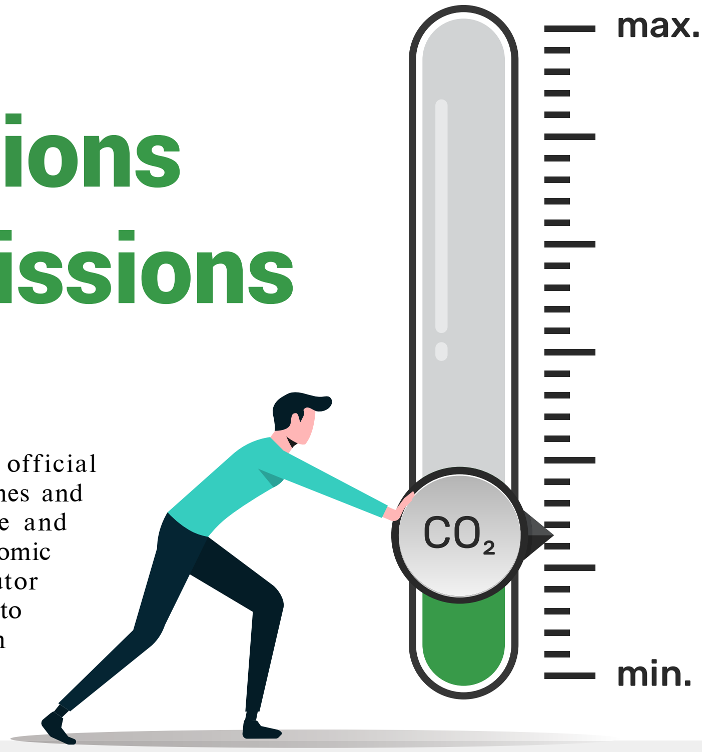
Key Guidelines on CBAM Regulations and Carbon Emissions Reporting



CBAM affects many industries. Although the official implementation period begins in 2026, many timelines and implementation details are still subject to change and adjustment. To address this, Taiwan Institute of Economic Research (TIER) and European Fastener Distributor Association (EFDA) held a CBAM briefing in August to summarize the key points regarding CBAM and carbon emissions calculations for the fastener industry.

Key CBAM Process Guidelines

Under the CBAM regulations, fasteners are classified as products for which carbon emissions from thermal/cold energy related precursors (direct emissions) and electricity consumption during the manufacturing process (indirect emissions) must be calculated. However, direct emissions do not include electroplating, cutting, welding, and finishing. If the manufacturing process takes place at a secondary facility or is outsourced but the processed products are subsequently returned to the main facility, it is treated as having been carried out at the main facility.

The EU published draft rules on carbon fee offsets in the second quarter of this year and updated the default reporting values in July of the same year. In the future, it will also issue formal technical guidelines for third-country manufacturers and verification bodies, as well as publish detailed rules on reporting formats and procedures. Furthermore, to prevent carbon leakage in downstream products, the EU aims to expand the scope of covered products by 2028 to include automotive bodies and chassis/metal furniture subject to steel and aluminum products as well as composite metal items.

Manufacturers are required to provide EU fastener importers with an English carbon emissions report verified by a body recognized by the EU or compliant with Regulation (EU) 2018/2067. On-site verification is required in the first year (and at least once every two years thereafter); subsequent verifications may be conducted virtually, provided there are no significant changes. The first batch of EU-accredited bodies is expected to be announced in the second half of 2026. Non-EU verification bodies may apply for accreditation from EU accreditation bodies that offer cross-border services.

EU importers, acting on behalf of manufacturers, must file declarations with EU customs through the CBAM platform (the initial declaration and purchase of CBAM certificates must be completed by September 30, 2027). The information provided by manufacturers must include an annual monitoring plan (though no standardized template is currently available), and starting in 2028, manufacturers must complete registration on the CBAM platform so that verification bodies can generate reports from the system and EU importers can directly select and apply.

Key Points for Calculating Carbon Emissions

When calculating carbon emissions, the year of import is generally used as the basis for determining the product's carbon emissions; however, if there is sufficient evidence to identify the product's production date, the actual production date shall be used. Currently, the EU has made several adjustments to its regulations regarding precursors, including: the concept of "relevant precursors" is no longer used; the reporting period is defaulted to the year of manufacture for complex products; for precursors used at the same facility and falling under the same CN code that span multiple reporting periods or involve multiple suppliers, a weighted average is generally applied; precursors produced in the EU and exempt regions may be subject to zero-emission calculations following verification and may use country-specific default values; and default values and actual values may be used in combination. EU default values are set by country; if no default value exists for a specific country, the default value for "Other Countries and Regions" applies. Furthermore, these default values will be subject to annual markups of 10%, 20%, and 30% during the 2026–2028 period, respectively. Additionally, to ensure fair competition in terms of carbon costs, the EU is also phasing out free emission allowances for industry.

TIER recommends that manufacturers follow four key steps when filing reports in accordance with CBAM regulations. First, estimate the carbon content of products for the formal phase (calculate the costs based on both actual and default values). Second, launch a monitoring plan to integrate CBAM regulations into management processes (the plan must include 22 specific items, such as facilities and products within the monitoring scope, monitoring methods, precursor/heat and electricity flows, exhaust gas and CO_2 treatment, and quality control systems). Third, identify a verification body and plan for verification. Finally, monitor and calculate data, and complete the emissions report.

Which Items does the CBAM Simplify?

1. Importers whose annual cumulative net weight of imported CBAM products does not exceed 50 metric tons are exempt from CBAM obligations.
2. Reporters may freely choose to use actual values or default values.
3. The system boundary of the whole manufacturing process must align with the EU ETS coverage boundary, excluding processes with lower emissions.
4. The deadline for declaration and CBAM certificate submission has been extended to September 30, 2027.
5. Authorized declarants are permitted to delegate their CBAM reporting access rights to third parties, such as consultants or environmental experts.
6. When calculating the embedded emissions of CBAM products, the emissions of their precursors produced in the EU whose carbon cost have been paid will be set to be zero.
7. Eliminate the requirement to verify embedded emissions calculated using default values.
8. Only products calculated using actual emissions require verification.
9. When reliable data from the exporting country is unavailable, the default value shall be based on the average of the top 10 exporting countries with the highest emission intensity.
10. Certified verification bodies must complete registration in the CBAM system.
11. The obligation for EU importers to purchase CBAM certificates is extended to February 1, 2027. (Declaration is still required in 2026, and the price of the certificate is the quarterly average price of EU ETS allowances. In the second quarter of 2026, the price per certificate was 75.28 euros.)
12. Carbon cost offsets are expanded to include carbon costs paid in any third country. If the default value is used in declaration, only the annual default carbon cost (expected to be announced in 2027) can be referenced.

EFDA
European Fastener
Distributor Association

Alexander Kolodzik, Secretary General of EFDA, noted that the cost of CBAM must already be factored into fastener imports in 2026, with the relevant carbon fees due by 2027 and annual declaration required to be completed by September 30, 2027. However, to maintain optimal competitiveness, it is recommended that **manufacturers strictly avoid using default values for reporting and instead provide verified actual carbon emission data. This will not only prevent EU importers from bearing the burden of inflated carbon emission costs but also allow Taiwanese manufacturers to remain competitive.** All relevant process carbon emission data within the system boundary provided by manufacturers (including fastener manufacturers themselves and precursor manufacturers) must be certified by an EU-accredited body, and the 2027 verification must be conducted on-site (the entire process typically takes between 2 weeks and 3 months). Data verification for each CN code is subject to a 5% tolerance; any deviation exceeding this tolerance will result in the automatic application of default values. Currently, EFDA has made significant progress regarding certain aspects of the CBAM regulations, but work is still ongoing in other areas (such as limiting CBAM costs to precursors, correcting default values, and allowing the use of actual emission data after 09/30/2027).

In response to a trader's question about whether they, like manufacturers, must register on the CBAM platform by 2028, Alex stated that this requirement still needs to be confirmed. Some traders expressed concerns that sharing information about their manufacturing partners with EU importers might involve disclosing trade secrets. Alex said he understood these concerns but noted that transparent information sharing is a core principle of the CBAM. He suggested that if traders could shift their mindset and view data transparency as an integral part of their product quality, this might also serve as a way to foster long-term partnerships with their customers. ■

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