



Carbon Border Adjustment Mechanism (CBAM)

Reporting obligation from 1 October 2023



The EU Emissions Trading System is a major climate protection tool. Since October 2023, there has been a Carbon Border Adjustment Mechanism (CBAM) for carbon-intensive goods imported from non-EU countries. The companies affected have been subject to initial reporting obligations since autumn 2023.

The CBAM is intended to counteract the risk of carbon leakage, which is when greenhouse gas emissions are exported to countries without, or with less stringent, climate targets for combatting carbon emissions. Moving forward, the carbon emissions of goods imported into the EU will have to be calculated and certificates acquired for each tonne.

Goods affected by the CBAM

Goods affected in the initial phase include cement, electricity, fertilisers, aluminium, iron and steel, hydrogen and several upstream and downstream precursors. According to the EU, the scope is to be expanded to all sectors subject to the EU Emissions Trading System by 2030.

CBAM implementation launched with reporting obligation in October 2023

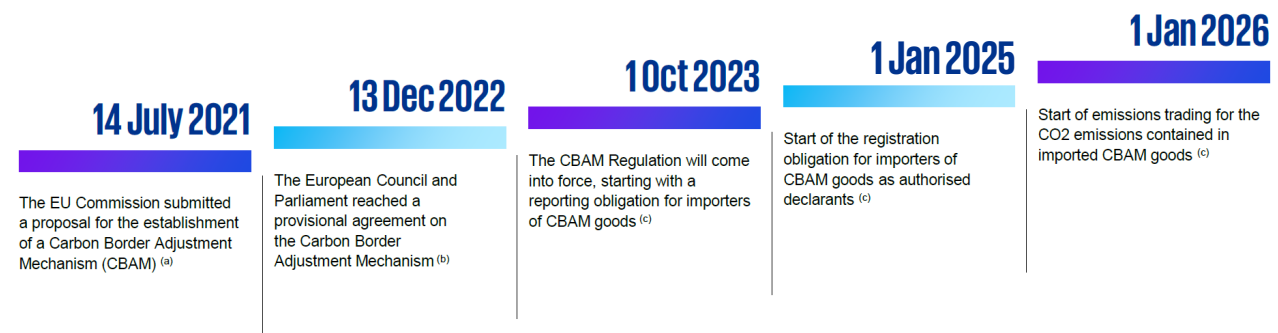
While trading in CBAM certificates is not due to start until 1 January 2026, importers have been subject to a reporting obligation since 1 October 2023. Importers will have to calculate and document the direct and indirect emissions embedded in the production process of the goods they import and disclose this information in a quarterly report.

Importers will be subject to a registration obligation from 1 January 2025. From this date onwards, only registered declarants will be permitted to import CBAM goods.

When certificate trading comes into effect on 1 January 2026, companies will be required to purchase a sufficient number of CBAM certificates for carbon emissions imported during the year. The quantity of imported carbon emissions will then be compared against the CBAM certificates acquired in an annual CBAM declaration. Importers with an insufficient number of certificates could face financial sanctions.

Next steps

Following the planned start of certificates trading in 2026, when calculating their carbon emissions, importers will be required to determine the actual values for their suppliers; standard values can be used as an exception. These are currently being prepared by the EU Commission and will be issued for specific products and countries of origin.



Note: (a) EU Commission COM(2021) 564 final 2021/0214 (COD) dated 14/7/2021
(b) EU climate action: provisional agreement reached on Carbon Border Adjustment Mechanism (CBAM) – Consilium (europa.eu)
(c) EU Parliament, dated 8/2/2023 2021/0214 (COD): Provisional agreement resulting from interinstitutional negotiations

Source: KPMG in Germany, 2023

Importers are therefore recommended to ask their suppliers about the specific actual values for their own carbon calculations early on. According to the CBAM regulation, only actual values whose accuracy has been verified by certified agencies may be used.

Ideally positioned for you

Our experts in the areas of customs and indirect taxes can advise you individually – on matters ranging from specific questions to holistic support including technological solutions:

1. Specialist workshop as a basis for an initial assessment of how this affects you and coordination of next steps.
2. Impact analysis based on your customs declarations, ideally using the KPMG Trade Data Check, with which your customs data are automatically and systematically assessed
3. Definition of responsibilities at your company according to the results of the impact analysis

4. Assistance in calculating direct and indirect carbon emissions on the basis of actual or standard values; also, when using actual values, assistance in the verification and auditing of these values by certified agencies

5. Assistance in registering as an authorised CBAM declarant

6. Assistance in acquiring CBAM certificates

7. Coordination with suppliers to ensure electronic data interchange of information relevant to the CBAM

8. Establishment of a CBAM management process

9. Assistance in preparing and issuing CBAM declarations

The CBAM requires a good deal of preparation: Gathering data from suppliers and calculating carbon emissions are particularly labour-intensive and time-consuming activities. Get ready early.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

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