

2025 and Beyond – Are You Remaining Compliant With the EU Carbon Border Adjustment Mechanism?

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[EU Regulation 2023/956 on the Carbon Border Adjustment Mechanism \(CBAM\)](#) was introduced to make sure importers of certain goods into the European Union bear similar carbon costs as if they were produced inside the EU and subject to the EU's Emission Trading System (ETS). This will create compliance obligations for companies if they qualify as an 'importer' of in-scope goods.

The CBAM applies to importers of carbon-intensive goods, such as steel, aluminium, cement, fertilizers and electricity. If your business is engaged in exporting these products to the EU, understanding the CBAM is crucial. In this Cooley alert, we explore compliance timelines and steps for compliance with the CBAM regime.

The UK is planning to introduce its own Carbon Border Adjustment Mechanism, applying from 1 January 2027 onwards.

Compliance timelines

Importers of in-scope goods will be required:

- From 1 October 2023 – 31 December 2025 (transitional period): To register and report on the carbon emissions embedded in their imports on a quarterly basis. The first two reports were due from October 2023 onwards.
- From January 2026 onwards (definitive period): To continue reporting embedded emissions, but on an annual basis (rather than on a quarterly basis, as is required during the transitional period). During the definitive period, importers also will be required to account financially for the goods they import by purchasing CBAM certificates equal to the carbon content of their imports.

Key 2025 dates:

- 1 January 2025: From this date, only the EU method for reporting greenhouse gas emissions will be accepted.
- 1 July 2025: Reporting declarants must report actual emissions for each CBAM good imported into the EU.
- Throughout 2025: Importers must continue to submit quarterly CBAM reports. These reports are due one month after the end of each quarter.

Next steps for compliance

1. Companies should check whether they qualify as an 'importer' into the EU of any products listed in Annex I to the CBAM regulation against their Combined Nomenclature (CN) codes, or whether any exceptions may apply.

Companies will qualify as 'importers' where:

- The company is the entity lodging the customs declaration for imported products/materials.

- The customs declaration is lodged by a customs representative appointed by the company, on behalf of the company. (If this applies, the company should apply for the status of authorised CBAM declarant.)

A company will not be considered an 'importer' if the company's EU customers buy the company's products and lodge their own customs declarations to import them into the EU.

2. The CBAM in its current form only applies to goods that are listed with their respective CN codes in Annex I of the CBAM regulation. Goods with CN codes which are not found in Annex I will not be caught by the CBAM regulation despite incorporating CBAM goods as inputs. However, the CBAM regulation will be reviewed at the end of the transitional period (i.e., December 2025) to assess if additional goods and sectors within the ETS will be added.
3. For in-scope products, companies should:
 - Register with the relevant National Competent Authority (NCA), if they have not already. The European Commission developed the [CBAM transitional registry](#) to help importers comply with this obligation.
 - Track embedded emissions for each category of in-scope goods.
 - Use the EU registry website to submit quarterly reports for in-scope imports. This [EU guidance document](#) provides additional direction for importers to navigate the online registry. The report should include information on the goods imported during the previous quarter – including quantities of in-scope goods imported, total embedded emissions, and any carbon price due in the country of origin. The report should be submitted within one month of the end of that quarter.
4. Companies also should continue to track the development of the CBAM. The European Commission has stated that it plans to expand the scope of goods that are covered to capture more ETS sectors from January 2026 onwards, when the 'transitional period' comes to an end. This expansion would be done via the adoption of secondary legislation.

Penalties for noncompliance

Risks of noncompliance with the CBAM include customs detentions, seizures and fines. The penalty amounts are between 10 and 50 euros per ton of unreported emissions, subject to indexation. Higher penalties may be applied when more than two incomplete or incorrect reports have been submitted in a row or the duration of the failure to report exceeds six months.

Conclusion

The CBAM represents a significant shift in global trade and climate policy, aiming to create a level playing field and drive global efforts towards reducing carbon emissions. As businesses navigate this new regulatory landscape, understanding the implications of the CBAM and preparing for its implementation will be crucial for maintaining competitiveness and compliance.

If you have any questions about the applicability of the CBAM to your business, please do not hesitate to reach out to the Cooley lawyers listed below. We are here to help you understand and navigate these changes effectively.

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