

27 November 2024, Brussels

Baker Hughes' response to the European Commission's consultation on the implementing regulations as regards the conditions and procedures related to the status of authorised CBAM declarant and the CBAM registry.

Introduction

Baker Hughes is a leading energy technology company that provides solutions for energy and industrial customers worldwide. We design, manufacture, and service transformative technologies to help take energy forward – making it safer, cleaner, and more efficient for the people and the planet. While we operate globally, Europe is a key market and corporate home for Baker Hughes. Across the EU, Norway and the UK, Baker Hughes employs approximately 17,000 people in engineering, manufacturing, and research and development roles.

Baker Hughes supports the Paris Agreement objectives and the energy and climate goals set out by the European Union. We believe that climate change is one of the most significant challenges facing the world and warrants meaningful action to reduce the environmental impact. In this context, we see the greatest potential in hydrogen, geothermal, carbon capture use and storage (CCUS) and technologies aimed at emissions abatement. Many of our products (e.g., turbines, compressors, valves, pumps, drilling equipment) are manufactured across the European Economic Area (EEA) and exported globally, contributing positively to the trade balance in a number of Member States. Our products and services are provided to thousands of customers across countries in the EEA in a wide range of industrial sectors and generate billions in revenues¹. To develop our products in the EU, we rely on global supply chains purchasing materials and various elements from around the world.

Having gained valuable insights during the Carbon Border Adjustment Mechanism (CBAM) reporting cycle, we would like to share our observations and recommendations in relation to the

¹ Baker Hughes 10-K Report submitted in February 2024, available [here](#).

upcoming supplementary CBAM legislation. Additionally, we have provided comments on the future legislative steps regarding the requirements and the expansion of the EU CBAM.

Recommendation: Clarify requirements related to guarantees.

Chapter II of the draft Regulation outlines the conditions and procedures related to the status of an authorised CBAM declarant, including the requirement to register a guarantee in the CBAM registry. This guarantee is intended to cover the number of CBAM certificates that the declarant will be required to purchase in order to cover the carbon emissions embedded in imported goods. According to the draft Regulation, the amount of the guarantee will be determined by the competent authorities and is intended to ensure that companies have sufficient financial capacity to meet their CBAM obligations.

While the draft Regulation provides detailed provisions on registering and adjusting guarantees, there remains an important question regarding whether companies are required to establish new guarantees specifically for CBAM or if existing guarantees (e.g., bank guarantees already in place for VAT or customs) can be used to meet these new obligations. At present, many companies already have bank guarantees which are common requirements in international trade. Given the similarities in financial guarantees for VAT and customs obligations, there is a question as to whether these existing guarantees can be used to satisfy the new CBAM requirements, or if companies will be expected to open entirely new guarantees.

In light of the above considerations, **we recommend that the European Commission clarifies whether companies are required to establish new bank guarantees solely for CBAM compliance or if existing guarantees (e.g., for VAT or customs) can be adjusted or repurposed to meet CBAM requirements.**

Recommendation: Ensure smooth submission of data via the CBAM registry.

As a truly European company with numerous legal entities across various EU countries, we are currently required to manage a separate Economic Operators Registration and Identification (EORI) for each of our entities that need to comply with the CBAM requirements. This necessitates

the appointment of a declarant with access to the CBAM transitional registry for each legal entity, meaning we need around 30 trained staff members to ensure compliance with CBAM requirements across our operations.

At present, this situation is resource- and time-intensive, placing a significant administrative burden on our teams. To streamline this process and improve operational efficiency, **we recommend introducing the option to allocate multiple EORIs to one declarant within the permanent CBAM registry.**

By centralizing the process and appointing fewer declarants, we believe companies could simplify internal workflows, enhance the effectiveness of data collection, and ensure stronger governance to comply with the CBAM requirements. This approach would ultimately reduce the administrative load while maintaining the integrity of the regulatory framework.

Recommendations for the future developments of the CBAM requirements.

1. Allow using a set of default values if actual data is not available.

Having gained insights through the CBAM reporting cycles, we have identified a critical challenge in its implementation: the lack of actual data on embedded emissions which we are currently working to gather from our suppliers. This requirement is based on the assumption that carbon footprint data is available for every item, article, and/or product that is produced, manufactured, and/or assembled. However, this is simply not the case as we are very early in the process of tracking and accounting for every single item that is placed in the stream of commerce. Because we are early in the journey of carbon tracking and accounting at the article and product level, many suppliers lack the technical expertise in carbon accounting, and it is not feasible to build expertise in 12 months. This means that companies like ours face delays as we rely on data from hundreds of suppliers. **In light of these challenges, we recommend allowing the use of default values if actual data is not available as this would enable smoother implementation while data tracking capabilities mature.**

2. Assess competitiveness before expanding the scope of the CBAM Regulation.

Before expanding the scope of the CBAM Regulation by including sectors exposed to carbon leakage, **the European Commission must conduct a thorough competitiveness assessment.**

This assessment should include:

- **A dialogue with affected industries** that would lose free allowances under the EU Emissions Trading System;
- **Impact on buyers of affected goods** – this includes evaluating costs stemming from the reporting requirements and purchasing of the CBAM certificates;
- **Review of already included goods**, such as CN 7318, which covers screws, bolts, and nuts. These goods usually have low value, while the administrative burden and financial impact of managing CBAM reporting often exceed the value of the goods themselves and the potential cost of certificates.

3. Introduce verification thresholds and phase-in period to minimize risks with the implementation.

The verification processes for embedded emissions are expected to impose significant financial and administrative burdens on companies. In some cases, the costs of verification may exceed the value of the CBAM certificates that must be purchased when importing goods that are on the CBAM list. To address this, **we recommend the introduction of thresholds for when verification is required, ensuring that only imports above a certain volume or value would be required to have emissions verified.** This would ensure that the process remains manageable for companies importing smaller volumes. Furthermore, supplementary laws on verification process and accreditation of verifiers are not expected to be published before mid-2025 – this short timeline creates many challenges for companies to comply with the CBAM requirements. Firstly, internal processes will not be developed on time. Secondly, we will have a shortage of trained verifiers. For these reasons, **the European Commission should consider accelerating the development of secondary legislation and training programmes for verifiers. Additionally, the Commission should introduce a phased approach to implementing verification requirements.** This would provide time for businesses to develop internal processes and for the market to build capacity in terms of trained verifiers and assurance providers.

Conclusions

The introduction of the CBAM intends to ensure a level playing field for European businesses. However, the existing CBAM requirements create administrative burden for companies as highlighted by the Draghi report. For this reason, it is important that the CBAM supplementary laws will provide additional guidance to facilitate smooth governance in companies.

Baker Hughes appreciates the opportunity to provide feedback to the draft Regulations and would be pleased to discuss should you have any questions.

About Baker Hughes:

Baker Hughes is an energy technology company that provides solutions to energy and industrial customers worldwide. Built on a century of experience, our innovative technologies and services are taking energy forward – making it safer, cleaner, and more efficient for people and the planet. We conduct business in over 120 countries around the world employing approximately 58, 000 people.

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