

# CBAM



How does the new EU tax affect my business?



The European Union recently approved the creation of the **Carbon Border Adjustment Mechanism (CBAM)**, a carbon pricing system focused on the life cycle emissions of imported products. The new tax aims to discourage so-called carbon leakage – when a company opts for cheaper foreign products with a larger carbon footprint, to avoid local climate regulations.



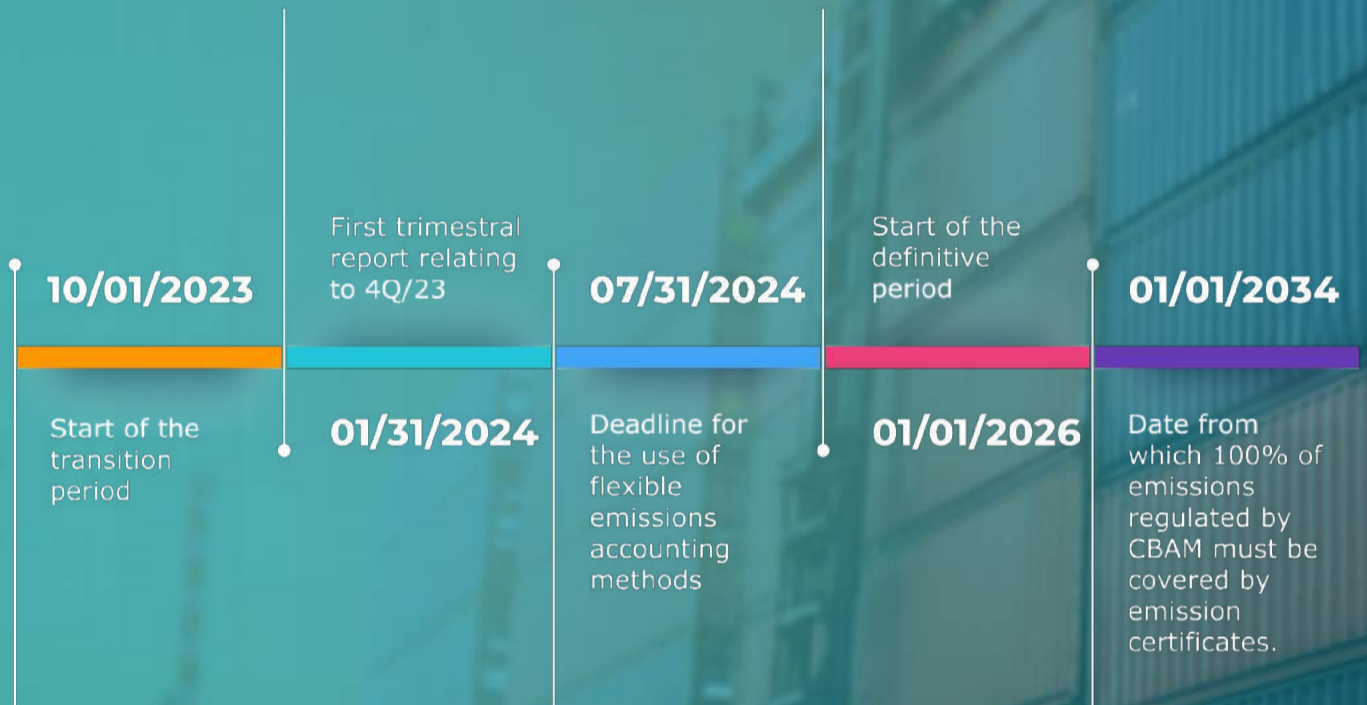
CBAM is part of the “European Green Deal”, the EU plan to achieve the goal of reducing emissions by 55% by 2030 and net zero by 2050, and will have an immediate impact on exports of various products to the bloc: **iron, steel, aluminum, fertilizers, cement, electricity and hydrogen.**

**In practical terms**, CBAM will be applied in the form of a price to be paid by European importers:

**1** The importer of products covered by CBAM purchases emission certificates, the price of which is guided by the European carbon market, the "EU ETS".

**2** The importer declares the value chain emissions of each product and retires an equivalent number of emission certificates.

**On August 17th, the EU published new information about the CBAM, including important dates and guidelines for the actors involved in the mechanism\*:**



The first stage of CBAM comprises the time between October 1, 2023 and December 31, 2025, the so-called **transition period**. This is considered a “learning stage”, during which importers will need to report various data quarterly, including the GHG emissions embedded in the value chain of their products. **At first, the importer will not need to pay for these emissions.**

From January 1, 2026, the **definitive period** of the mechanism begins. At this point, European importers will gradually have to purchase carbon credits from the European market – the so-called “EU ETS” certificates – for imports of listed goods emissions that exceed limits established by the bloc.

## Potential Impacts

Greater incentive to adopt low-carbon technologies.

Possible change of suppliers by the importer to reduce costs in certificates.

Greater data transparency can bring an advantage over competitors.

**In this scenario, Brazilian exporters who are prepared from the beginning will present a strong competitive advantage in the European market.**

\* European Council (2023). [https://taxation-customs.ec.europa.eu/system/files/2023-08/C\\_2023\\_5512\\_1\\_EN\\_ACT\\_part1\\_v6.pdf](https://taxation-customs.ec.europa.eu/system/files/2023-08/C_2023_5512_1_EN_ACT_part1_v6.pdf)

## How can WayCarbon help?

The WayCarbon team can help your company prepare for this and other national and international regulations. We are available to help you understand how CBAM can impact your business, ranging from initial diagnosis to digital platforms for data management.

WayCarbon has an experienced and specialized team to carry out the diagnosis and potential impacts related to CBAM.