▼ TÜV Nord Taiwan CSO KP Huang

Avoiding Blind Spots and Pitfalls in CBAM Reporting: Establishing a Comprehensive Monitoring Plan

Since the EU's CBAM mandatory reporting requirement officially took effect on January 1, 2026, it has accelerated carbon reduction efforts in high-emission industries such as fasteners and steel. However, due to the numerous regulations and complex implementation procedures, many manufacturers have encountered significant difficulties in actually collecting carbon emissions data and submitting subsequent reports.

According to CBAM requirements, all carbon emissions reported for 2026 must be verified by an EU-accredited third party and subject to on-site audits. In addition, CBAM certificates will be for sale starting in February 2027, and manufacturers must report and submit the corresponding certificates for imports in 2026 before September 30, 2027. Currently, only manufacturers with **shipments weighing less than 150 kilograms per consignment or with an annual total import volume of less than 50 metric tons are exempt from CBAM reporting.** To help manufacturers quickly familiarize themselves with the CBAM reporting process and key considerations, a special seminar titled "Preparing for CBAM: Strategies and Readiness for the Fastener Industry," organized by the MIRDC and co-hosted by TÜV NORD Taiwan, was held at Taiwan Steel University of Science and Technology in late July.

Unlike ISO 14064-1, which assesses an entire corporate facility, does not mandate the inclusion of outsourced processes as precursors, and requires data on annual total energy consumption, the CBAM assesses goods of a single specification, mandates the inclusion of outsourced processes as precursors, and requires precise, allocated data for specific production lines. This seminar specifically highlighted common pitfalls encountered during CBAM reporting, urging manufacturers to pay close attention. It also provided guidance on establishing a comprehensive monitoring plan to reduce the risk of manufacturers facing high carbon taxes due to incorrect carbon footprint calculations or incurring substantial fines resulting from verification findings that do not reflect actual conditions.

TÜV NORD Taiwan has identified several common pitfalls faced by Taiwanese manufacturers when filing CBAM declarations and has proposed corresponding solutions:

- **Blind Spot: Incorrectly defining system boundaries based on ISO 14064-1 standards, resulting in inventory data that does not correspond to EU CN code products.**
  - » **Solution: Define system boundaries based on the actual production flow of CBAM goods.**
- **Blind Spot: Excessively including non-process-related emissions (e.g., refrigerants from office air conditioning, employee commuting) during the audit.**
  - » **Solution: Exclude carbon emission sources not directly related to production.**
- **Blind Spot: The misconception that having an ISO 14064-1 inventory is sufficient to meet verification requirements, leading to the rejection of the application by the verification body due to a lack of documentation regarding data flows and quality control systems.**
  - » **Solution: Prepare an English-version monitoring plan that covers the 22 statutory minimum requirements.**
- **Blind Spot: Relying on carbon footprint statements or general invoices provided by suppliers as evidence of emissions, but the supplier's data is deemed invalid, resulting in a failure to calculate precursor carbon emissions.**
  - » **Solution: Strictly review the qualifications of upstream suppliers' verification bodies to ensure they are CBAM-approved.**

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- Blind Spot: Treating secondary data or EU default values as substitutes for missing data increases the risk of overestimating carbon tariffs.
  - » Solution: Ensure that valid actual data is available for all core precursors and processes.
- Blind Spot: Focusing on a factory's total annual GHG emissions in metric tons, but incorrect allocation distorts carbon emissions data for individual products, making it impossible to verify.
  - » Solution: Establish an accurate attribution model, link production orders with energy meters, and implement product-level allocation.
- Blind Spot: Assuming that a trading company can prepare data or establish a monitoring plan on the factory's behalf, which leads to a lack of authorization for the factory's actual operations and results in the plan being rejected during the substantive verification phase.
  - » Solution: Ensure that the factory assumes compliance responsibility in accordance with the regulations, and manages the data flow and develops the monitoring plan by itself.

In addition, TÜV NORD Taiwan highlighted several major pitfalls that manufacturers must pay close attention to, including: unit conversion errors resulting in extremely high carbon emissions figures; data quality control systems remaining in the planning stage rather than the implementation stage; mistakenly including scrap or offcuts in the denominator for qualified production when calculating carbon emissions per unit; claiming to use low-carbon green electricity without supporting evidence such as a compliant Power Purchase Agreement (PPA); failure to correctly allocate thermal energy when multiple product specifications share the same heat treatment or production line; citing supplier precursor data without verifying whether the reporting period aligns with the production date of the final goods; arbitrarily substituting missing data with averages when measurement instruments malfunction; and unauthorized changes to data sources or calculation formulas at different times.

The accuracy of data sources is critical for carbon emissions reporting. According to TÜV NORD Taiwan, using carbon emissions per metric ton of steel fasteners (tCO2e) as an example, purchasing certified "green steel" can reduce the risk of carbon emissions premiums by more than 38% compared to purchasing standard steel without emissions reporting.

The aforementioned monitoring plans that factories are required to develop on their own will also serve as the basis for audits, particularly regarding system boundaries (the covered physical and chemical processes), carbon emission sources, data on precursors such as wire rods, and error-proofing and cross-checking mechanisms for data flow activities. The MIRDC stated that monitoring plans must cover 6 major categories (including 22 key verification points) and clearly specify:

1. Basic facility information and system boundaries
2. Information on produced goods, non-CBAM goods, and precursors
3. Monitoring methodologies and calculation parameters
4. Special energy sources and emission streams
5. Treatment of electricity and indirect emissions
6. Data quality and internal control systems

TÜV NORD Taiwan emphasizes: "An accurate monitoring plan is the cornerstone of CBAM compliance and a key factor in fastener companies' competitiveness when securing orders in the EU market. We remind companies to ensure they are fully prepared before formal verification begins in 2027." ■