

# THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

# CBAM: what does it mean?

---

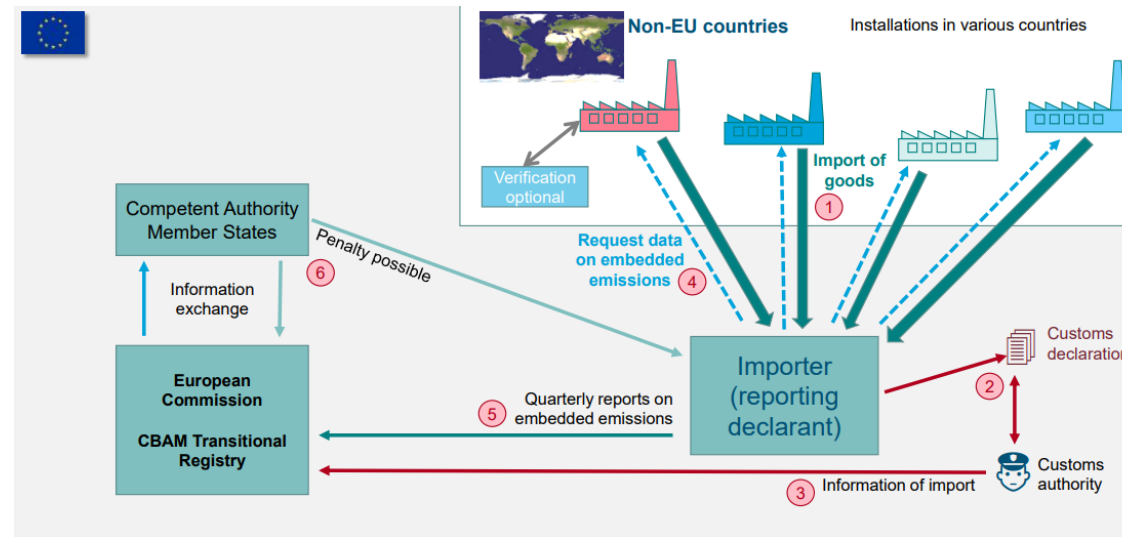
- The EU's Carbon Border Adjustment Mechanism (CBAM) is a landmark tool from the European Commission that puts a price on the carbon emitted during the production of carbon-intensive goods that are entering the EU. The reporting and CBAM allowance purchasing obligations require interactions with non-EU suppliers, customs authorities and the European Commission.
- The Carbon Border Adjustment Mechanism will implement a carbon border levy. As of October 2023, EU importers of various products in the categories iron, steel, aluminum, cement, hydrogen, fertilizers and electricity are obliged to start reporting on the carbon emissions embedded in their imports. See the CBAM reporting process below. The product scope of the CBAM mechanism is under review to assess the inclusion by 2030 of other goods produced in sectors covered by the EU ETS, such as input materials (precursors), organic chemicals and polymers.
- From 2026 onwards, importers will be required to purchase CBAM allowances to cover the amount embedded carbon of the imported products. These allowances are aligned with the rate of the European Carbon Trading System prices for each tonne of CO<sub>2</sub> embedded in imported products.

# CBAM: why should you care?

---

- The emission authorities require that the declarant takes the necessary steps to comply with the obligation to submit a correct CBAM report. In case the CBAM report is incorrect or incomplete, the declarant is expected to take efforts to correct the mistake. Although the first reports are due in January 2024, the specific reporting requirements are not yet completely clear. It is key for companies to prepare their reporting infrastructure for the draft CBAM reports to deal with this uncertainty and to minimize the administrative burden for the organization.
- CBAM reports must be filed timely, correctly and completely. The local emissions authorities (Dutch Emissions authority in NL) can impose penalties varying from EUR 10 and EUR 50 per tonne of unreported emissions. The rate of the penalties shall increase in accordance with the European index of consumer prices. Higher penalties will be applied when more than two incomplete or incorrect reports are reported in a row. When determining the specific amount of a penalty, the competent authorities shall consider factors including the extent of unreported information, unreported quantities of goods and unreported emissions, the readiness of the reporting declarant to comply with requests to correct the CBAM report, taken measures to prevent future infringements.
- The payment of the penalty shall not release the authorised CBAM declarant from the reporting obligation or the obligation to surrender the outstanding number of CBAM certificates (during the definitive period). Therefore, it is recommendable to act early to prevent negative financial impact and increasing administrative burdens due to non-compliance and enforcement.
- From 2026 onwards, importers must purchase and hand in a CBAM certificate for each tonne of carbon embedded in their imports, resulting in additional costs for importers. The rate of a CBAM certificate is equal to the EU ETS price, which has been fluctuating between EUR 80 and EUR 100 per tonne of carbon emissions. The total cost of CBAM certificates could be significant, depending on the type and amount of products imported, the embedded carbon emissions in the imported products, and the EU ETS price. CBAM has a direct impact on import costs, therefore potentially demanding a reassessment of the supply chain.

# CBAM: how does it work?



01

Imports of Goods

The importer (reporting declarant) receives CBAM goods from various suppliers, possibly from different countries outside the EU.

02

Customs declaration

For each import, the importer lodges the usual customs declaration. The customs authority of the relevant EU Member State checks and clears the import, as usual.

03

Information of import

The customs authority informs the European Commission using the CBAM Transitional Registry of this import. This information can then be used to check the completeness and accuracy of quarterly CBAM reports.

04

Request data on embedded emissions

The reporting declarant requests the relevant data on specific embedded emissions of the imported CBAM goods from the operators. The latter reply by sending the requested data, if possible using the template provided for this purpose by the Commission. The data may be voluntarily verified by a third-party verifier.

05

Quarterly reports on embedded emissions

The reporting declarant is then able to submit the quarterly CBAM report to the Commission through the CBAM Transitional Registry.

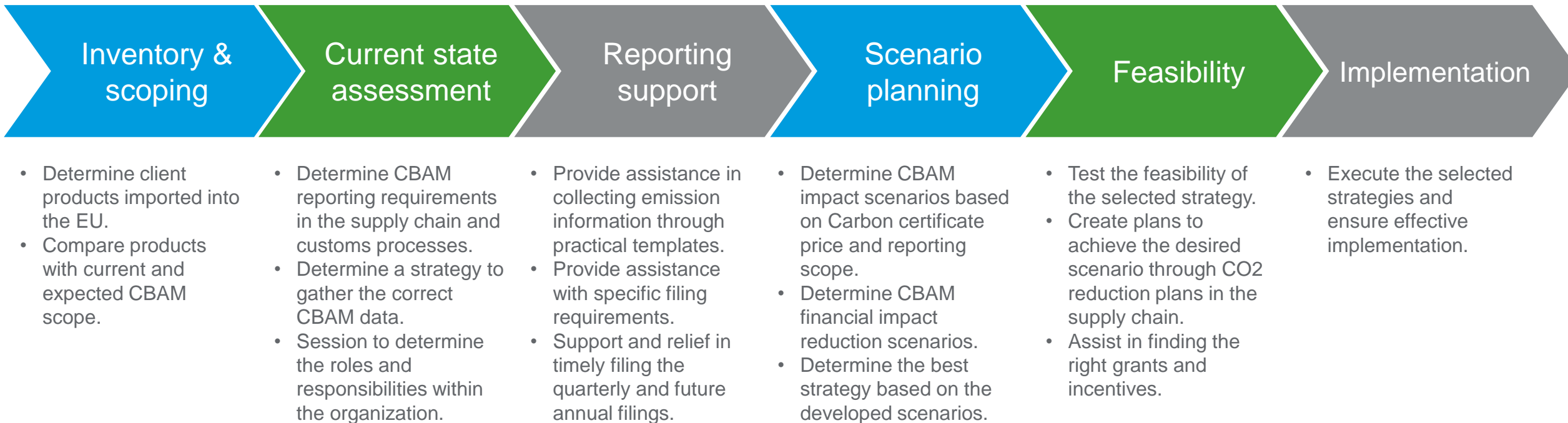
06

Information exchange / penalty risk

Information is exchanged between the Commission and the competent authorities in the EU Member States. The Commission informs based on the customs data, which reporting declarants are expected to submit CBAM reports. Where irregularities are identified, the Registry informs the competent authority.

# Our approach: how should you respond?

- RSM has developed a practical approach to deal with CBAM reporting, taking into account the current uncertainty and enabling companies to manage the future (financial) impact of CBAM.



# Our team of tax and sustainability professionals



**Gidion Lont (primary contact person)**  
**Manager**

Hoofddorp (Schiphol), the Netherlands

E: [glont@rsmnl.nl](mailto:glont@rsmnl.nl)

M: + 31 (0)6 – 82 62 06 32



**Mario van den Broek**  
**Partner**

Hoofddorp (Schiphol), the Netherlands

E: [mvdbroek@rsmnl.nl](mailto:mvdbroek@rsmnl.nl)

M: + 31 (0)6 – 15 83 55 00



**Jaouad Bantal**  
**Senior manager**

Hoofddorp (Schiphol), the Netherlands

E: [jbantal@rsmnl.nl](mailto:jbantal@rsmnl.nl)

M: +31(0)6 - 82 61 73 12



**Hendrik Bastiaans**  
**Consultant**

Hoofddorp (Schiphol), the Netherlands

E: [hbastiaans@rsmnl.nl](mailto:hbastiaans@rsmnl.nl)

M: +31 (0)6 – 82 62 13 45

# About RSM

**57.000 +**  
people

**120 +**  
countries

**860 +**  
offices worldwide

**6e**  
global network in Tax, Audit  
en Consulting

