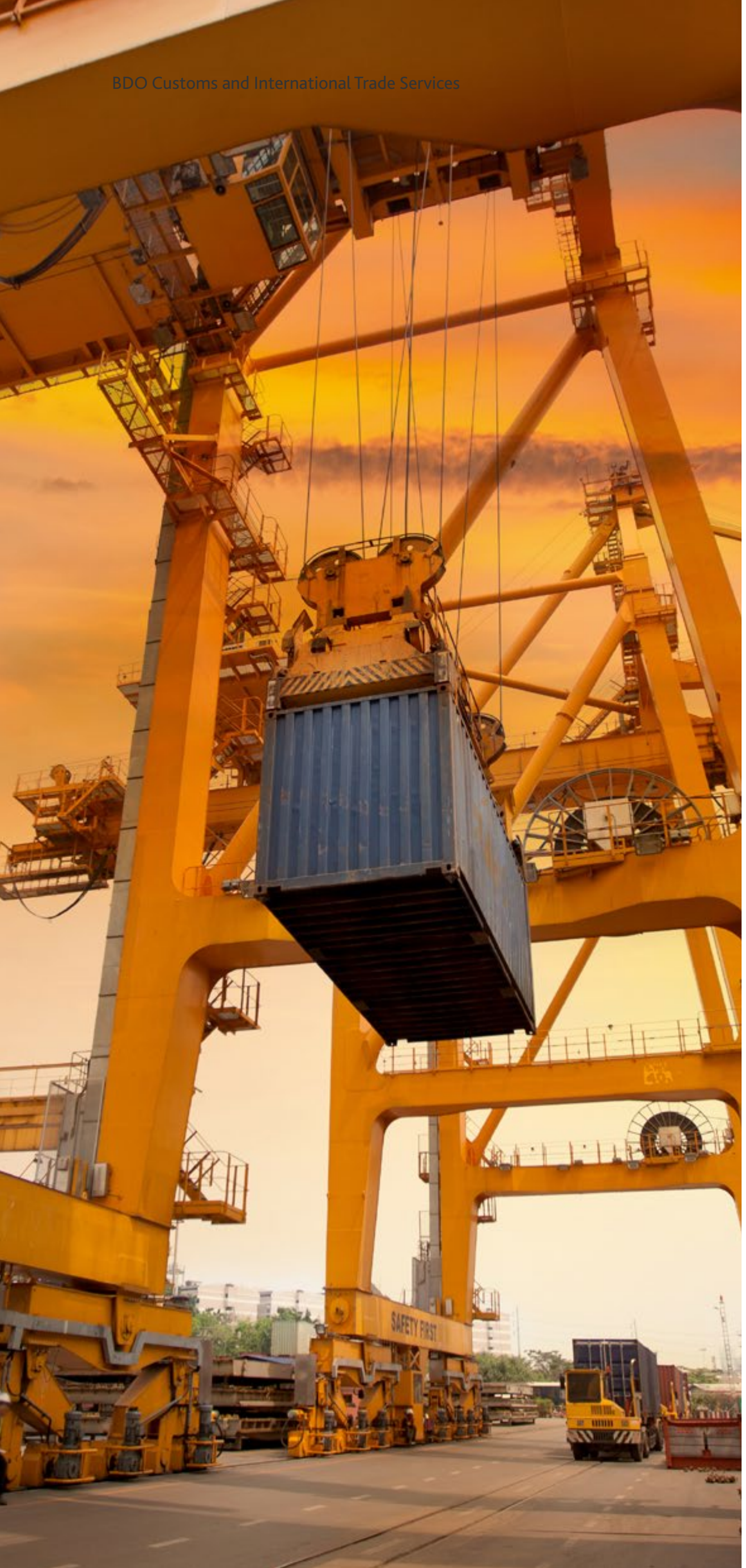
BDO Customs & International Trade Services

Carbon Border Adjustment Mechanism (CBAM)

Changes for 2026

BDO



Carbon Border Adjustment Mechanism (CBAM)

What is CBAM?

CBAM (Carbon Border Adjustment Mechanism) is an EU regulation designed to prevent carbon leakage by imposing a carbon price on imports of certain goods from outside the EU.

In simple terms importers of in scope products to the EU must declare the carbon footprint of their imports and, from 2026, a carbon tax will apply which mirrors the cost EU manufacturers must pay under the EU Emissions Trading System.

The specific products in scope are detailed in the regulation, includes:

- Iron & steel
- Aluminium
- Cement
- Fertilisers
- Hydrogen, and
- Electricity.

What has been the process for these importers

The CBAM transitional phase ran from 1 October 2023 to 31 December 2025.

Key Elements

- During the transitional period, importers submitted quarterly reports on the embedded greenhouse gas (GHG) emissions in their imports, but no financial adjustment was required
- The first Reporting Deadline was 31 January 2024 (for Q4 2023 imports). The final report is due on 31 January 2026 for Q4 2025.

Transitional Reporting Requirements

In each quarterly report, importers had to detail the following for each shipment:

- Quantity of imported goods
- Direct and indirect GHG emissions associated with production
- Carbon price paid in the country of origin (if any)
- Production facility details (where the goods were manufactured).

Reports were submitted on the designated CBAM transitional registry.

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What is changing in 2026?

What is changing in 2026?

Importers of in scope products must apply to be **authorised CBAM declarants** and then buy certificates matching their imports' carbon footprint, surrendering them annually.

Authorised CBAM declarants are required to be established in the EU.

Annual CBAM Declarations must be submitted by 30th September each year, covering the previous calendar year. For example, the declaration for 2026 is due by 30th September 2027.

Importers will then not only have to report but will also purchase and surrender CBAM certificates corresponding to the embedded emissions in their covered imports.

This makes accuracy of reporting critical.

Purchase and surrender CBAM certificates starting in February 2027 to cover the carbon price of embedded emissions for imports in 2026.

From 2027 onward, by the end of each quarter, the authorised CBAM declarant must have on their account at least 50% of the CBAM certificates required to cover the embedded emissions of all goods imported so far that year.

How to calculate emissions

Direct and indirect emissions:

You must report on embedded direct and indirect* GHG emissions (in tonnes of CO_2e). You will also need to break this down by installation (producer).

Data requirements:

- Primary data from production facilities
- Emissions calculation must follow EU-approved methodologies
- Where primary data is not available importers must use default values (which will be higher and therefore ultimately more costly).

Verification

- Emissions data from product producers must be independently verified by an accredited third party
- Accredited verifiers must assess the accuracy of reported data.

Penalties

- Non-compliance (e.g., under-reporting, late reporting, insufficient certificate surrender) results in financial penalties and possible suspension of import rights.

*Cement and fertilisers require direct and indirect emissions reporting.

CBAM client journey – End-to-end flow chart

1. Identify exposure
- Review import volumes
  - Confirm CN code in CBAM scope
    - Check country of origin

2. Calculate estimated 2026 liability (default values)
- Gather quarterly import tonnage
  - Apply EU default emissions values
    - Estimate CBAM certificates required
      - Model financial exposure

3. Assess potential savings (actual values)
- Compare default versus actual emissions
  - Estimate potential reduction (typically 10-30%)
    - Identify countries and suppliers with lower emissions

4. Supplier engagement
- Request actual emissions data
  - Confirm supplier will supply actual verified emissions data
    - Evaluate supply chain alternatives

5. 2027 compliance preparation
- Set up CBAM reporting processes
  - Plan certificate purchasing strategy
    - Ensure 50% certificate holding per quarter

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How can BDO assist

Support, analysis and cost savings

Our *Trade, Customs* and *Sustainability* teams work closely together to support exporters and importers in implementing and managing the new CBAM regime.

BDO provides support at each stage

- CUSTOMS CLASSIFICATION AND ORIGIN
- CBAM COST MODELLING
- SUPPLIER ENGAGEMENT
- ANNUAL DECLARATION SUPPORT

Our CBAM services

Product Scope Assessment: We determine whether your products fall within the scope of CBAM based on detailed tariff classifications.

EU CBAM Declarant Registration: For established EU entities acting as importers, we manage the entire process of registering you as an EU CBAM declarant.

Advisory for Non-EU Entities: If you are not established in the EU, we provide tailored guidance on your available options under the CBAM framework.

Obligations Based on Terms of Sale: We offer clear advice on your compliance obligations, specifically in relation to your terms of sale (Incoterms).

Country of Origin Advisory: Our team provides expert guidance on country of origin rules to ensure accurate and compliant reporting.

Customs Declarations Management: We complete customs declarations with all necessary CBAM information or coordinate directly with your EU-based freight forwarders to ensure seamless compliance.

Stakeholder Engagement: We collaborate with importers and suppliers to clearly explain CBAM requirements and ensure all parties understand their obligations.

Default Value Analysis: Our experts clarify and compare the implications of using default values within CBAM reporting, enabling informed decision-making.

Annual Declaration Support: We provide support for your annual CBAM declarations, ensuring accuracy and timeliness.

Supply Chain Analysis: Our team conducts a thorough supply chain analysis, identifying potential areas for cost savings and process optimisation.

Partner with us to ensure your organisation achieves full CBAM compliance, minimises risk, and unlocks new opportunities for operational efficiency.

Establish Internal CBAM Systems

Establish internal systems for tracking, reporting, and purchasing CBAM certificates. Monitor regulatory updates as the EU continues to refine CBAM implementation.

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Default value case study

What this means to your bottom line

Importing Iron & Steel from China vs Turkey or the UK

CBAM liability calculation for an Irish importer

Scenario

An **Irish importer** brought in **44 tonnes of iron and steel (CN Code: 7308909890)** from China during the first quarter of 2026.

CBAM default value

Sourced from **China** (using default values), the CBAM liability is

€17,191.88

(€390.72 per tonne)

CBAM default value

Sourced from Turkey, using the **default value,** the CBAM liability is

€15,313.46

(€348.03 per tonne)

CBAM default value

If sourced from **UK** (using default values), the CBAM liability is

€6,267.85

(€142.45 per tonne)

Since the importer expects to maintain similar import volumes throughout the remaining quarters of 2026, the total annual imports will exceed the 50-tonne threshold, meaning the importer will not qualify for the CBAM exemption (applicable to those importing less than 50 tonnes per calendar year)

Implication

Country of origin significantly impacts CBAM liability. For example, had the same steel been imported from *Turkey* or the *United Kingdom,* the resulting CBAM liability would differ, reflecting the variations in CBAM obligations based on the originating country.

Recommendations:

- Supplier selection must now weigh emissions data quality alongside cost, quality, and delivery performance
- Importers must compare default value costs between different countries. This may identify cost saving opportunities
- Default values are designed to be punitive, therefore importers must seek actual verified emissions data from suppliers as a condition of doing business or seek alternative suppliers.

FOR MORE INFORMATION:

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