



**BUREAU
VERITAS**

CARBON BORDER ADJUSTMENT MECHANISM

PREPARING EXPORT INDUSTRIES
FOR **EU** CARBON REGULATION

JUNE 2026



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- 01 General Aspects**
- 02 Scope
- 03 CBAM Declaration Period
- 04 Methodology
- 05 Verification and BV Support

CARBON EMISSIONS

WHAT IS CBAM?

DISCOVER HOW CBAM WORKS

What is CBAM?

CBAM is a policy tool to align the carbon price of imported goods with the EU's climate objectives and prevent carbon leakage.



Sustain & Save

Carbon Border Adjustment Mechanism

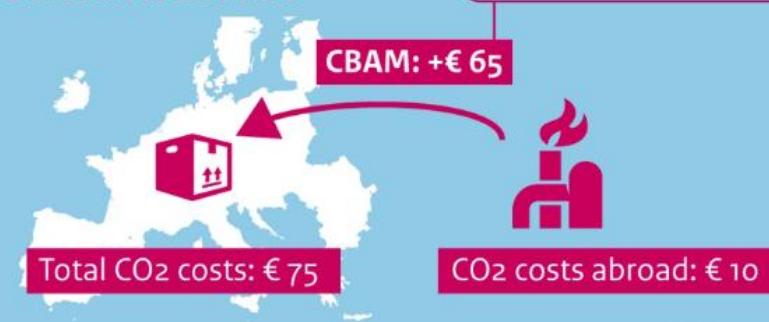
Production in EU



The CBAM applies to products in these sectors:

- Steel
- Aluminium
- Electricity
- Fertilizer
- Cement

Production abroad



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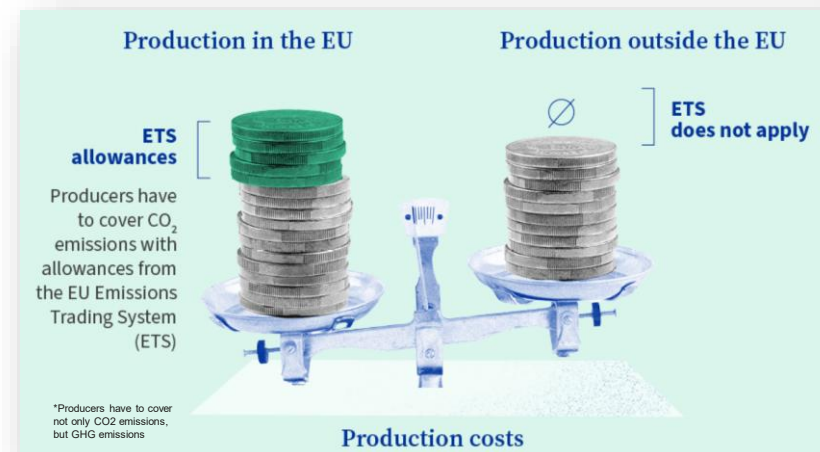
EU ETS REPLACED BY CBAM?

CBAM DOESN'T REPLACE THE ENTIRE EU ETS

- CBAM is a financial measure to prevent the risk of carbon leakage and mitigate global climate change.

How does carbon leakage occur?

- Carbon-intensive production could move to countries with less strict climate policy.
- Imported products could have price advantage at the expense of the environment.



How will CBAM work?

- By ensuring that imported goods are subject to a carbon price that is equivalent to the carbon price of production in the EU.

CBAM complements and reinforces the existing carbon pricing mechanism in the EU established in 2005 with the EU Emissions Trading System (ETS).



THE EUROPEAN GREEN DEAL

A GROWTH STRATEGY THAT PROTECTS THE CLIMATE

- | Striving to be the first climate-neutral continent by 2050.



THE EUROPEAN CLIMATE LAW

PATH TO CLIMATE NEUTRALITY

- It writes the climate neutrality target for 2050 into law, and propose the path to get there.
- At least 55% less net greenhouse gas emissions by 2030, compared to 1990 levels.

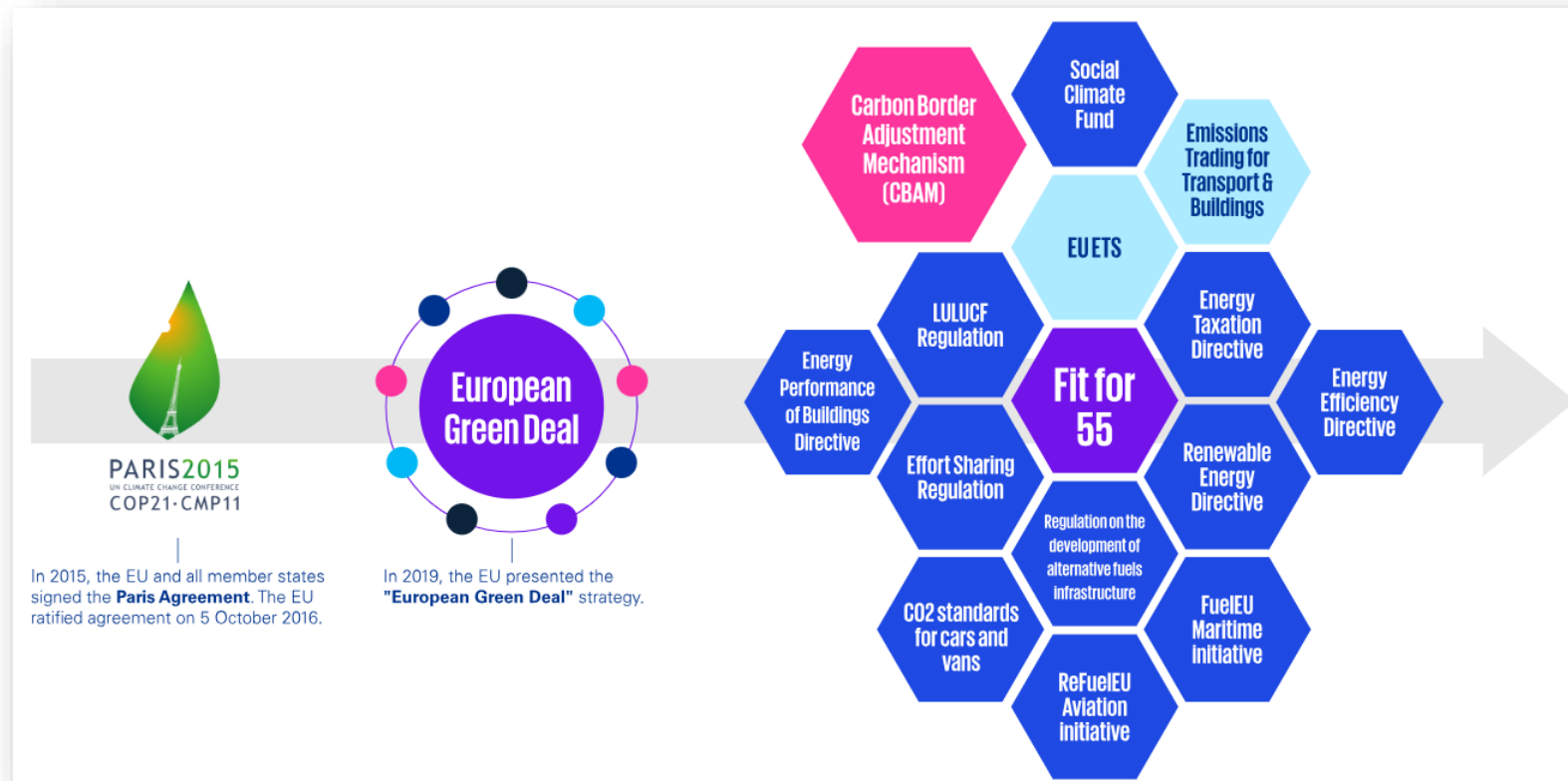


Source: European Union, 2024

FROM PARIS AGREEMENT TO CBAM REGULATION

DELIVERING THE EU'S 2030 CLIMATE TARGETS: THE 'FIT FOR 55' PACKAGE

- To meet the EU's 2030 climate target, the European Commission adopted a series of legislative proposals designed to facilitate the necessary acceleration of GHG emissions reduction by 2030 and align the EU's climate, transport, land use, energy and taxation policies with this milestone target.

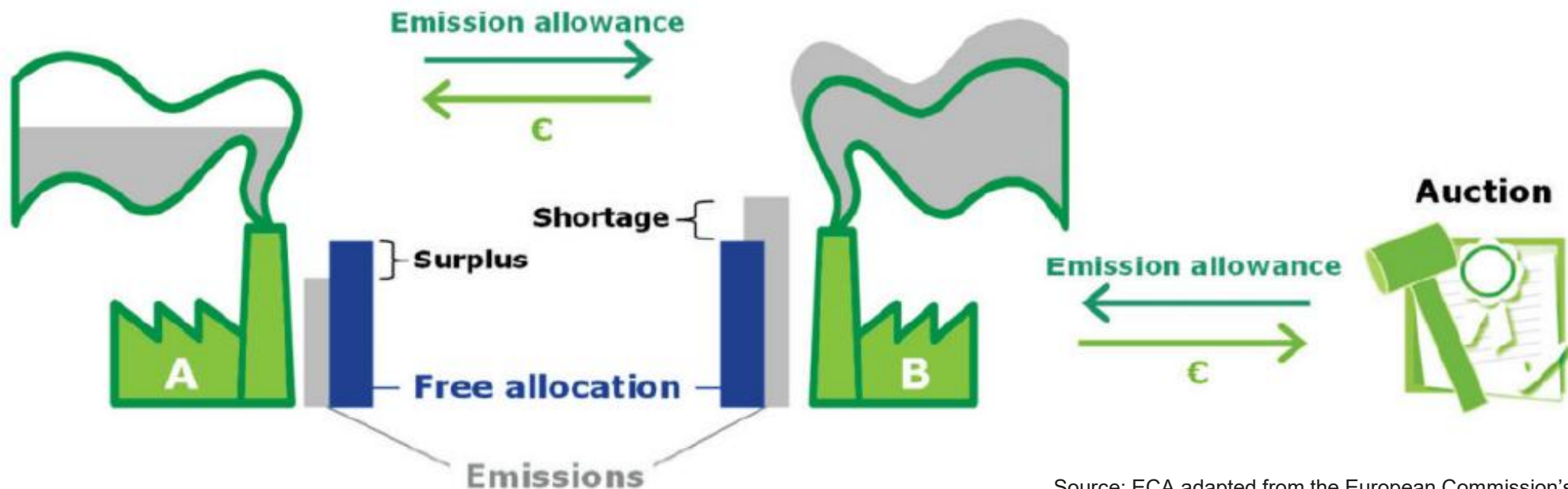


Source: [KPMG](#)

WHAT IS THE EU ETS?

AS PART OF THE FIT FOR 55 PACKAGE. HOW DOES THE EU ETS WORK?

- | The EU ETS is based on a “cap and trade” principle.
 - | The EU ETS cap is expressed in emission allowances.
 - | Under the EU ETS, the number of free allowances declines over time.



Source: ECA adapted from the European Commission's



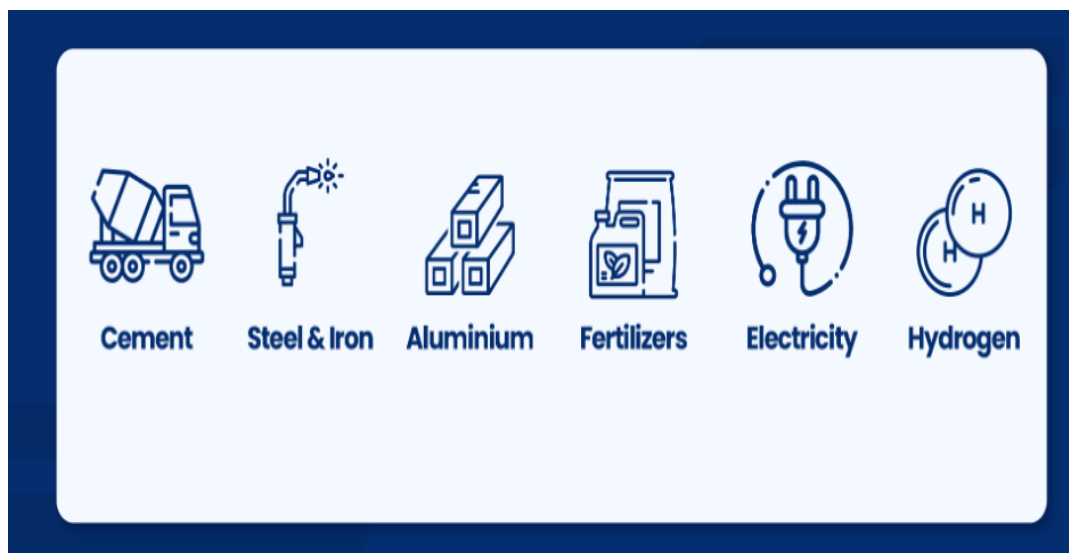
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WHAT PRODUCTS WILL BE COVERED?

DOES THIS APPLY TO ME?

- | Annex I of CBAM Regulation, currently covers 6 (Six) high-emission sectors and high risk of carbon leakage.



Source: European Union, 2022

- | To comply, exporter must match goods based on their official product classification codes used in EU customs or CN Codes (Combined Nomenclature Codes).
- | Ex :
 - Product A (CN Code 7301 - Sheet Piling of iron or steel), on the list → Subject to CBAM.
 - Product B (CN Code 7323 93 – Table kitchen or Other household articles of stainless steel), not on the list even though it is made of iron/steel → exempt from CBAM obligations.

- | The regulation will also cover certain precursors and downstream products (products that are above or below in the value chain of the products covered by CBAM). In the future the scope of CBAM is expected to extend to more sectors.

SCOPING

GOODS THAT ARE PLACED UNDER THE INWARD PROCESSING REGIME

- | CBAM becomes due only for goods that are released for free circulation in the EU. Thus, in the case of CBAM goods that are placed under a **custom suspensive regime** in view of their future export or in view of **their processing**, there is no CBAM obligation.

- | Note, however, that if a CBAM good leaves the **inward processing regime**:
 - to be placed on the EU market, or
 - is processed into a product that itself is no longer a CBAM good, and this final good is finally released for free circulation in the EU.

- > **Then there is a CBAM obligation.** In this specific case, the CBAM report would contain information on the quantities and embedded emissions of CBAM goods placed under inward processing, but not on the quantities and embedded emissions of the final goods released for free circulation, because in the example, these goods are not CBAM goods themselves.

SCOPING

RETURNED GOODS

- | Returned goods are goods that are released for free circulation and benefit from duty exemption because they were Union goods before, either because they have originally been exported as Union goods or because they were previously released for free circulation, and because they fulfil certain conditions (e.g. they are released for free circulation within three years after they were previously exported).
- | During the transitional period, CBAM reporting obligations do not apply to returned goods.
- | However, for returned goods which were originally re-exported after having been placed under inward processing, the reporting obligations are not waived.

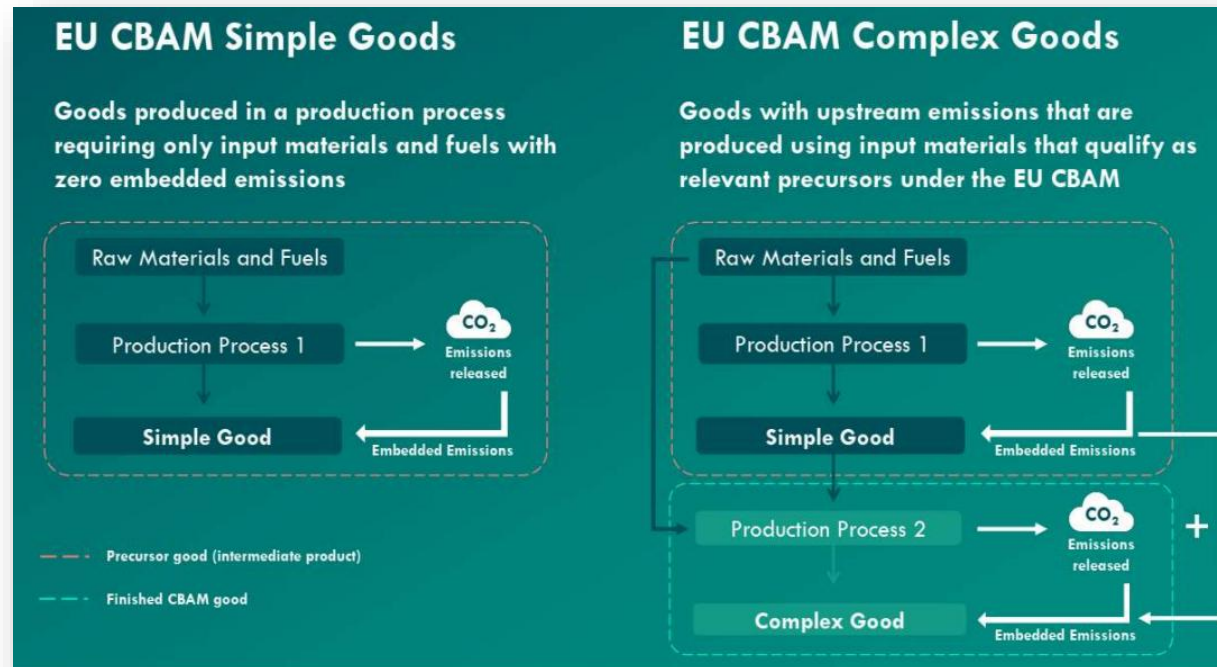
EXEMPTIONS

- | CBAM does not apply to imports from countries covered by the EU Emissions Trading System (ETS) or countries with fully linked domestic ETS, such as EEA and EFTA (Iceland, Liechtenstein, Norway, Switzerland) countries.
- | Exempted are also CBAM-covered products (iron, steel, aluminum, cement or fertilizer) with a cumulative total of no more than 50 tonnes per year.



WHAT PRODUCTS WILL BE COVERED?

- | Simple Goods: Goods that are made from raw materials, sources that do not contain embedded emissions and have only one source of GHG emissions from the production process.
- | Complex Goods: Goods that have GHG emission sources from the production process and from the use of relevant precursors.



Source: [TGO, 2024](#)



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GRADUAL IMPLEMENTATION OF CBAM

Transitional period
October 2023 - December 2025

2023

2024

2025

- **Monitoring and reporting** (Implementing Regulation (EU) 2023/1773)
 - Total quantity of Goods imported during the preceding quarter
 - Total embedded direct and indirect emissions
 - The carbon price due in the country of origin for the embedded emissions.
- **Report to be submitted quarterly**
- **No verification of emissions by EU-accredited verifier**



Post-transitional period
January 2026 onwards

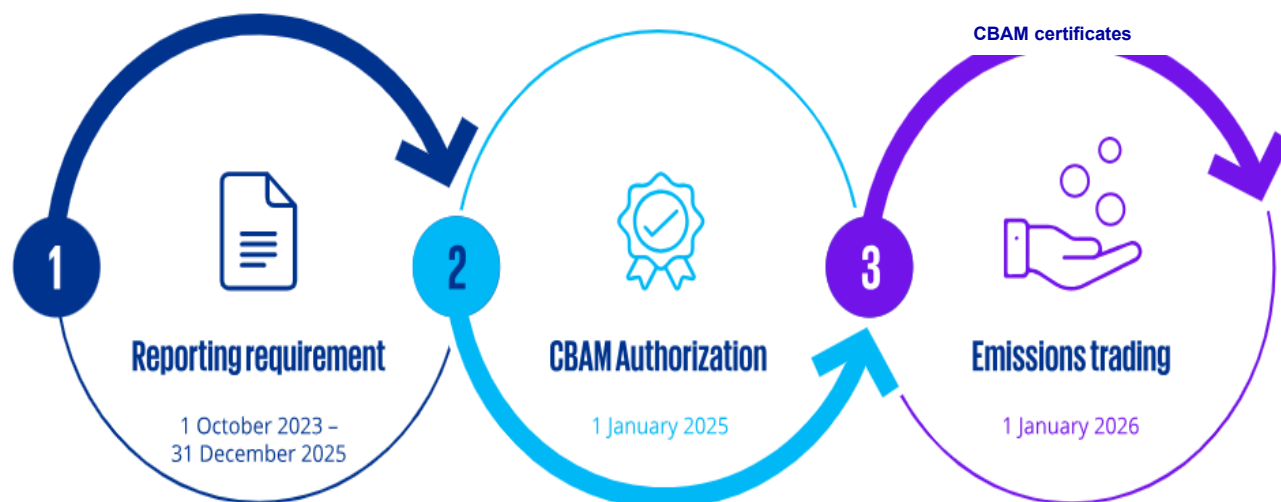
2026

- Start of **gradual phase-in of CBAM**/phase-out of free ETS allocation
- **Report to be submitted annually – by 31 May each year**
- **Mandatory Verification**
- **Purchase of CBAM Certificates***

AUTHORIZED CBAM DECLARANT

GRADUAL INTRODUCTION OF FINANCIAL PHASE

- | CBAM implementation started with reporting obligation in October 2023.
- | Importers who are subject to this registration obligation may apply for authorization from 1 January 2025.

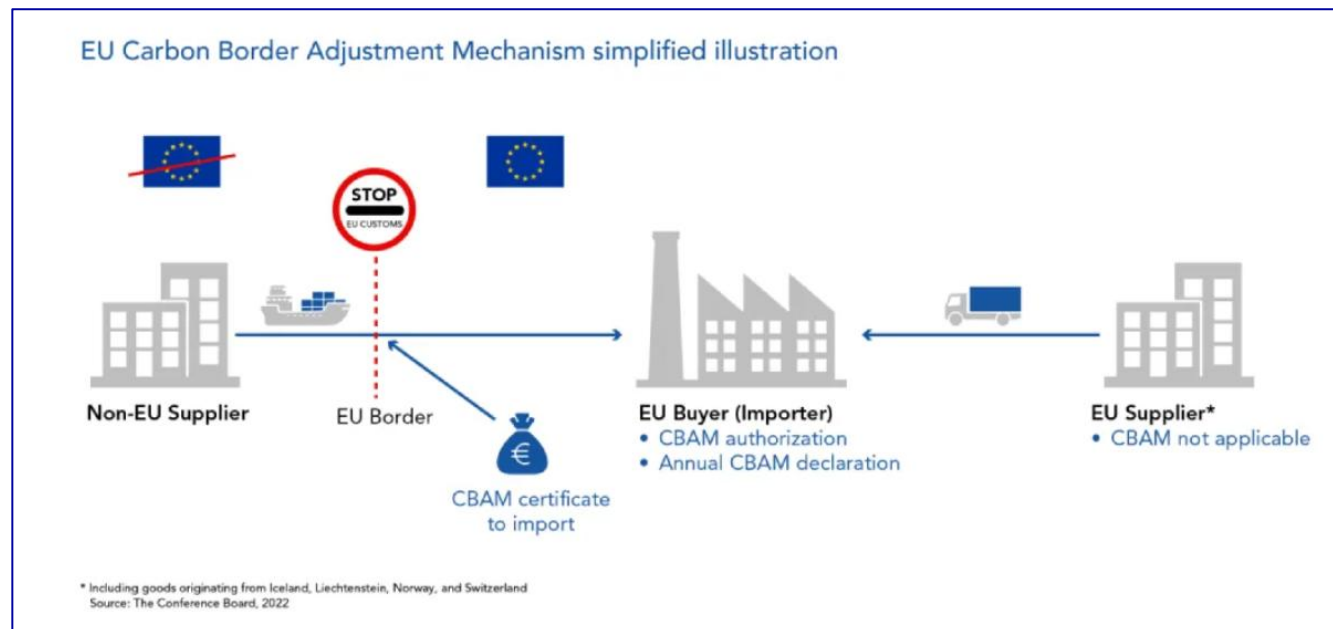


Source: adapted from [KPMG](#)

- **1 January 2026** – Financial Phase commences, cumulative emissions are calculated from this date forward, but physical purchase of certificates is not yet required.
- **1 January 2027** – First Sale of CBAM Certificates is officially opened. Importers begin purchasing certificates throughout 2026.
- **End of Quarter 2027** – Implementation of 50% threshold, At the end of each quarter throughout 2027.
- **September, 2027** – Reconciliation Deadline & Final Reporting. Importer must submit their first annual CBAM declaration and settle remaining certificate balance up to 100% for goods imported in 2026.

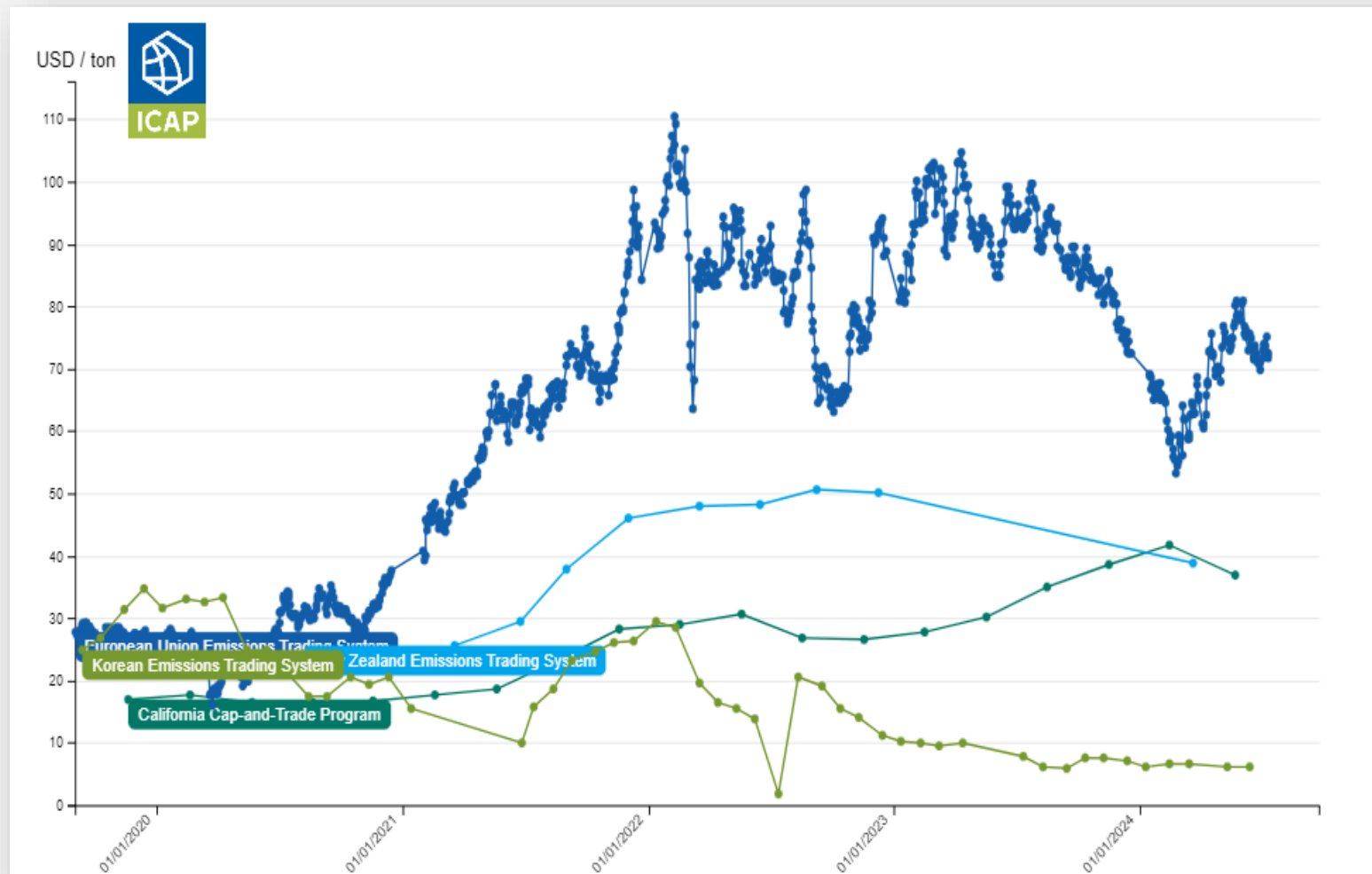
HOW DOES IT IMPACT EXPORTERS IN INDONESIA ?

- Although the authorization applies to EU Importers, this directly impacts the business continuity of Indonesian exporters.
 - Strict supplier screening** : EU importers will heavily filter their suppliers based on data readiness. Exporter who can provide actual, third-party verified emission data will be preferred, in order to avoid heavy EU non-compliance penalties.
 - Operational Data Demands** : Exporters must establish robust internal tracking mechanism.
 - Additional Cost**: If the emission exceeds the allocated emission by CBAM, EU Importers shall purchase CBAM certificates, in which the cost may be passed on to the exporter.

Source: adapted from [KPMG](#)

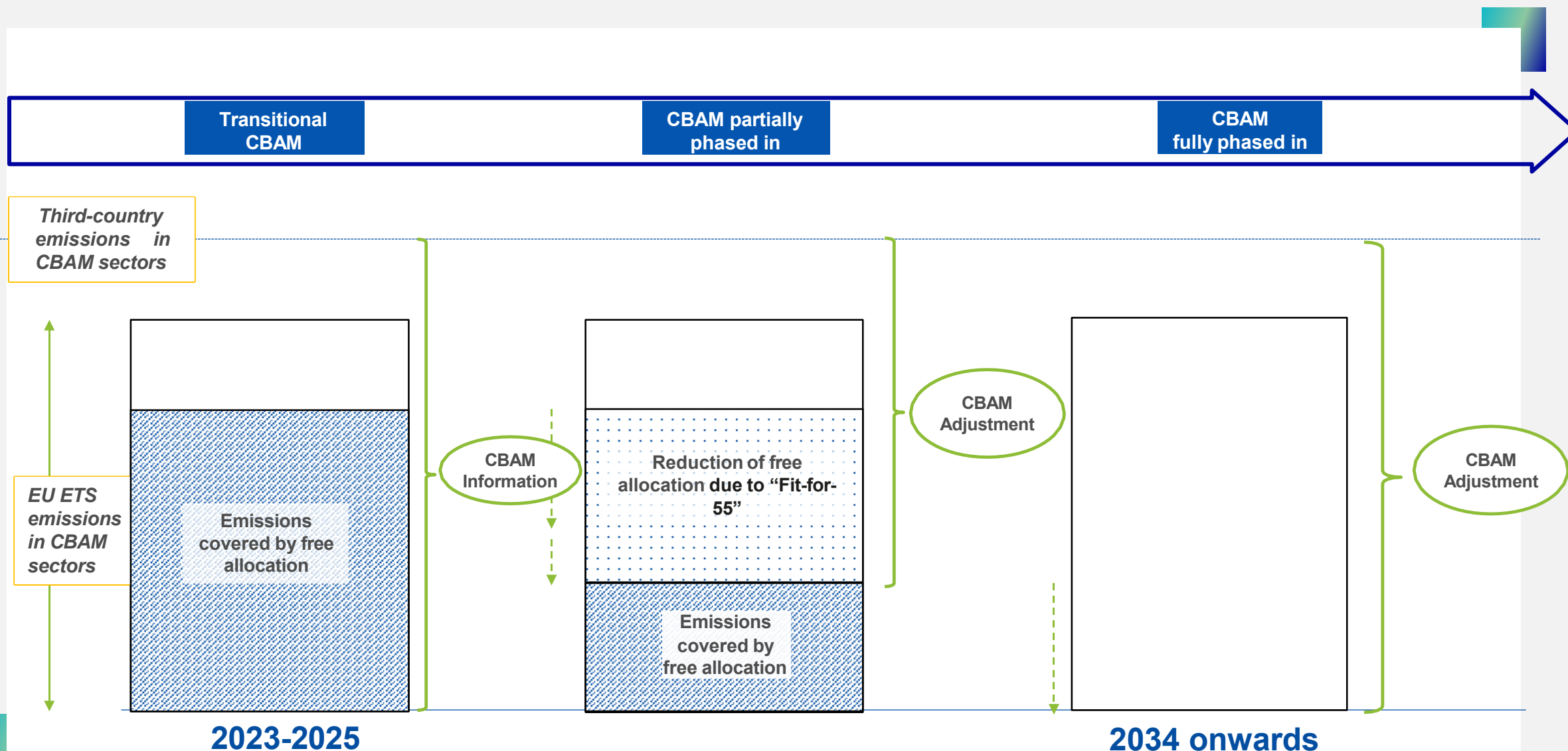
CARBON PRICING IN POST-TRANSITION PERIOD

PRICE WILL DEPEND ON ETS PRICE



- | The price of the CBAM certificates will be calculated depending on the **weekly average auction price of EU ETS allowances** expressed in €/tonne of CO₂ emitted.
- | If importers can prove that a **carbon prices has already been paid** during the production of the imported goods, the corresponding amount **can be deducted**.

FREE ALLOCATION → CBAM





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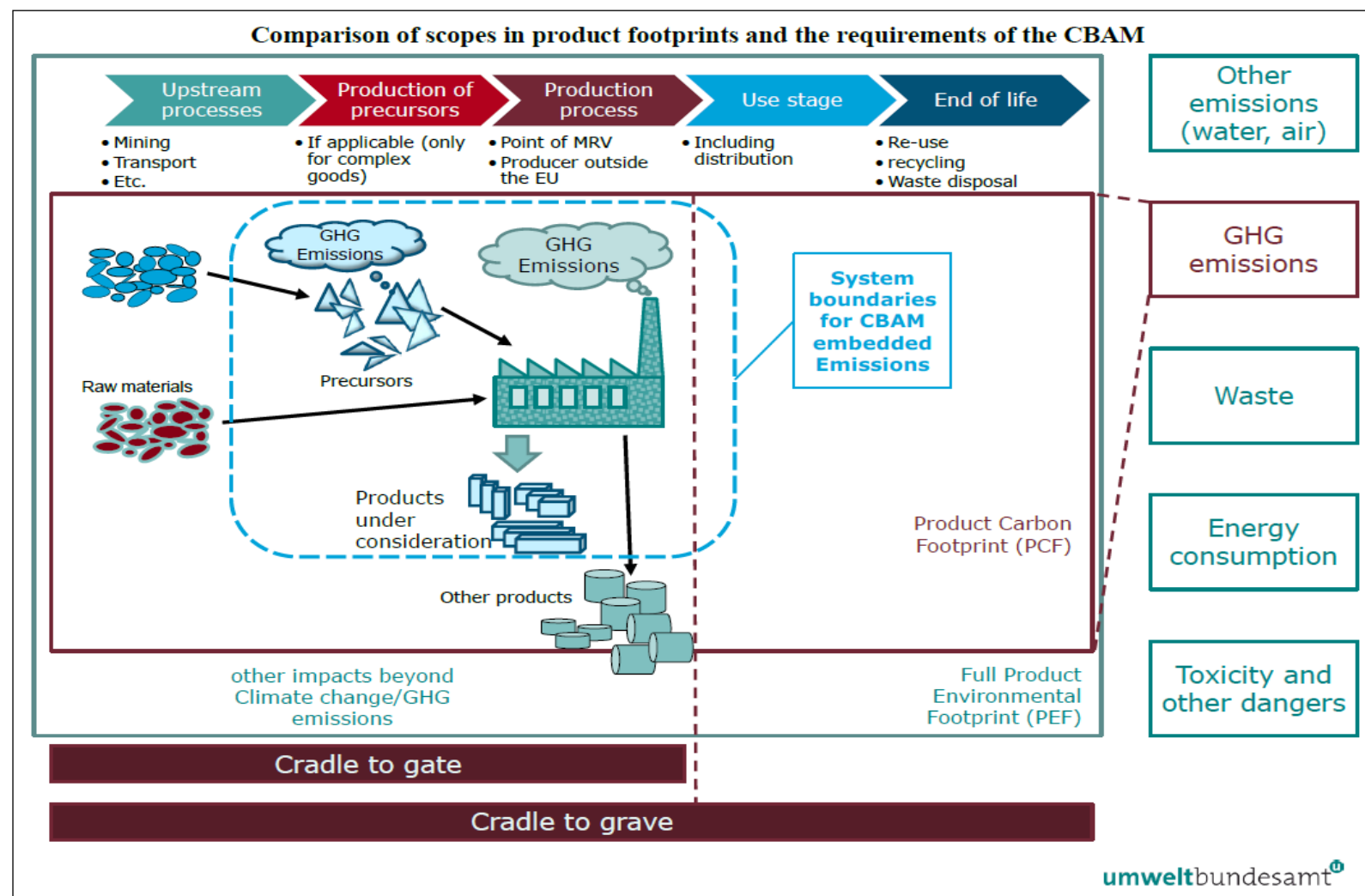
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CBAM BOUNDARIES

COMPARISON OF LIFE CYCLE ASSESMENT AND PRODUCT CARBON FOOTPRINT, AND THE SPECIFIC PARTIAL CARBON FOOTPRINT THAT IS TO BE USED FOR DETERMINING EMBEDDED EMISSIONS IN THE CBAM.

Outside the scope:

- | Direct emissions (mobile, e.g. forklift, cars)
- | Indirect emissions (upstream, e.g. of fuels imported and transport)
- | Indirect emissions (downstream and other, e.g. use of product, end-of-life emissions)



CBAM CALCULATION METHODOLOGY

Equations of embedded emissions

- | The CBAM methodology for embedded emissions calculation include scopes 1, 2 and 3.

$$(1) \quad SEE(tCO_2eq/t) = \frac{\text{Total emissions (tCO}_2eq\text{)}}{\text{Quantity of goods (t)}}$$

$$(2) \quad \text{Total emissions (tCO}_2eq\text{)} = \text{Direct emissions} + \text{Indirect emissions} + \text{Precursors emissions}$$

$$(3a) \quad \text{Emission (tCO}_2eq\text{)} = \text{Activity data (unit)} * \text{Emission factor } \left(\frac{tCO_2eq}{unit}\right)$$

$$(3b) \quad \text{Emission (tCO}_2eq\text{)} = \text{Carbon content (t)} * \text{CO}_2 \text{ stoichiometric factor } \left(\frac{tCO_2}{tC}\right)$$

- | *SEE* : Specific embedded emissions to report

INFORMATION TO BE REPORTED

DURING THE TRANSITIONAL & DEFINITIVE PERIOD

- Indirect emissions will be covered in the scope after the transitional period for some sectors (cement and fertilisers).

Issue	CBAM good					
	Cement	Fertilisers	Iron/Steel	Aluminium	Hydrogen	Electricity
Reporting metrics	(per) Tonne of good					(per) MWh
Greenhouse gases covered	Only CO ₂	CO ₂ (plus nitrous oxide for some fertiliser goods)	Only CO ₂	CO ₂ (plus perfluorocarbons (PFCs) for some aluminium goods)	Only CO ₂	Only CO ₂
Emission coverage during transitional period	Direct and indirect					Only direct
Emission coverage during definitive period	Direct and indirect		Only direct, subject to review			Only direct

METHODS FOR REPORTING

DEFAULT VALUES

- As of 1 January 2025, only the EU method will be accepted, and estimates (including default values) can only be used for complex goods if these estimations represent less than 20% of the total embedded emissions.
- Default values are regulated under **Implementing Regulation (EU) 2025/2621**

Specific Embedded Emissions(SEE)	Transitional Period (Oct '23 – Dec '25)	Definitive Period (1 January 2026 onwards)
Determination of direct embedded emissions	- Based on actual emissions; - Estimations (including default values) up to 100% for SEE until 30 June 2024, and up to 20% for SEE of complex goods until 31 Dec 2025;	- Based on actual emission which shall be verified by independent verifier under EU; or - Using 100% estimates (Default values) regulated by EU which shall not need to be verified by independent verifier. - However, the default values are set to be very high and conservative. These values increase progressively each year, to deliberately made “expensive”, so importers purchase more CBAM certificates.
Determination of indirect embedded emissions	- Based on actual electricity consumption and default emission factors for electricity or PPA; - Estimations (including default values) up to 100% of SEE until 31 Dec 2025	

METHODS FOR REPORTING

SIMILAR OR IDENTICAL GOODS

- I If a reporting declarant is unable to comply with the reporting obligations because the operator no longer exists, or in the case of lacking data for old spare parts or stock items, the declarant could use emissions data for similar or identical goods, and clearly state this as additional information.
- I For the definition of similar or identical goods, you can refer to Art. 1(14) and Art. 1(4) of Implementing Regulation (EU) 2015/2447.
 - I 'identical goods' means goods produced in the same country which are the same in all respects, including physical characteristics, quality and reputation. Minor differences in appearance shall not preclude goods otherwise conforming to the definition from being regarded as identical;
 - I 'similar goods' means goods produced in the same country, which, although not alike in all respects, have like characteristics and like component materials which enable them to perform the same functions and to be commercially interchangeable; the quality of the goods, their reputation and the existence of a trademark are among the factors to be considered in determining whether goods are similar.



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VERIFICATION

DURING THE DEFINITIVE PERIOD

- | **By 31 May of each year**, and for the first time in 2027 for the year 2026, each **authorised CBAM declarant** shall use the **CBAM registry** to submit a CBAM declaration for the preceding calendar year.
- | The CBAM declaration shall be accompanied by copies of verification reports, issued by accredited verifiers.

| Content of a Verification Report:

- (a) identification of the installations where the goods were produced;
- (b) contact information of the operator of the installations where the goods were produced;
- (c) the applicable reporting period;
- (d) name and contact information of the verifier;
- (e) accreditation number of the verifier, and name of the accreditation body;
- (f) the date of the installations visits, if applicable, or the reasons for not carrying out an installation visit;
- (g) quantities of each type of declared goods produced in the reporting period;
- (h) quantification of direct emissions of the installation during the reporting period;
- (i) a description on how the installation's emissions are attributed to different types of goods;
- (j) quantitative information on the goods, emissions and energy flows not associated with those goods;
- (k) in case of complex goods:
 - (i) quantities of each input material (precursor) used;
 - (ii) the specific embedded emissions associated with each of the input materials (precursors) used;
 - (iii) if actual emissions are used: the identification of the installations where the input material (precursor) has been produced and the actual emissions from the production of that material;
- (l) the verifier's statement confirming that he or she finds with reasonable assurance that the report is free of material misstatements and of material non-conformities regarding the calculation rules of Annex IV;
- (m) information on material misstatements found and corrected;
- (n) information of material non-conformities with calculation rules set out in Annex IV found and corrected.

ACCREDITATION OF VERIFICATION BODIES

SIMILAR TO EU ETS

- | Accreditation will only be delivered by EU National Accreditation Bodies (Delegation Regulation CBAM 2025/2551)
- | Comply with ISO/IEC 17029
- | Non-EU Verification Bodies will have to apply for accreditation in one EU Member State
- | Countries with EU ETS accreditation:
 - | France (COFRAC)
 - | Italy (ACCREDIA)
 - | Slovenia (SA)
 - | Greece (ESYD)
 - | Denmark (DANAK)
 - | (+Norway, Sweden and Iceland)
 - | Latvia (LATAK)

- Bureau Veritas is currently in the process of accreditation for CBAM Verification Body (ICC: BV Italia)
- While waiting for the accreditation process to be finalized, we support Pre-Verification activity



As of September 2024

PRE-VERIFICATION PROCESS :

Pre-engagement

- Fill out application Form
- Proposal Submission
- Proposal Acceptance

Data/documentation review:

- Understand the scope,
- Evaluate documented approach (emission monitoring, calculation methods, boundary, data sources)
- manufacturing process flow (detail process flow to ensure all emissions are captured)
- Alignment with GHG accounting methodology

Pre-verification Plan – Site Visit Agenda / activities

Site Visit – Data Verification:

- Input Data (raw material, fuel consumption, production volume)
- Emission Factors accuracy
- Monitoring / Metering Equipment
- Data collection and Record Keeping
- Material Processing Activity, etc

Findings:

- Non conformities (misstatement, clarification, or inconsistencies)
- Issues log to that summarizes the findings

Report Issuance



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Shaping a World of Trust