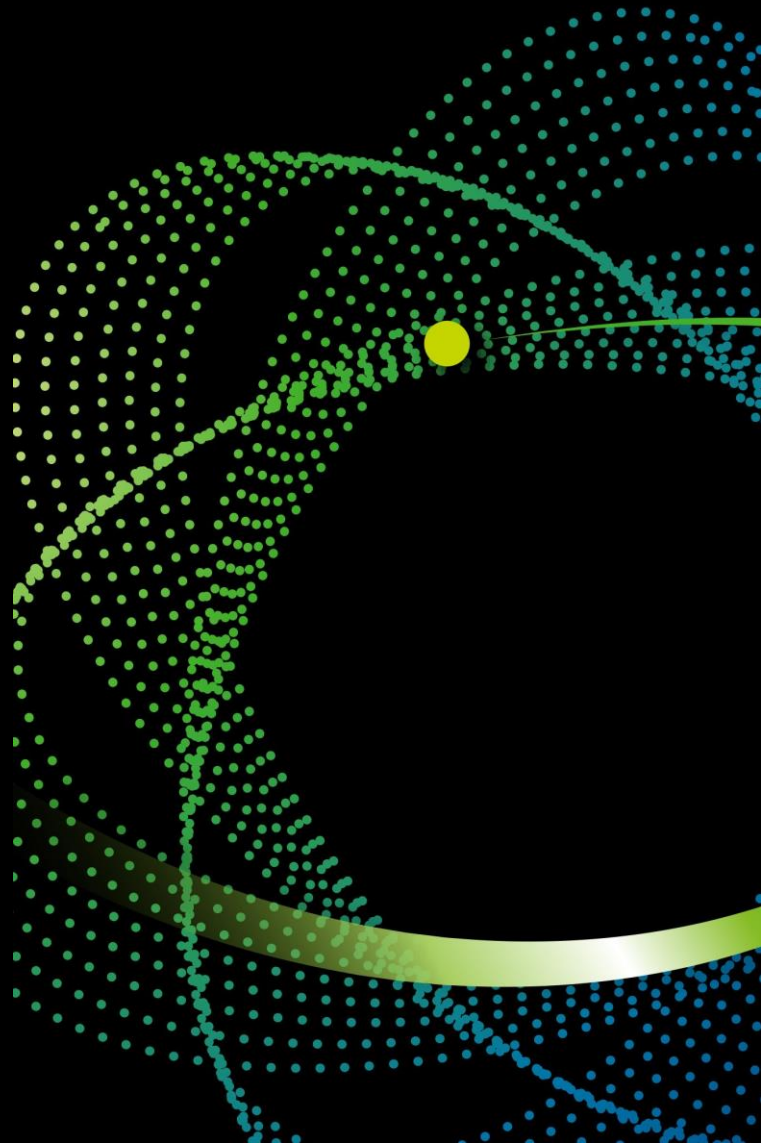




Carbon Border Adjustment Mechanism (CBAM)



CBAM Background

The Green Deal

- The EU has adopted a sustainable growth plan to support its Green Transition.
- The Green Deal provides a roadmap and sets goals to reach climate neutrality by 2050.

Fit for 55 package

- The Green Deal includes the Climate Law and Fit for 55 package which binds the EU and Member states to a goal of achieving climate neutrality by 2050.
- The package also defines an interim EU target of reducing GHG emissions by at least 55% by 2030 compared with 1990 levels.

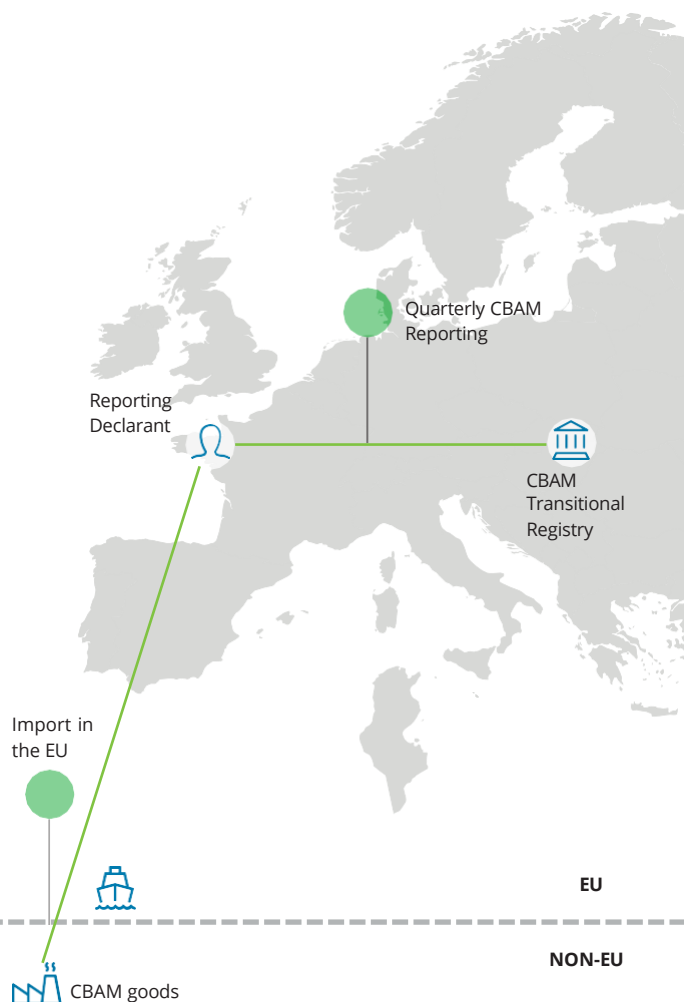
The EU ETS | Reducing industrial emissions

- The EU Emissions Trading System is the core EU mechanism that ensures industrial decarbonisation in line with the Green Deal. It aims to achieve this by reducing the permitted cap on GHG emissions of the target sectors over time, and reducing the allotted free emission allowances.

The EU CBAM | Mitigating carbon leakage

- *Carbon leakage* refers to the situation where businesses transfer their production from countries with strict(er) emission policies to countries with lax(er) emissions regulations, which leads to an overall increase in total emissions. The risk of carbon leakage is higher in certain energy intensive industries.
- To mitigate this risk, sectors and sub-sectors considered to be at risk of carbon leakage currently receive some or all of their ETS emission allowances for free ('free allowances').
- As the allotment of free allowances is set to reduce, the EU is proposing the CBAM to mitigate carbon leakage for specific ETS sectors considered to be at high risk and create a level playing field between EU manufacturers and importers.
- The increased costs associated with the CBAM will incentivise companies to invest in more sustainable supply chains.

The CBAM Snapshot



Sectors covered



Cement



Hydrogen



Iron & Steel



Fertilizers



Electricity



Aluminium



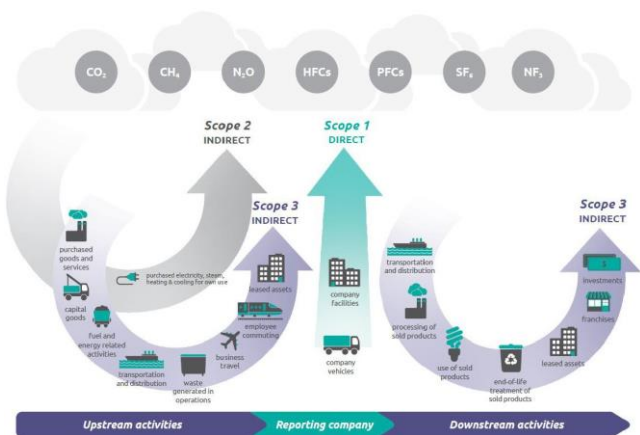
Future expansion:

- Polymers
- Chemicals
- Pulp / Paper
- Glass
- Ceramics

What is CBAM's Scope?

CBAM covers the following embedded emissions:

- **Direct emissions** arising from the production processes of CBAM goods, including emissions from the production of heating and cooling, consumed during production processes.
- **Indirect emissions** – for specific CBAM goods - arising from the production of electricity consumed during the production processes.



Good to Know!

- 1 Rules have been prescribed to determine –
 - CBAM classification categorization
 - Direct emissions
 - Indirect emissions
 - Monitoring methods

- 2 Penalties may also be levied based on non-reporting/ wrong reporting during transitional period – EUR 10 to 50 per ton of unreported embedded emissions.
During the definitive period, these penalties are expected to be linked to the EU ETS Carbon Price

- 3 CBAM will not be applicable to imports of –
 - Goods originating from countries covered by the EU ETS (i.e. EEA countries);
 - Goods originating from countries with a domestic ETS linked with EU ETS (i.e. Switzerland);
 - Low value shipments (**subject to change pending legislative approvals**), and goods to be moved or used for military purposes.

- 4 As a part of the **EU's Omnibus package**, amendments were proposed to the CBAM legislation on February 26, 2025, which is undergoing EU legislative review. This includes **certain simplifications** to reduce compliance burden, improve alignment with global standards, and enhance European competitiveness.

Timelines

TRANSITIONAL PERIOD

October 01, 2023
First Quarter of transitional period

December 31, 2023
End of first quarter of the transitional period

January 31, 2024
Deadline for the first CBAM report submission (Quarterly submission)

December 31, 2025
End of transitional period

GRADUAL PHASE-IN OF CBAM CERTIFICATES

January 01, 2026
Go-live of the full CBAM

January 31, 2026
Submission deadline for final Quarterly report (transitional period)

February 1, 2027
Sale and Purchase of CBAM Certificates commences
**pending CBAM simplification*

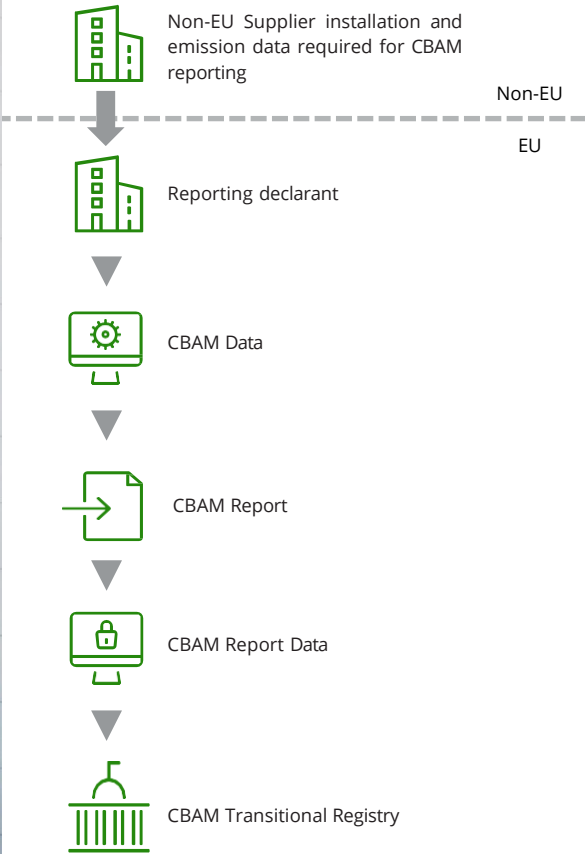
August 31, 2027
Submission deadline of the first annual CBAM declaration + surrender CBAM certificates
**pending CBAM simplification*

CBAM PHASE-IN COMPLETE

From 2034

Reporting Structure

Reporting fields have been published in the implementing regulation.



Financial Impact of CBAM

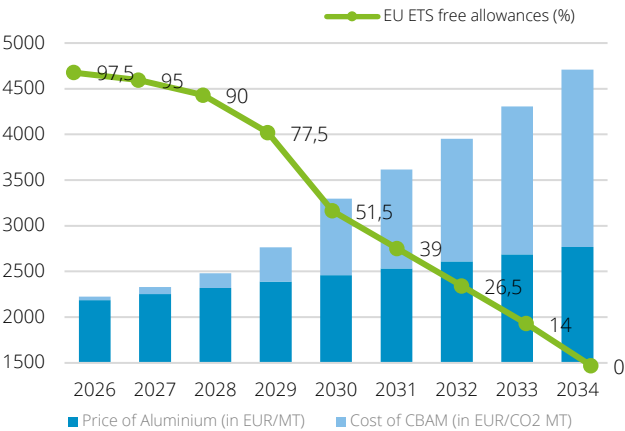
EU aluminum imports as of 2026

Importers will need to surrender a gradually increasing number of CBAM certificates between 2026 and 2034 to cover imported embedded GHG emissions. This phase-in aligns with the phase-out of free allowances within the EU Emissions Trading System (ETS).

For imports of aluminium, this will entail the following (indicative) additional cost:

Aluminium	In 2026	In 2030	In 2034
Cost of CBAM	38	836	1939
Total price (incl. cost of CBAM) *in EUR/MT	2224	3295	4707

The increasing cost of CBAM as of 2026



- Assumptions
- Price of aluminium of EUR 2000 per MT in 2023 with an illustrative 3 % yearly increase.
 - CBAM certificates price of EUR 87 in 2023 with an illustrative 3 % yearly increase.
 - Carbon intensity of aluminium production of 16,1 CO2 MT/MT of goods.

Financial Impact of CBAM

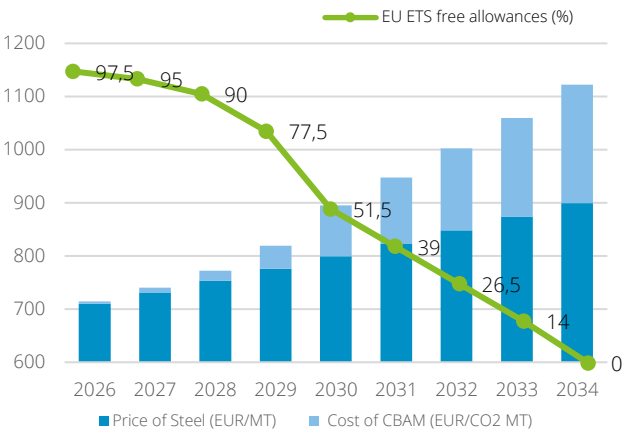
EU steel imports as of 2026

Importers will need to surrender a gradually increasing number of CBAM certificates between 2026 and 2034 to cover imported embedded GHG emissions. This phase-in aligns with the phase-out of free allowances within the EU Emissions Trading System (ETS).

For imports of steel, this will entail the following (indicative) additional cost:

Steel	In 2026	In 2030	In 2034
Cost of CBAM	4	96	223
Total price (incl. cost of CBAM) *in EUR/MT	715	895	1123

The increasing cost of CBAM as of 2026



- Assumptions
- Price of steel of EUR 650 per MT in 2023 with an illustrative 3 % yearly increase.
 - CBAM certificate price EUR 87 in 2023 with an illustrative 3 % yearly increase.
 - Carbon intensity of steel is 1,8 MT CO2 MT/MT of goods.

CBAM Impact Areas

Supplier Reach-out

- Reach out to suppliers of CBAM goods
- Discuss the reporting obligations
- Streamline contracts (indemnification)

Data Collection

- Obtain supplier installation and emissions data
 - Ensure authenticity of the data

Supply Chain Review

- Review supply chain based on CBAM impact
- Review EU/non-EU product sourcing alternatives

System Integration

- Include CBAM (material) master data in the ERP
- Implement CBAM reporting functionality in the ERP

Cost Efficiency

- Evaluate actual emission data reporting versus reporting default values
- Consider alternate less emission-intense sources for procurement

Report Out

- Prepare CBAM reports for quarterly submissions
- Continuous monitoring for data and cost efficiency
 - Our CBAM tool can help your business

How Deloitte can help

- Provide you with general or specific CBAM guidance and advice.
- Conduct CBAM impact assessments.
- Manage your CBAM compliance through our Operate engagement model.
- Automate and streamline your CBAM compliance activity with our CBAM Compliance Manager.

CBAM

Compliance Manager

A **digital (standalone) solution** that enables **EU companies** to automate their CBAM obligations.

Includes automated supplier solicitation with which the necessary emissions data can be requested and gathered efficiently from suppliers and producers through instruction videos and the use of smart-questioning.

Lower compliance costs due to automation for obtaining, allocation of data and compiling the CBAM report.

Improved compliance due to fully up-to-date CBAM reporting requirements and insight in import data.

CBAM

Exporter Portal

A **digital (standalone) solution** for **non-EU exporters** that automatically prepares and shares CBAM Data Reports with your EU customers.

Gain a competitive advantage by offering accurate, timely, and structured emission values, lowering effective CBAM costs for your EU customers and demonstrating your value as a trusted supplier.

Simplify the calculation of your CBAM emissions through smart questioning and instruction videos of the CBAM (calculation) data elements required by the EU, kept fully up-to-date by Deloitte.

Obtain emissions data from your relevant suppliers and manufacturers through the automated solicitation functionality.

Supplier solicitation

The solicitation GUI can be used to manage the central emissions data input of suppliers

It shows the status of solicitation requests and provides a real-time status update on data gathering. It also gives the option to verify the emission data provided by your supplier.

The screenshot displays the 'Supplier Solicitation' interface. At the top, there are four tabs: 'Declaration Lines', 'Suppliers', 'Solicitations', and 'Reports'. The 'Suppliers' tab is active, showing a table with columns: 'Supplier Name', 'Supplier Country', 'Number Of Operations', 'Number Of Commodity Codes', and 'Number Of Open Solicitations'. Below the table, there are filters for 'Supplier Name' and 'Supplier Country'. The 'Solicitations' tab is also visible, showing a table with columns: 'Supplier Name', 'Solicitation Date From - Solicitation Date To', 'Submit Date From - Submit Date To', and 'Submit Status'. There are also filters for 'Aggregated Goods Category' and 'Submit Status'. The interface includes a 'Verify' button and a 'Download' button.

Auto-link imports and exports with emissions data and create CBAM reports

Automatically link import or export declaration lines to installations and emissions based on built-in logic.

Enables the creation of CBAM reports and declarations that can be uploaded to the EU or shared with your EU-customers through the click of a button

The screenshot displays the 'Exporter Portal' interface. At the top, there are four tabs: 'Declaration Lines', 'Suppliers', 'Solicitations', and 'Reports'. The 'Solicitations' tab is active, showing a 'Declaration Lines Statistics' section with a pie chart and a table of statistics. Below this, there is a 'Declaration Lines Filter' section with a table of declaration lines. The table has columns: 'Declaration Date', 'Legal Entity', 'Client Reference', 'Customer Reference Number', 'Goods Item Number', 'Country Of Origin', 'Commodity Code', 'Supplier', 'Status', and 'Debit Code'. The table shows three rows of data. The 'Solicitations' tab is also visible, showing a table with columns: 'Supplier Name', 'Solicitation Date From - Solicitation Date To', 'Submit Date From - Submit Date To', and 'Submit Status'. There are also filters for 'Aggregated Goods Category' and 'Submit Status'. The interface includes a 'Verify' button and a 'Download' button.

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