from their customers. These are likely to be scope 2 emissions items.

This goes to a granular level and includes **all** parts made from iron, steel and aluminum. The manufacturer must determine the embedded emissions value for their products according to the CN HS code and these values must be independently verified and available to audit.

The values are to be reported to the customer/importer quarterly at a minimum and the reporting requirements have already begun. From 1st January 2026 EU importers will be required to purchase CBAM certificates for imported goods which will impact their pricing to their customers and the evaluation of their suppliers.

Currently, default emissions values are acceptable, and these should be readily available per CN code/weight. However, from 1st January 2026 data must be evaluated by the supplier and be verifiable.

Due to the complexity and scale of this policy it is strongly recommended that qualified advice should be sought to ensure a programme for data capture is established, accurate information is provided and to also ensure the reverse process (When UK CBAM comes into effect) is incorporated in reporting where applicable.

DISCUSSION POINTS

To move to implementation, it is suggested you set up a forum involving key stakeholders to discuss the following.

- 1) Stakeholders. Who are the key people who can provide or source information to fulfill your client requests for data and later for your own UK CBAM reporting? This could include:
 - Sales – Client liaison
 - Production/Manufacturing/Engineering – Determining raw materials used versus finished product
 - Operations – Stores, dispatch, import receipts and export shipping
 - Logistics – Supplier and Client import and export supply chain. To include Scope 3 emissions.
 - Purchasing – Determining quantities purchased, dates ordered and supplied
 - Facilities – Determining energy consumption for Scope 1 & 2 emissions
 - Transport – Determining energy consumption for Scope 1 emissions (if relevant)
 - ESG – The function analysing your companies own environmental governance
 - Data control – The function that consolidates and analyses the data for reporting
 - External Knowledge – Is there any other technical knowledge you will need to bring in either in materials analysis or CBAM reporting?
- 2) Origin. Do you have complete details of the country of origin/manufacture of the parts/materials you use in your manufacturing process?
- 3) Material Composition. Do you have complete details of the material content of all parts/materials including any special alloys?
- 4) ESG. How will CBAM reporting integrate with your companies existing or planned environmental, social and governance management and reporting. This may be additionally relevant if your company is applying or going to apply for any ESG related accreditations or affiliations.
- 5) What is the critical path required to be ready for: a) 1st January 2026 by which EU importers will need to be registered for CBAM and b) 2027 by which UK importers will need to be registered. Note that EU importers already need to be reporting CO2 emissions on the products they purchase from outside the EU and need that information from their non-EU supplier.
- 6) What are the audit and verification requirements on reported CBAM data?
- 7) Are there any existing models, templates, formulas that could be reviewed. Is there an example of best practice already in place?

8) What support is available from the UK government and from relevant trade associations?

TERMINOLOGY

CBAM – Carbon Border Adjustment Mechanism (see below)

ETS – Emission Trading System. Established to ensure a cap on the amount of greenhouse gas emissions that can be released from power production and large industrial installations

EUA – EU Allowance. A form of “currency unit” for emissions. Allowances are purchased on the ETS market after deduction of any free allowances granted by the EU. These will be phased out over time and completely by 2034 to be replaced by CBAM certification

Carbon leakage – The movement of production from one country to another, usually a country with less regulated carbon emission controls, to circumvent restrictions and reduce cost

Embedded emissions - Embodied carbon emissions of goods, also known as embedded carbon emissions, refer to the greenhouse gas emissions generated during the production and transportation of goods, from the extraction of raw materials to the manufacturing process and final delivery to the consumer

Current CBAM Products - Electricity, hydrogen, fertilizer, aluminum, cement, iron and steel. This list is likely to be expanded to include other products. CBAM regulations are applied to goods produced or manufactured (including used goods) according to the CN (Combined Nomenclature) HS code. Returned goods will also need to be reported from 1st January 2026

Scope 1 Direct Emissions (What you burn) - Emissions from fuel sources that an organisation owns or controls directly – for example from burning fuel in a fleet of fossil fuel powered vehicles or running your boiler

Scope 2 Energy Indirect Emissions (What you buy) - Emissions that a company causes indirectly. For example, the emissions caused when using electricity, heat, steam and cooling in a manufacturing business

Scope 3 Other Indirect Emissions (Everything else including supply chain, travel, transport, consumption and waste/end of life – *the hardest to monitor*) - Emissions that are not produced by the company itself and are not the result of activities from assets owned or controlled by them, but by those that it is indirectly responsible for up and down its value chain

CBAM

CBAM applies a charge to carbon emitted during the production of imported carbon-intensive products. This is to ensure the carbon price of imports is equivalent to the carbon price of domestic production, so that domestic climate objectives are not undermined and carbon leakage is reduced.

Currently, the only CBAM system in place is the scheme set up by the EU, although the UK recently announced plans for its own CBAM which will be introduced by 2027.

EU CBAM TIMING

The EU CBAM is currently in a transition phase. This will end on 31st Dec 2025 at which point importers will have to register to import goods from the current product categories.

Currently, all EU importers are obligated to collect and report on any embedded emissions from the products they import. They must do this quarterly and rely on emissions data from the non-EU exporter. Penalties apply for the reporter for non-reporting between €10 and €50 per tonne of unreported emissions.

From 1st January 2026 EU importers will need to purchase CBAM certificates corresponding to the carbon price that would have been paid, had the goods been produced in the EU and under the EU's carbon pricing rules.

If a non-EU producer has already paid a carbon price in a third country on the embedded emissions to produce the goods imported to the UK and exported to the EU, the corresponding cost can be fully deducted from the CBAM obligation.

EU CBAM PRICING

Currently, the EUA is equivalent to around €70 per tonne of emissions.

As an example, a EU company who buys bulk cement from a cement producer operating outside the EU with carbon emissions of 1 million tonnes for the shipments will need to purchase CBAM certificates equivalent to €70 million.

The UK CBAM equivalent is currently circa €40 per tonne of emissions. It is noted that in any cross-border evaluations, the difference between the 2 prices would be “payable” by the importer not the higher or lower figure. In other words, if a product has had carbon emissions values paid during it's import into the UK then this value can be deducted from the EU export emissions reporting.



FURTHER READING

[UK Government advice for exporters](#)

[EU CBAM Information](#)

[EU CBAM FAQs](#)



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