

The EU's Carbon Import Tax CBAM Has Global Impact

2 INSIGHTS

1. There's no time to wait. Starting October 1, 2023 EU importers in six carbon-intense industries must report their audited, prior year emissions to get an import certificate
2. Carbon credit prices will jump. The EU's carbon credit market has a fixed supply. Importers must buy these credits if they have high emissions. Demand will far exceed supply

FACTS

- In December 2022, the European Commission issued CBAM, the Carbon Border Adjustment Mechanism ([EC](#))
- CBAM starts on limited scale October 1 2023 and goes into full force in 2026
- Importers must provide an audited emissions statement on their prior year emissions, and a calculation of product-level emissions intensity, which is used to set their CBAM tax level by product.

"For the first time, we are going to ensure fair treatment between our companies, which pay a carbon price in Europe, and their foreign competitors, which do not. This is a major step that will allow us to do more for the climate while protecting our companies and our jobs."

[Member of EU Parliament](#)

December 2022 was a busy month, so the adoption of CBAM may have escaped notice. But for companies in the first six targeted industries, there is no time to wait. These are: cement, iron and steel, aluminum, fertilizer, electricity and hydrogen. While collectively the six industries account for 50% of the EU's emissions, all sectors will be covered by 2030, with additional early focus on the chemicals, plastics and auto sectors.

At the start, importers will need to report only direct emissions (Scope 1). The tax will be estimated and no payment required. By 2026, however, importers will need to report indirect emissions as well, and pay any CBAM taxes.

The tax amount is based on total emissions in the prior year appropriately allocated to the imported product.

The importer pays the tax by buying EU ETS certificates, e.g. the carbon credits issued by EU businesses in the EU's cap and trade system.

HOW CBAM WORKS

Regulators use audited emissions statements to determine the import tax



Source: [EC](#)

While this seems like just another trade tax, it is actually different. The EU is not only protecting its own businesses, it is effectively creating policy for importers. So the regulation has global reach. And as the tax payment is tied to EU carbon credits, which can only be issued by EU companies, as the price of carbon credits skyrockets, EU companies have greater financial incentive to reduce emissions.

READ THE RESEARCH

- [The European Commissions Announcement](#)
- [Great commentary from BCG and WEF](#)
- [The Latest EU ETS Carbon Credit Prices](#)

■■■■■
GLYNT.AI

*The sustainability data
you need, your way*

ABOUT GLYNT

GLYNT produces investor-grade sustainability data for businesses around the world. Our accurate, complete and audit-ready data enables reporting, operational efficiencies and access to financial capital. Using advanced machine learning, GLYNT is the single solution for water, waste, energy and emissions data. Confidently get the sustainability data job done. Learn more at [glynt.ai](#)