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# **CBAM Explained:**

Your Guide to the EU Carbon  
Border Adjustment Mechanism

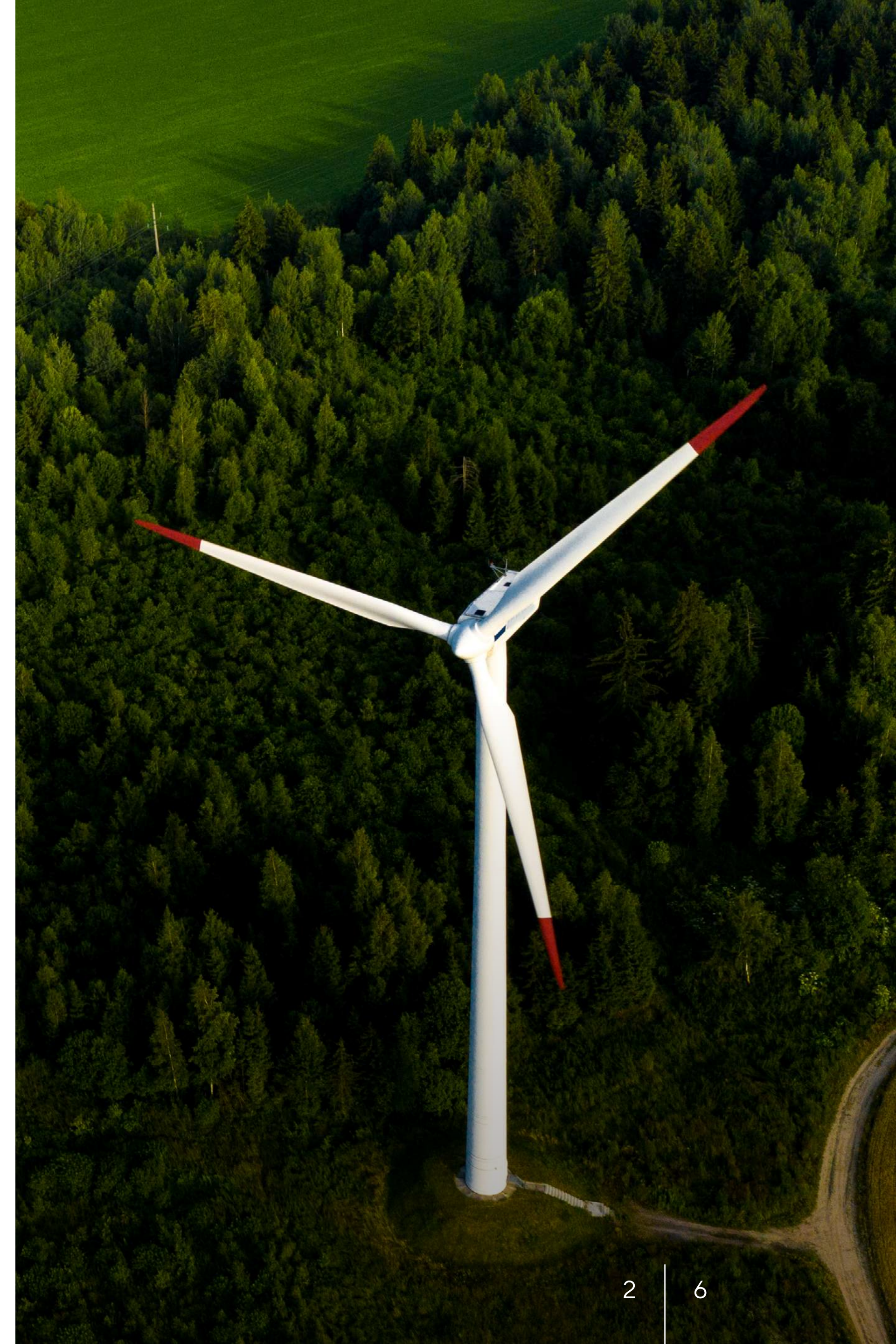


## The EU's Tool to Put a Price on Carbon-Intensive Products

October 2023 marks the start of the transitional phase of the Carbon Border Adjustment Mechanism (CBAM) when EU importers will have to report the CO<sub>2</sub> emissions embedded during the production of imported goods.

In this phase, CBAM will only apply to certain imported products and selected precursors: iron and steel, aluminum, cement, electricity, fertilizers, hydrogen, ammonia, and plastic polymers. The deadline for submitting the first quarterly report is the end of January 2024.

During the first year of the transitional period, the emission calculation method will be relatively flexible: Importers will be allowed to report according to the methodology proposed by the European Union, or to systems suggested by countries that are equivalent to the EU method, or based on default values proposed by the European Commission in the CBAM transition register. From January 2025, it will be possible to use only the EU methodology.







## Timeline for CBAM Implementation



### Transitional phase

From October 2023 through December 2025, EU importers will have to report emissions embedded in their goods without paying a financial adjustment.



### Definitive phase

Starting January 2026, EU importers will have to declare annually the quantity of imported goods and associated emissions, followed by the corresponding amount of CBAM certificates.

At the beginning of the definitive phase – from January 1, 2026 – importers will have to declare the sum of goods imported into the EU in the previous year, the volume of embedded direct and – for a subset of products (namely, cement and fertilizers) – indirect emissions, as well as bear the proportional cost of CBAM certificates corresponding to the carbon price that would have been paid, had the goods been produced under the EU’s carbon pricing rules.



# Leveraging EcoVadis Solutions

Carbon Action Module (CAM), with the addition of Product Carbon Footprint (PCF) Data Exchange, unlocks tracking which suppliers have product-level carbon data. PCF enables reporting GHG emissions for the products and services purchased across the supply chains and helps change how organizations engage in decarbonization with their trading partners.

<b>Gather emissions data in imports and verifying reduction efforts</b>	The Carbon Action Module (CAM), with dedicated KPIs in place, allows buyer companies to identify suppliers that have product-level data
	The Product Footprint Data (PCF) Exchange feature supports suppliers in documenting and tracking their product carbon footprint and exchanging this data with buyer companies and other trading partners
<b>Set guidance on carbon accounting</b>	For suppliers that are not ready yet, CAM allows to engage suppliers with training and tools in a scalable system
<b>Identify lower-carbon suppliers</b>	The data exchange allows for the comparison between PCFs



# How EcoVadis Helps: From Risk Mitigation to Performance & Impact

EcoVadis provides sustainability ratings and intelligence used in global value chains, finance and commerce, offering detailed insights into environmental, social and ethical risks across more than 200 industry categories and 176 countries. The EcoVadis Intelligence Suite covers:

## Risk Mapping

**IQ Plus:** Fast, contactless ESG risk & transparency identification of 100% of suppliers. Gain visibility and set priorities for engagement steps in days (no supplier survey or fees needed).

**The Carbon Heatmap** (part of the Carbon Action Module): An easy-to-use carbon hotspot mapping tool to prioritize high- risk/ opportunity trading partners for engagement on decarbonization.

## Sustainability Ratings and Monitoring

EcoVadis Ratings engage companies in benchmarking and monitoring to mitigate risk and improve their sustainability performance. A robust methodology covering 21 criteria and a 360° Watch that scans external inputs (e.g., trade unions, NGOs, watchlists, news, etc.) yield reliable ratings on a 0-to-100 scale that integrate easily into procurement or investment strategies and other business decisions.

## Engagement and Improvement Tools

Detailed scorecards provide feedback and guidance for improvements. **The Carbon Action Module** engages companies deeper on measuring, reporting and reducing their GHG emissions. **The Corrective Action Plan** enables collaboration between purchasers and suppliers, investors and portfolio companies. **The EcoVadis Academy** provides e-learning courses to help companies build knowledge and capacity on sustainability topics.

## Service, Support and Community

Enterprise offerings include program management support - change management, journey mapping, global deployment, supplier/rated company onboarding, dashboarding and reporting, etc. — and training options for both requesting and rated companies.

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