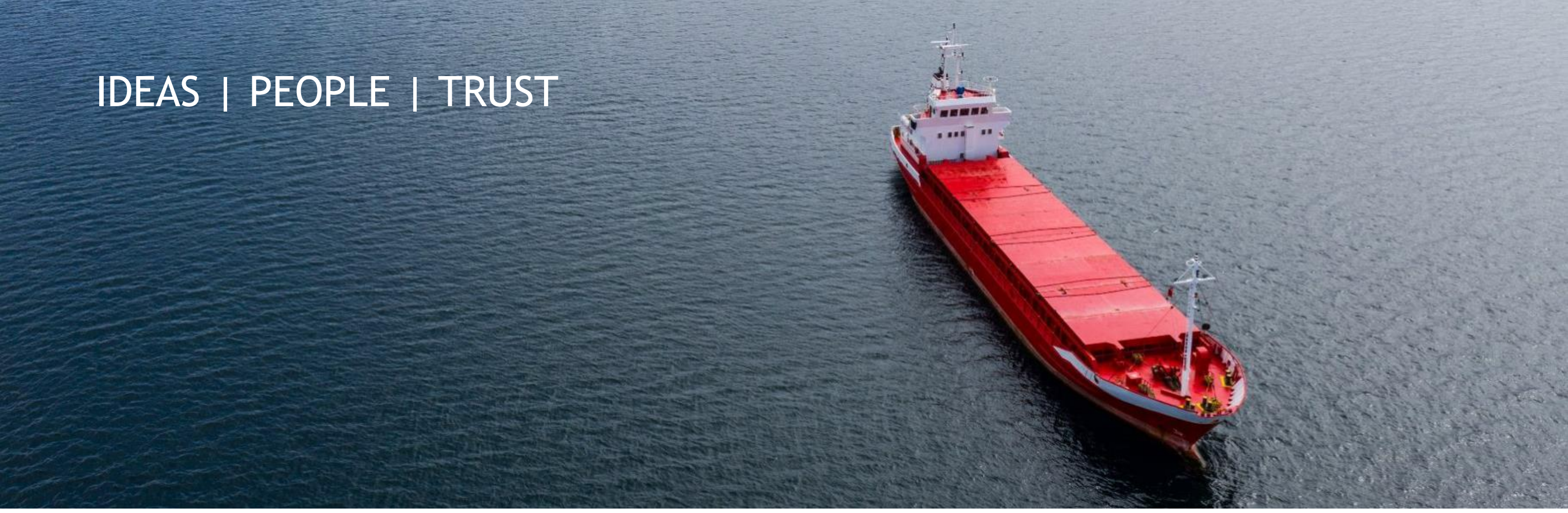


EU Carbon Border Adjustment Mechanism

WHAT IS CBAM?

Regulation (EU) 2023/956 established the EU's Carbon Border Adjustment Mechanism. CBAM is implemented in 2 phases:

- Phase 1: October 2023 – quarterly reporting requirements
- Phase 2: January 2026 – annual reporting and payments take effect.

Initially, CBAM will apply to imports into the EU for certain types of:

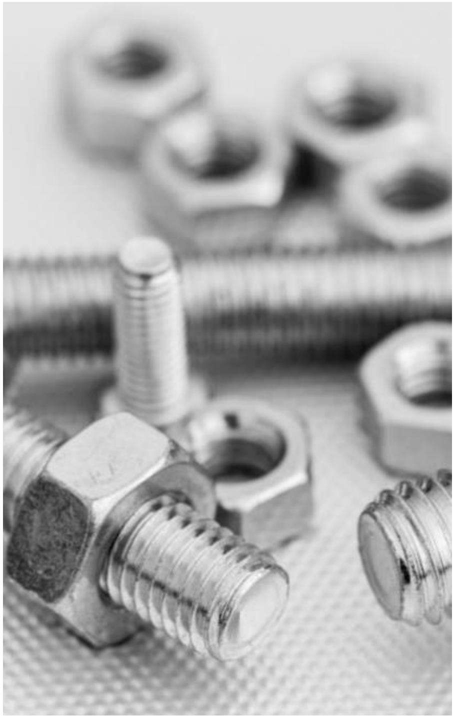
- Aluminium
- Cement
- Electricity
- Fertiliser
- Hydrogen
- Iron/Steel

BACKGROUND

The EU wants to stop 'carbon leakage' (where a business relocates its operations to a location outside the EU where environmental regulation is laxer); the introduction of CBAM is designed to prevent this.

Effectively, CBAM works by applying a charge on the import of certain goods that equalises the cost levied on carbon emissions embedded in those goods relative to the domestic EU carbon cost of producing them.

The theory is that if the gross prices for imported goods are the same as those manufactured in the EU, the incentive for carbon leakage is removed.



WHAT HAPPENS IN OCTOBER 2023?

- CBAM reporting requirements start with the initial period 1 October 2023 – 31 December 2025
- CBAM affected EU importers must maintain records of CBAM data for affected goods
- Importers must submit quarterly declarations in the country of import with the first return due at the end of January 2024
- Non-EU businesses supplying these goods to an EU importer must provide CBAM data to their customer
- Non-EU businesses importing into the EU themselves must collate and submit CBAM data (via their indirect representative)

WHAT HAPPENS IF YOU DON'T COMPLY?

- Fines and penalties
- Inability to export affected goods to the EU and/or import them
- Negative impact on your corporate brand and ESG strategy
- Potential loss of customers who may source goods from your competitors.

NO DOUBLE COUNTING

CBAM will take account of any domestic emissions charges applied to the manufacture of affected goods in third countries.

GREEN GAIN

The EU also hopes that this measure will encourage manufacturers around the world to invest in more environmentally friendly processes so they can continue to have cost-effective access to the EU Market.

FOCUS ON STEEL IMPORTERS

New surveillance and origin requirements will apply for steel importers into the EU – failure to meet them will mean your goods will not clear customs.

HOW WE CAN HELP YOU WITH CBAM

CBAM RISK ASSESSMENT

This is designed for a business to determine its exposure to the EU CBAM regulations.

We will hold a half day workshop with your business to determine:

- The extent to which your goods are covered by CBAM
- Your reporting requirements as a direct importer into the EU
- What data you are required to collate and report.

We will work with your team to draft a CBAM reporting template to make compliance simpler and suggest a best practice CBAM control process.

Indicative cost:

- 5,000.00 EUR (excl. VAT, an administrative charge of 2.25% and travel expenses, if applicable).

CBAM TRAINING

This is designed for a business to educate its staff on the EU CBAM regulations.

We can provide your staff with sector specific practical training on:

- What CBAM is and how it will work
- How to determine whether goods are subject to CBAM
- Data requirements for reporting for your industry
- How to prepare a CBAM quarterly report
- How to review a CBAM quarterly report
- How to submit a CBAM quarterly report

Training can be provided online or at your premises to suit your needs.

- **Indicative cost:**
  3,500.00 EUR (excl. VAT, an administrative charge of 2.25% and travel expenses, if applicable)

CBAM REPORTING SERVICE

You can outsource the completion of your CBAM quarterly reporting to BDO:

- This includes an initial CBAM Risk Assessment
- Agreeing CBAM raw data collation process (push by the business or pull by BDO)
- Drafting quarterly reports
- Agreeing a sign-off process with business
- Submitting the reports to your business for submission to the CBAM Authorities.

Indicative costs:

- Price upon application, dependent on:
  - type and number of goods covered
  - specific sector requirements
  - number of countries of import.

For more information contact us for a no-obligation discussion

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