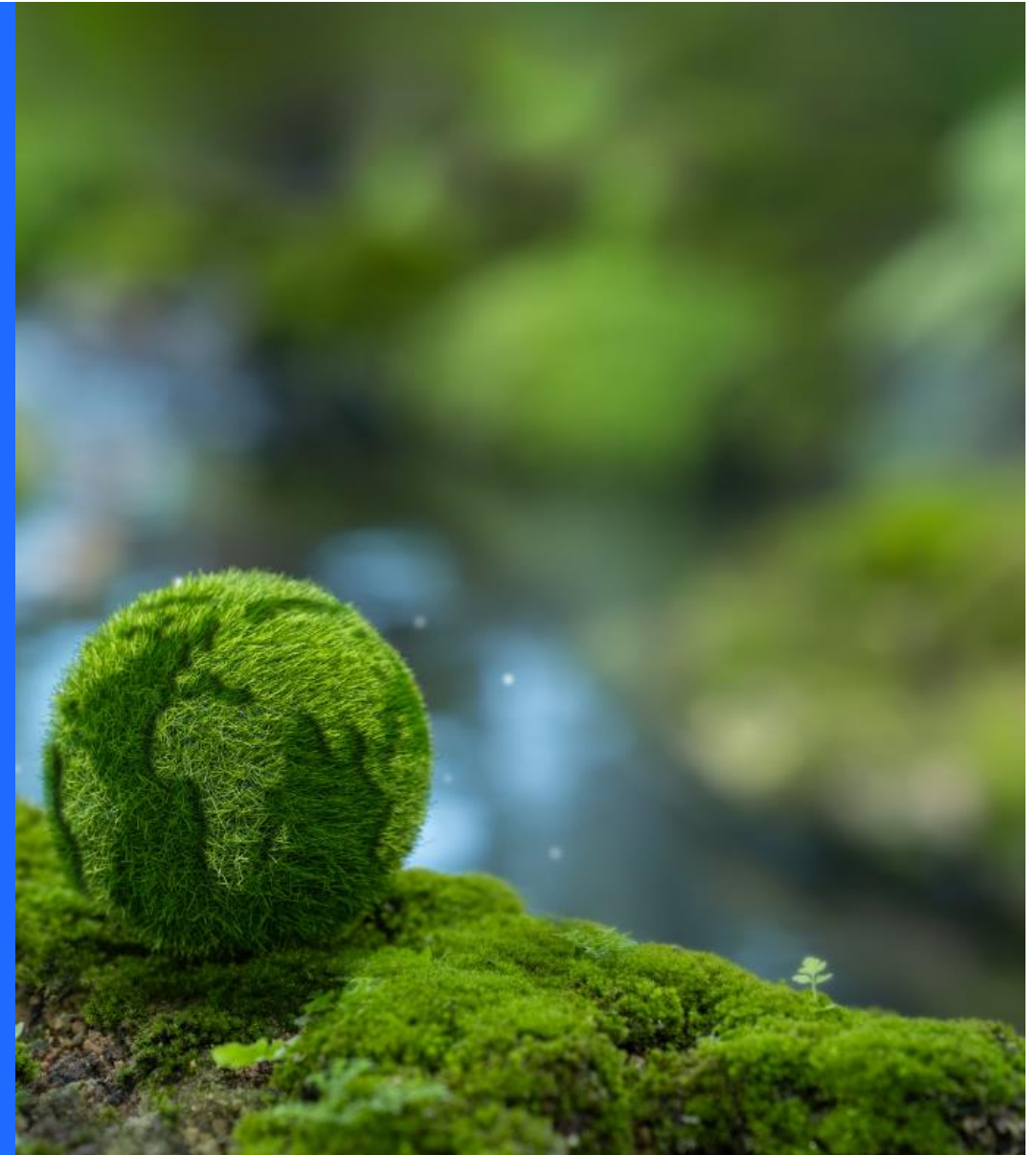




CBAM & EUDR Essentials What you need to Know

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PSA BDP – TRADE
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SPEAKERS



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Carbon Border Adjustment Mechanism



Carbon Border Adjustment Mechanism

1. Put a fair price on the carbon emitted during production of carbon intensive goods entering the European Union
2. Encourage cleaner production in non-EU countries

Regulation (EU) 2023/956 establishing a Carbon Border Adjustment Mechanism

EU CARBON BORDER ADJUSTMENT MECHANISM (CBAM)

How does it work?

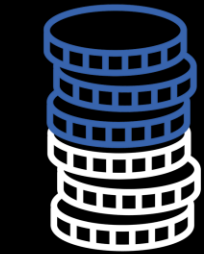
Carbon border adjustment mechanism is expected to be a tool to counter carbon leakage - a situation when industries with high greenhouse gasses emissions shift production outside of the EU to jurisdictions with lower climate policy standards than those of the EU. It will help to reduce emissions globally while providing level playing field for businesses.

How does carbon leakage occur?

Production in the EU

ETS allowances

Producers have to cover CO₂ emissions with allowances from the EU Emissions Trading System (ETS)



Production outside the EU

ETS

does not apply



Production costs

How will CBAM work?

Production in the EU

ETS allowances

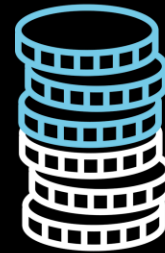
Producers have to cover CO₂ emissions with ETS allowances



Production outside the EU

CBAM certificates

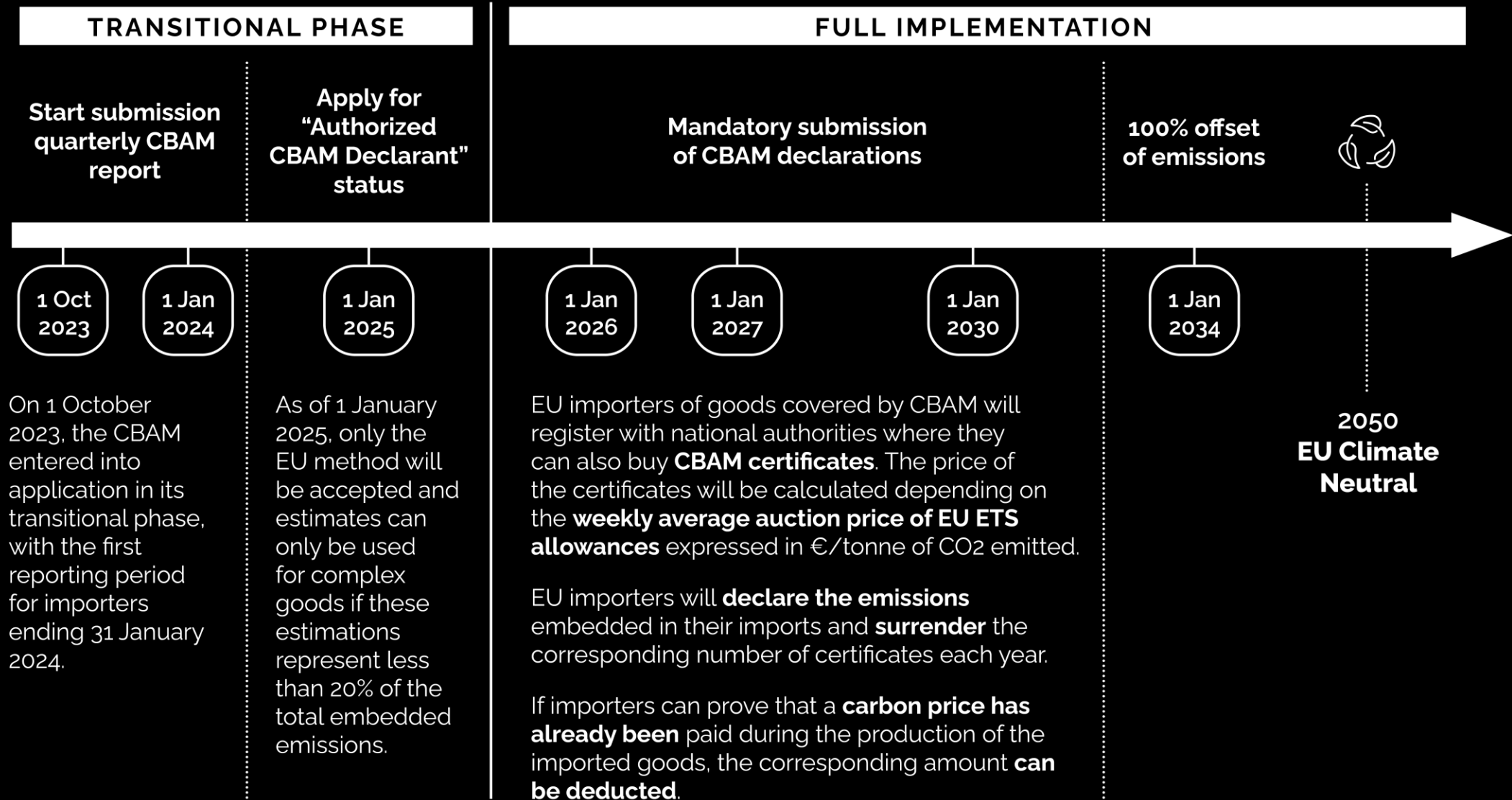
CBAM declarant has to buy CBAM certificates to cover price difference



Production costs

EU CARBON BORDER ADJUSTMENT MECHANISM (CBAM)

Key Milestones Timeline



CBAM

Scope

Cement

Aluminium

Fertilisers

Iron and Steel

Hydrogen

Electricity

Future development

Extended to other sectors and indirect emissions

CBAM Scope

All Non-EU Countries

Does not apply to:



Little value or military use

Countries which participate in EU ETS or have an emission trading system linked to it
Iceland, Liechtenstein, Norway
Switzerland & the territories of Büsingen, Ceuta, Heligoland, Livigno and Melilla (Annex III)

Electricity from non-EU countries whose domestic electricity market is integrated with the EU's

PRACTICAL IMPLEMENTATION

Which transactions to report?



Free Circulation

Goods listed in Annex I of regulation (EU) 2023/956



Inward processing

The emissions embedded in the goods that were placed under the inward processing procedure



Outward processing

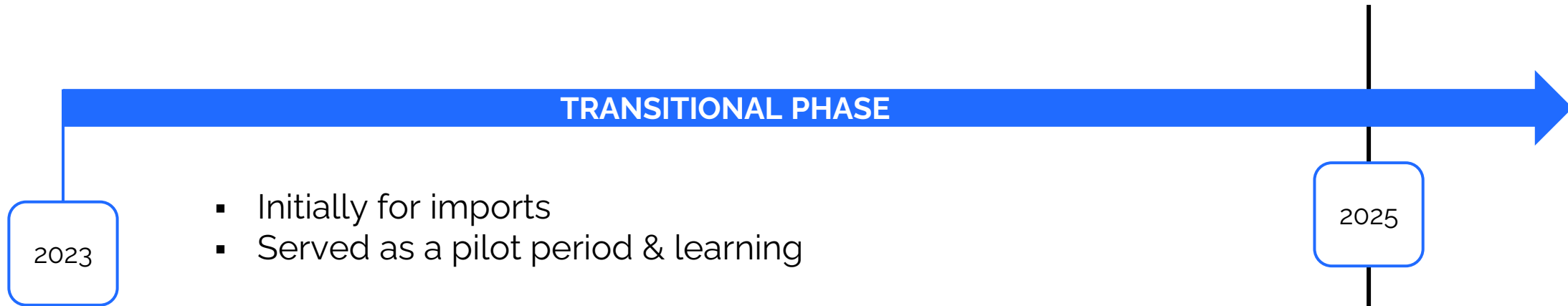
The emissions of the processing operation undertaken outside the customs territory of the Union



Returns

Report separately 'zero' for the total embedded emissions corresponding to those goods.

Transitional Period



- Initially for imports
- Served as a pilot period & learning

WHAT NEEDS TO BE DONE?

- Only required to report emissions embedded in CBAM goods imported
- Quarterly, at the end of each quarter
- Without paying financial adjustment

Transitional Period – Reporting Obligations

- Annex I to [the Implementing Regulation 2023/1773](#)
- Quarterly Basis, submitted one month after the end of the quarter
- Goods imported during the previous quarter

Includes

- Total quantity of each type of CBAM good
- Actual total embedded emissions
- Total indirect emissions
- Carbon price due in country of origin for the embedded emissions imported

Who can be the reporting declarant?

- Importer
 - Importer lodges the customs declaration in their own name and on its own behalf
- Indirect Customs representative
 - In cases where importer is established outside the Union - OR
 - When an indirect customs representative has agreed to the reporting obligations, when importer is established in the EU

Inside the customs territory of the EU

- Importer
- Indirect customs representative

Outside the customs territory of the EU

- Indirect customs representative

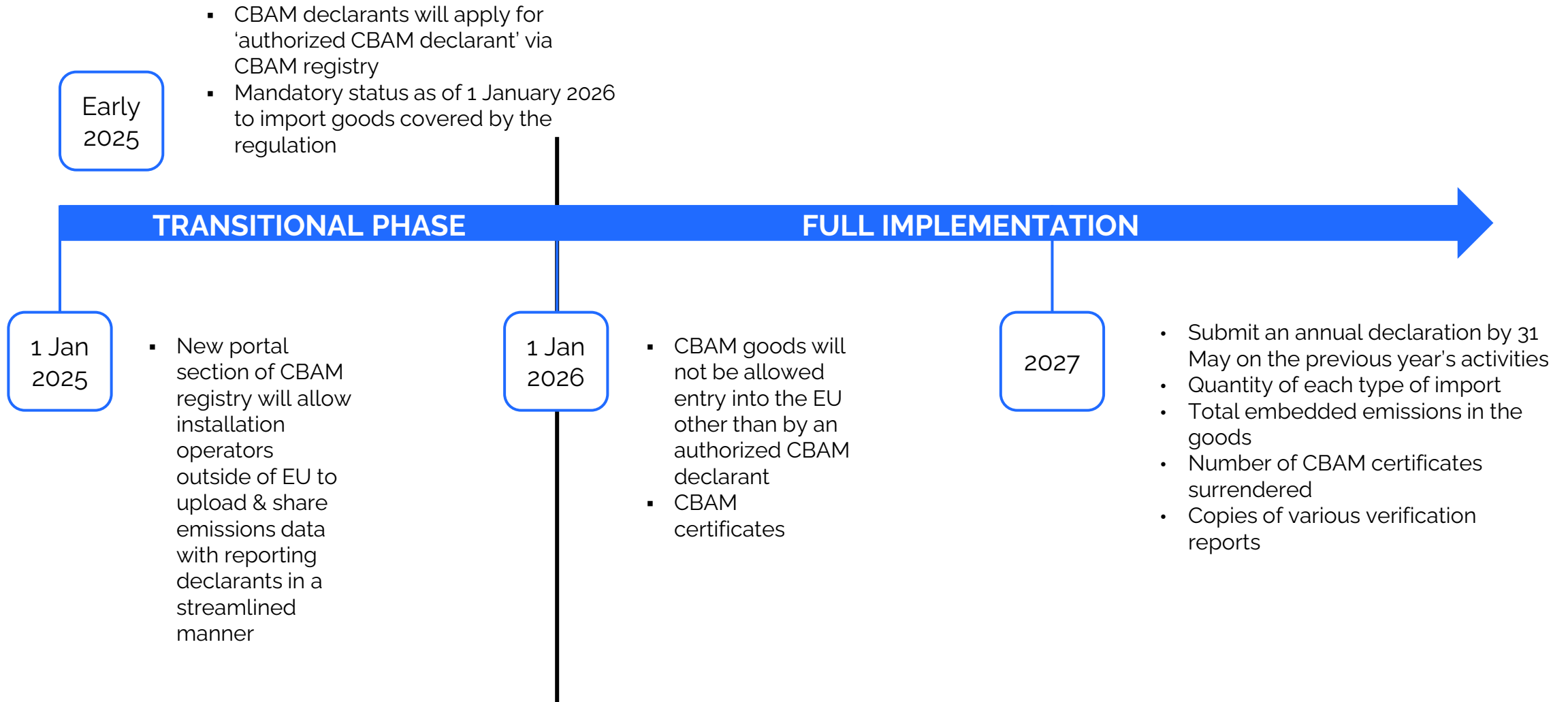
CBAM

Non-Compliance

REPORTING FROM 1 OCTOBER 2023 IS COMPULSORY

- Penalties
 - Ranging between EUR 10 and EUR 50, per tonne of unreported emissions

Upcoming Changes



CBAM Certificates

The instrument used by CBAM declarants to pay the embedded emissions in the goods they imported



- Each year the CBAM declarants will have to buy sufficient certificates to cover the emissions related to the goods imported.
- These are purchased at the average price of EU ETS allowances, for every CBAM good imported into the EU.

The Authorized CBAM Declarant:

- 1) Must annually by May 31 (starting in 2027), surrender the number of certificates corresponding to the embedded emissions of the previous year
- 2) Ensure the number of certificates they hold in the CBAM register at the end of each quarter corresponds to at least 80% of the embedded emissions in goods they have imported since the start of the calendar year



Up to a third of certificates purchased the previous year can be sold back to the Commission at their original price, requested by June 30

CBAM Certificates

The Commission:

- 1) Ensures each certificate as a unique identification number
- 2) Calculates the weekly price of CBAM certificates
- 3) Only July 1 will cancel (without compensation) any excess certificate which were purchased during the year before the previous calendar year



Member states will sell CBAM certificates on a common central platform, to authorized CBAM declarants

What to do as an International Company?



CBAM

Helpful Link

- Guidance from the EU: [Carbon Border Adjustment Mechanism - European Commission](#)



EU DEFORESTATION REGULATION (EUDR)



EUDR

- **July 2019:** EU Communication on stepping up EU action to protect and restore the world's forests
- **September- December 2020:** Open Public Consultation: 2nd most popular in EU history with 1.2 million respondents
- **October 2020:** Launch of the Multistakeholder Platform on Deforestation: Workshops and feedback collected and taken into account
- **17 November 2021:** Adoption of the proposal by the European Commission
- **November 2021 – December 2022:** Negotiation of the Proposal with the European Parliament and Council
- **June 2023:** Entry into force of the regulation
- ~~**30 December 2024:** Entry into application of obligations for operators (June 2025 for small and micro enterprises) and for EU Member States Competent Authorities~~
- The applicability date will now shift with one year (12 months) respectively
 - Non-SMEs as of **30 December 2025**
 - Micro enterprises and **SMEs as of 30 June 2026**

EU Deforestation Regulation

- On 29 June 2023, the new EU Regulation on Deforestation-Free Products (EUDR) entered into force.
- The objective of the regulation is to address the EU contribution to global deforestation by increasing demand for deforestation-free products and closing existing loopholes for legal deforestation. Encourage cleaner production in non-EU countries
- Minimize risk from products/supply chains that are associated with deforestation / forest degradation are made available on the EU market or exported from it
- Increase EU demand for and trade in legal and 'deforestation free' commodities and products

Scope

Operators and Traders

Operators In the EUDR, an operator is defined as any natural or legal person who, during a commercial activity, places relevant products on the market or exports them.

Traders In the EUDR, a trader means any person in the supply chain other than the operator who, during a commercial activity, makes relevant products available on the market

Commodities

Any business that sells or exports these commodities from the EU market. This includes products made or fed with:

- Cattle
- Soya
- Wood
- Cocoa
- Coffee
- Rubber
- Palm oil

New commodities may be added in the future

Import and Export

Products covered by EUDR are prohibited, unless they meet the following conditions:

- The products are deforestation-free.
- The products have been produced in accordance with the relevant legislation of the 'country of production'.
- The products are covered by a due diligence statement

Mandatory Due Diligence for all operators placing relevant products on the EU market or export them from the EU

- Only products that are both deforestation-free and legal would be allowed into or exported from the EU market – need to be covered by a due diligence statement
- Based on internationally-backed definitions (FAO)
- Main obligations applicable to operators and non-SME traders
- Strict traceability linking the commodity to the plot of land where it was produced. Using geolocation coordinates is the simplest and most cost-effective way of obtaining the necessary geographic information.
- Legality: Products will need to be legal according to the laws of country of production

Effect on Operators and Traders

The EUDR aims to achieve its objective by prohibiting the sale or export of certain goods to, in or from the EU market unless it can be proven that they are deforestation-free and produced in compliance with the relevant legislation of the country of production

Proactive

- Operators and traders will have to provide authorities with confirmation that products are complying with EUDR rules.
 - Collecting a required set of information (Article 9)
 - Running a risk assessment (Article 10)
 - Performing risk mitigation (Article 11)

Due Diligence Statement (DDS)

- A due diligence statement for each relevant commodity/product will need to be provided in order to show that the goods are **Deforestation-free**.
- The land where the commodity or product was produced has been free from deforestation and forest degradation since 31 December 2020.
- Complying with relevant legislation from the country of production including, but not limited to, respect for human rights and the free, prior and informed consent of indigenous people.

Non-compliance

- Businesses that fail to comply could face fines of up to 4% (or more) of their turnover in the EU, or other penalties, such as confiscation of their products or revenues from these products

Scope and Obligations

The Regulation applies to products in Annex 1 of the Regulation (This includes also products produced in the EU).



Rubber	4001 Natural rubber, balata, gutta-percha, guayule, chicle and similar natural gums, in primary forms or in plates, sheets or strip
	ex 4005 Compounded rubber, unvulcanised, in primary forms or in plates, sheets or strip
	ex 4006 Unvulcanised rubber in other forms (e.g. rods, tubes and profile shapes) and articles (e.g. discs and rings)

“ex” Before tariff heading product described in the annex is an “extract” from all the products that can be classified under the HS code. For instance, for products made from rubber, where it refers to products made from natural rubber and not synthetic rubber

OPERATORS

- 1) *“Any natural or legal person who, during a commercial activity, makes a relevant commodity or relevant product first available in the Union market or exports them”*
- 2) *A non-SME Trader*
- 3) *The first natural or legal person established in the Union who makes such relevant products available in the market, if a natural or legal person established outside the Union makes a relevant commodity or relevant product first available in the Union market;*

DUE DILIGENCE OBLIGATIONS

Due Diligence obligations for operators

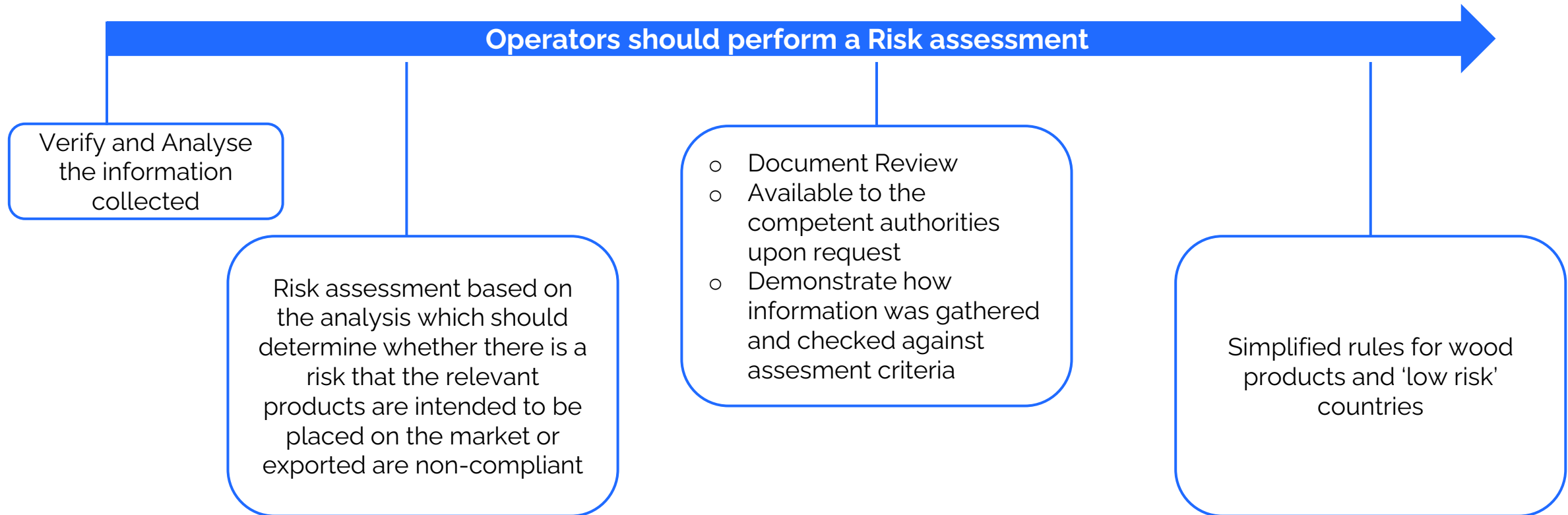
Operator to diligently make sure that no or only a negligible risk was found indicating the relevant products do not comply with the Regulation consists of 3 steps:

1. The collection of information, data and documents needed to fulfil the EUDR requirements (i.e. that goods:
 - Are deforestation-free;
 - Have been produced in accordance with the relevant legislation of the country of production;
 - Are covered by a due diligence statement.)
2. Risk assessment measures
3. Risk mitigation measures



“Relevant legislation of the country of production refers to a multitude of topics (e.g. third parties' right, land use rights, labour rights, tax and customs regulations, etc..)

Risk Assessment



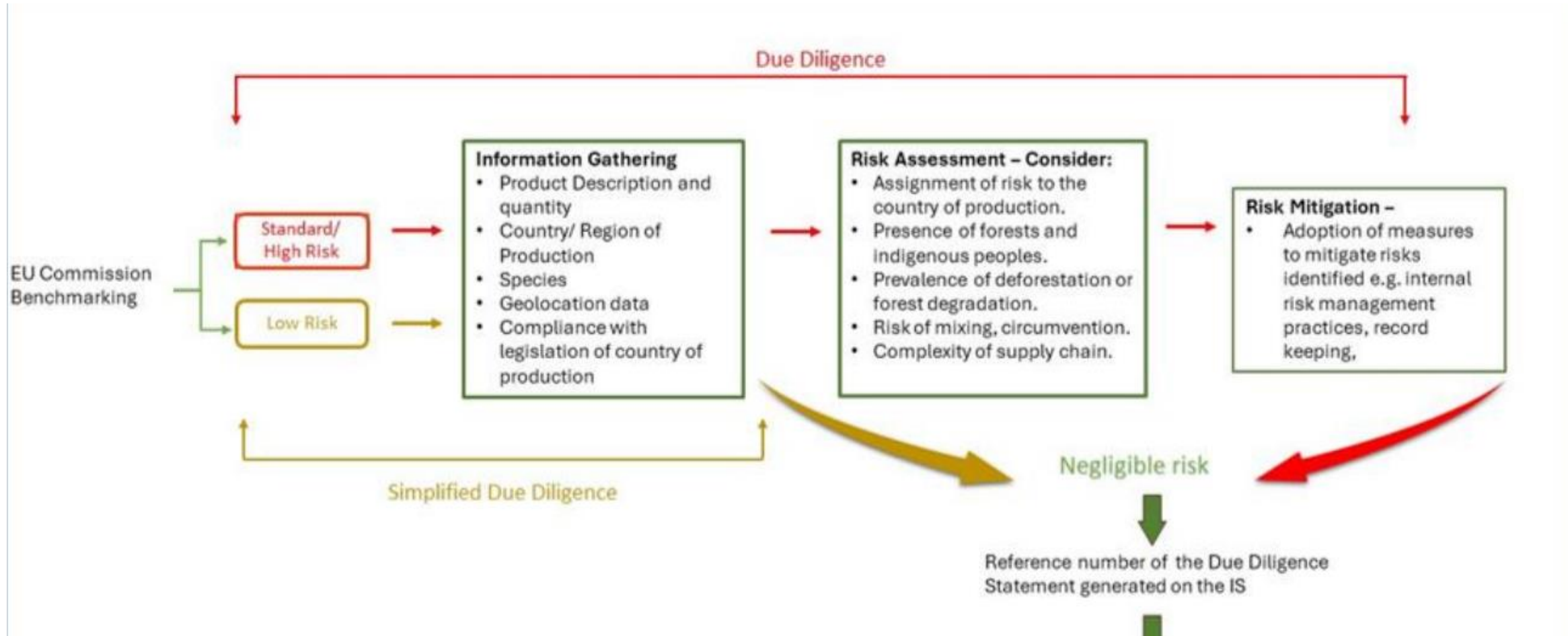
Risk mitigation

- In case the risk assessment shows that there is no or negligible risk, the operator shall adopt risk mitigation procedures and measures to achieve that negligible risk.
- The risk mitigation can be done through desktop review or onsite follow up to verify remediation.
- Operators have internal auditors check how risk is being mitigated, or you can get an external third party do the verification.
- The decisions on risk mitigation procedures and measures shall be documented, reviewed at least on an annual basis, and made available by the operators to the competent authorities upon request;



The data, information and documents collected from all business partners must be analysed to determine the risk of the commodities and products being non-compliant.

Overview Due Diligence Procedure



Due Diligence Statement

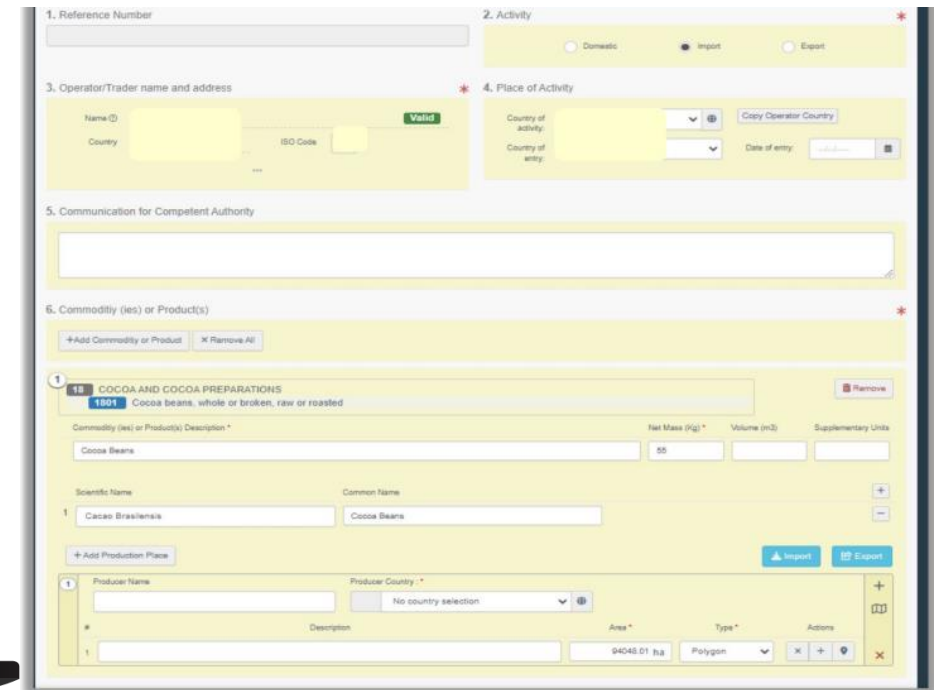
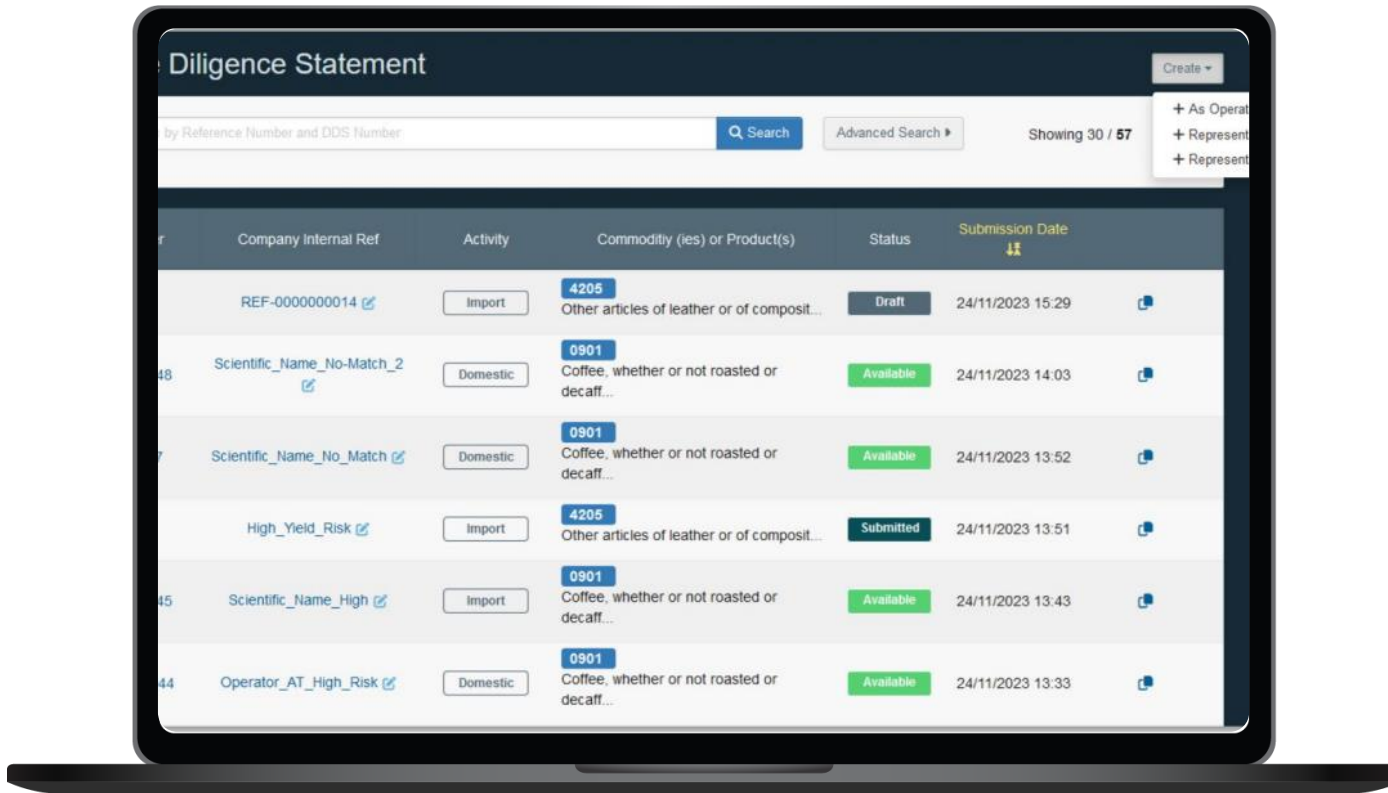
- Annex II EUDR Regulation
- 1. Operator's name, address and the EORI number;
- 2. The information referred to in Art. 9(1);
 - a) The Harmonised System Code (6-digits) and goods description of the 'relevant products', including the trade name as well as, where applicable, the full scientific name (only for wood), and quantity;
 - b) Country of production and the geolocation of all plots of land where the relevant commodities were produced (or cattle was kept and fed);
 - c) Statement of confirmation that due diligence was carried out and that no or only a negligible risk was found that the relevant products do not comply with Art. 3(a) or (b);
- 4. Reference to an existing due diligence statement (if applicable);
- 5. Signature.

EUDR

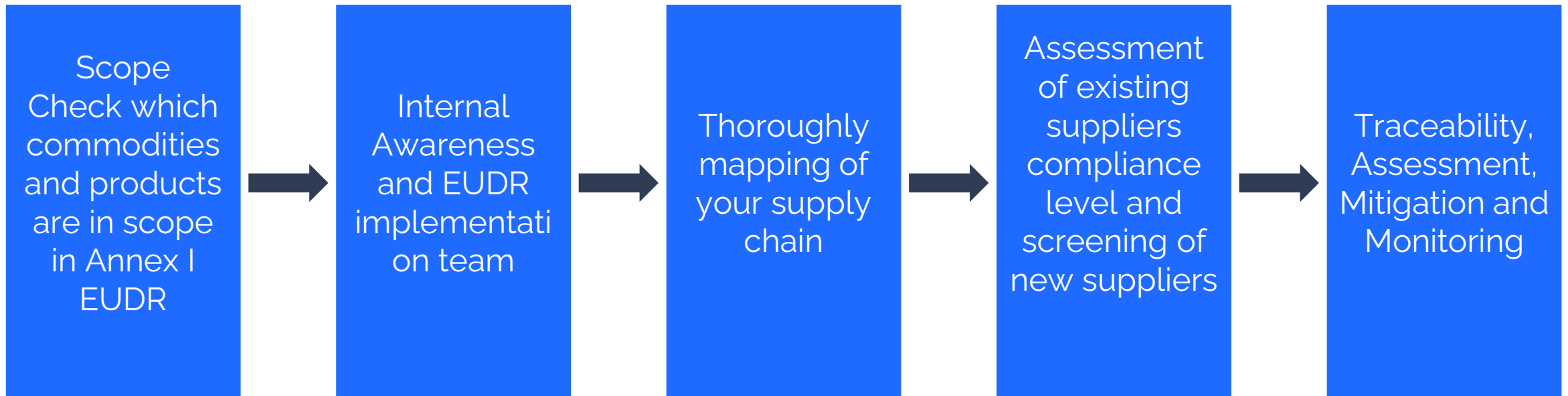
EUDR Information System

Operator Main screen

DDS Input Screen



What to do as an International Company?



EUDR

Helpful Links

- [EUDR Regulation](#)
- [EUDR Implementation Tools](#)
- [Guidance Document](#)
- [FAQs](#)
- [EUDR Portal](#)



Q&A Session

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WEBINAR SLIDES

If you would like a copy of the session presentation slides, please contact brittany.ford@psabdp.com or zohair.amjoud@psabdp.com directly.





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THANK YOU!