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Guideline

EFDA Guide for Non-EU Suppliers of Fasteners subject to CBAM

Guidance document for non-EU suppliers of fasteners and other goods commissioned by the European Fasteners Distributors Association (EFDA)

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1. CBAM context

On October 1st 2023, the European Union Carbon Border Adjustment Mechanism (CBAM) became effective. The CBAM complements the EU Emission Trading System (EU ETS) by establishing a carbon price on imported goods, and it introduces a set of reporting and compliance obligations for importers of goods into the European Union. CBAM will become the major policy tool of the EU to stop carbon leakage, the phenomena where carbon intensive industries relocate outside the EU to benefit from less strict environmental regulations, e.g. lower carbon prices.

Under the CBAM regulation, importers of certain goods must regularly report on the emissions embedded in the goods they import to the EU. Embedded emissions refer to direct emissions released during the production of goods and indirect emissions associated with the generation of electricity that is consumed during the production processes. This includes the direct and indirect emissions released during the production of precursor materials used as input materials within the production process. CBAM's scope encompasses the sectors aluminium, cement, electricity, fertilisers, hydrogen as well as iron & steel and covers a range of Combined Nomenclature (CN) customs codes within. Embedded emissions need to be calculated per CBAM guidelines using actual greenhouse gas data. Non-compliance by importing companies, including failure to report or providing inaccurate data, may result in penalties ranging from 10 to 50 Euros per ton of unreported emissions. Repeated non-compliance can lead to a ban on importing CBAM goods into the EU.

From 2026, importers will need to purchase CBAM certificates for an increasing share of each ton of embedded emissions imported into the EU, with costs projected to escalate up to 150 Euros per ton of CO₂ emission by 2030. Suppliers providing compliant data and using less emission-intensive processes will have a competitive edge, as lower embedded emissions will result in lower CBAM costs.

Implications for suppliers of CBAM-relevant goods outside the EU

Importers of CBAM goods will ask their non-EU suppliers to deliver CBAM-compliant data that importers must report to the European Commission for the goods they imported. Suppliers can be the producers (operators¹ of installations²) of goods but also intermediaries such as trading companies. To examine whether you are producing or trading CBAM goods, please consult the overview of CBAM goods and good descriptions in the EFDA Template (Sheet 0. CBAM GOODS). Intermediaries must forward these data requests to the producers of CBAM goods and communicate answers to importing companies using the EFDA Template. To assist their

¹ Operator means any person who operates or controls an installation in a third country.

² Installation means a stationary technical unit where a production process is carried out.

clients, non-EU suppliers that manufacture CBAM-goods which are imported into the EU should be able to furnish data encompassing details on production processes and annual averages of embedded emissions to their clients. This is crucial for importers to meet their reporting obligations and avoid penalties. Furthermore, suppliers are asked to report on the carbon prices that might have been paid in third countries for the production of CBAM goods. Such payments are deducted from the payments importers incur for the acquisition of CBAM certificates. For further information, please visit the dedicated website³ from the European Commission.

How CBAM-compliant data is gathered

Importers of CBAM goods to the EU must report on the emissions embedded in imports quarterly ('CBAM report') during the transitional period until the end of 2025, and annually ('CBAM declaration') thereafter.

Prior to the compilation of CBAM reports, EU importers will consult their customs databases, ERP systems, or logistics provider to identify any imports subject to CBAM. They will subsequently reach out to non-EU suppliers of these goods and inquire about CBAM-compliant data. In case these suppliers are not the actual producers of these goods but intermediaries such as trading companies, these intermediaries will forward the data requests to the actual producers and communicate their answers to the importing companies. Some importers might use software, workshops, or auxiliary material such as this guide along with the EFDA Template to help suppliers gather CBAM-compliant data.

The supplier's **reporting period**, which is the reference period for suppliers for determining CBAM-compliant data, is the calendar year prior to the year when the goods were imported to the EU. This means that the period for calculating the emission values and the time of the goods imported into the EU diverge. Suppliers are tasked to gather data on production processes and fuels/materials used, emissions embedded in precursor materials⁴ (with CBAM relevance), and carbon prices paid in the country of establishment. Collecting information on precursor materials might trigger a similar process in the upstream supply chain of the producer.

The data should be communicated to importers in **standardised formats** so that it can be seamlessly included in CBAM reports and declarations.

³ https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en

⁴ Precursor materials are input materials needed for the production of CBAM goods, where the input materials are CBAM goods themselves. For example, steel is a CBAM good and may serve as an input material in the production process for steel screws. Steel is therefore a precursor material for steel screws.

2. Why this guide exists

The EU Commission has designed an official *CBAM communication template for installations*⁵ (Communication Template) to be used on a voluntary basis for the communication of CBAM data between suppliers and importers. The application of the Communication Template is overwhelmingly complex and time consuming as it has been developed to universally apply to all CBAM goods and processes. Much of this complexity is irrelevant for many suppliers of fasteners and other goods and can thus be ignored. This EFDA Guide and the EFDA Template concentrate on the most pertinent production processes, fuels, and precursor materials used by manufacturers of these products, thereby replacing the general but extensive EU documentation for all types of manufacturers. This material supports non-EU suppliers of fasteners and other goods who have received or anticipate receiving requests for CBAM-compliant data from their clients. It provides explanations, data sources, and calculation assistance for each data point in the EFDA Template for non-EU Suppliers (EFDA Template). However, some suppliers with unique or specialised production processes may need further support beyond this guide (see disclaimer in subsequent section).

This guide and the accompanying EFDA Template also support importers of fasteners and other goods who can find all the information required to file CBAM-Reports contained in a single data sheet.

3. Who should use this guide and who should not (DISCLAIMER)

The approach put forward in this guide and the accompanying EFDA Template can be used for all installations and production processes that are subject to CBAM. If filled completely, the EFDA Template contains all data points an importing company requires from its suppliers to be able to file complete CBAM reports. The accompanying CBAM Calculator is suitable for installations of the following kind:

- Direct emissions are determined following the standard calculation-based approach. This means that the measurement-based approach or mass balance approach are not used. The installation generates direct emissions from the combustion of fuel only, i.e. there are no process emissions⁶. Various and multiple types of fuel (no biomass) can be used per production process.

⁵ https://taxation-customs.ec.europa.eu/document/download/2c15cd0e-2447-4ef8-ab70-68b80b66ede8_en?filename=CBAM%20Communication%20template%20for%20installations_en_071123.xlsx

⁶ Process emissions refer to the emissions that result from industrial processes involving chemical or physical transformations other than fuel combustion. These emissions are typically associated with the production of materials such as steel, cement or ammonia.

- If precursor materials are used, they are obtained from other installations. Precursor materials are input materials to the production process and are themselves CBAM goods⁷.
- Within a production process, no intermediary products are sold to the market, i.e. goods are only sold after the last step in the production process is completed.
- No combined heat-and-power plants (CHP) are utilized, no waste gases are used. No emissions associated with PFCs.

If any of these conditions are not met, the CBAM Calculator included in the EFDA Template will not be sufficient to cover the collection of CBAM data for your installation completely. In this case, please consult the official EU guidance⁸ or an expert.

4. Filling the EFDA Template

The EFDA Template collects CBAM data for up to 20 CBAM goods from possibly multiple installations² that are operated by a single entity (operator¹). In case you need to report data for more products, please fill out multiple EFDA templates.

The EFDA Template consists of three informative sheets (0. README, 0. GLOSSARY, 0. CBAM GOODS) and two editable sheets (1. REPORT, 2. CBAM CALCULATOR). Information is to be entered only in the two editable sheets and only in the light blue cells.

The use of the sheet 2. CBAM CALCULATOR is optional. Its only purpose is to assist those suppliers with the calculation of embedded emissions who have not obtained CBAM data previously. Sheet 1. REPORT contains all the necessary data points required by the importer to file CBAM reports. If filled completely, sheet 2. CBAM CALCULATOR can be left empty.

As some cells contain formulas or instructions conditional on the content of other cells, it is necessary to fill in the template in the order specified by the indexes (A.01 to I.10). Generally, the template is to be filled from **top to bottom and from left to right**.

Descriptions for each cell are provided in the data sheet 0. GLOSSARY in the EFDA Template. Some descriptions are further detailed below.

⁷ Refer to this data sheet for an overview of all CBAM goods and their default emission values: https://taxation-customs.ec.europa.eu/document/download/d71ef0c5-1d5c-45b3-be90-39c43802df87_en?filename=Default%20values%20for%20the%20transitional%20period%20of%20the%20CBAM.xlsx

⁸ Guidance for installation operators: https://taxation-customs.ec.europa.eu/document/download/2980287c-dca2-4a4b-aff3-db6374806cf7_en?filename=Guidance%20document%20on%20CBAM%20implementation%20for%20installation%20operators%20outside%20the%20EU.pdf

Section A OPERATOR

In this section, please enter administrative details on the operators¹, i.e. the entity in control of the installations producing CBAM goods. In case you are an intermediary such as a trading company, please reach out to your supplier to gather the required information.

Section B RESPONDING COMPANY

Only fill the cells in section B RESPONDING COMPANY with your contact details if you are not the operator but complete the EFDA Template on behalf of the operator, i.e. if you are an intermediary such as a trading company, enter your company details here.

Section C REPORTING PERIOD

In section C, please indicate the supplier's reporting period, i.e. the reference period for producers for determining the CBAM-compliant data. It is the calendar year prior to the year when the goods were imported to the EU. For the CBAM report due in the first quarter of the year, the data of the previous year should be used. In cases where such data is not yet available until the end of January/February, data of the year before could be used. In the case of spare parts or stock items for which actual data is lacking, data for similar or identical goods could be submitted.

It may be justified to use other periods (such as a fiscal year) provided that they ensure similar coverage and cover at least 3 months. More details can be found in the Guidance documents under Section 4.3.4 (for EU-importers)/Section 4.3.3 (for Non-EU installations).

Section E INSTALLATION INFORMATION

Section E is the central part of the EFDA Template. This section asks for all the data points that the importer must include in the CBAM report and submit to the European Commission. Information on some of the data points is provided below. For more details, please refer to the descriptions contained in the EFDA Template and the glossary.

Consolidation of production processes

Each line in section E allows to report CBAM data for one CBAM production process. According to CBAM rules, a production process may include multiple goods with distinct CN codes but within the same aggregated goods category⁹ (see figure 1). To find out which of your goods belong to which aggregated goods category, please consult sheet 0. CBAM GOODS of the EFDA Template. Furthermore, production processes may be consolidated for two or more goods

⁹ An aggregation of goods across different CN codes, that are suitable to be covered by common monitoring rules. Example for aggregated goods categories in the iron & steel sector include crude steel, pig iron, sintered ore, iron or steel products. Fasteners, screws, or c-parts in general usually belong to the aggregated good category iron or steel products.

if they are from distinct aggregated goods categories of either sintered ore, pig iron, FeMn, FeCr, FeNi, DRI, crude steel and iron or steel products, or unwrought aluminium and aluminium

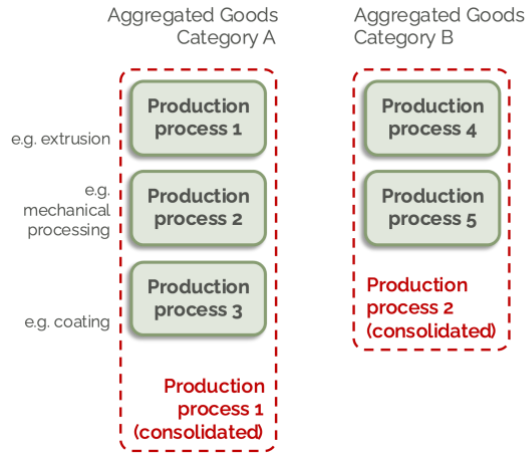


Figure 1 Aggregation of production processes within aggregated goods categories.

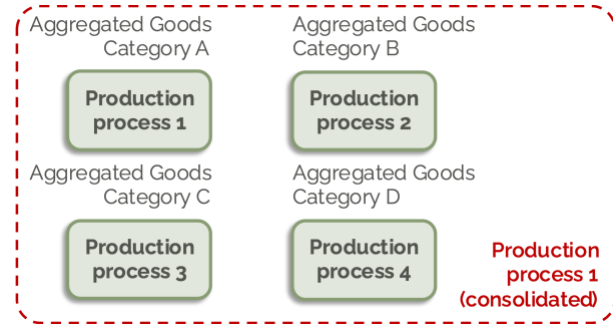


Figure 2 Aggregation of production processes across aggregated goods categories.

products (see figure 2).

The consolidation of production processes comes with simplifications as all inputs (e.g. precursors, electricity) and outputs (e.g. activity level) can be summed up. The associated effort for monitoring and reporting CBAM data is thus significantly reduced. In such cases, suppliers need to make sure that they communicate to their clients via the identifiers in E.01 and E.02 (e.g. CN code, product description) to which group the products they receive belong to.

E.01 CN code

Only CN codes that correspond to goods subject to CBAM can be entered into this field. Please provide a CN code associated with the product you wish to report. The CN code serves as an important additional identifier that helps your clients to match your CBAM data with their importing data. The 8-digit code consists of the 6-digit HS (harmonised system) code and the 2-digit CN (Combined Nomenclature of the EU¹⁰) code that is added to the HS code. Please consult the data sheet 0. CBAM GOODS in the EFDA Template for a complete overview of CN codes and their description. If you do not know which tariff codes your customers use when submitting customs declarations, please reach out to them directly.

In case production processes are consolidated for two or more products with distinct CN codes and embedded emissions (E.07, E.13) and specific electricity consumption (E.11) are calculated

¹⁰ For a complete overview of all CN codes, refer to: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302364.

through the CBAM Calculator, please report CBAM data (E.03 to E.15) for each CN code by duplicating lines in 1. Report and make then change entries in E.01 and E.02.

E.02 Description of good(s)

Please enter a unique identifier for the product which you wish to report. Ideally, the identifier should be identical to the identifier you communicate to your clients. It can be a detailed product name or description that enables your client, the importer, to associate this entry with a good purchased from you without any doubt.

E.05 Type of applicable reporting methodology

The European Commission has designed strict rules for the calculation of embedded emissions under CBAM. These rules are implemented in 2. CBAM CALCULATOR. However, you may choose to report embedded emissions calculated according to different rules (e.g. rules implemented under a carbon pricing regime in the country of production) if these rules are aligned with the EU rules to some extent. If you choose to apply a set of rules different to the standard EU method, please select 'Other Methods' and further specify under E.06. For more details on permitted calculation rules, please refer to the official CBAM guidance for installation operators⁸.

E.08 Source of emission factor for electricity

Please indicate whether you wish to report an emission factor obtained from the International Energy Agency ¹¹(IEA) or from another source. The IEA provides national and annually updated emission factors for most of the countries (paywall). Other sources for emission factors may be national statistics published by governments. In case you use a different source, please indicate the source under E.11.

If you do not have access to any source, the EFDA Template offers you the possibility to use publicly available data published by the Organisation Ember¹². To make us of this option, select 'Other data (EMBER data)'. The EFDA Template will then automatically fill E.10 and E.14 with the source indication, and E.12 with the emission factor.

Section G EMISSIONS DATA (2. CBAM CALCULATOR)

G.01 Electricity consumed in the production process

The electricity consumed must be sourced internally from reading off meters and attributing electricity consumption to the production process.

¹¹ <https://www.iea.org/data-and-statistics/data-product/emissions-factors-2022#emissions-factors>

¹² Dataset: Yearly electricity data, <https://ember-climate.org/data-catalogue/yearly-electricity-data/>

G.02 / G.04 Import and export of measurable heat

Please enter here the amounts of net measurable heat (e.g. steam) being imported to (e.g. from connected heat supplying installations) or exported from the production process (e.g. heat recovery from the furnace and exported from the production process). Heat recovered and not exported but used within the production process shall not be reported under exported heat. For more details on measurable heat and emission factors, please refer to the CBAM guide for installation operators⁸.

Where measurable heat is produced in, consumed by, imported into, or exported from the production process, the net quantity of measurable heat flows and emissions associated with the production of that heat should be monitored and attributed, in line with the methods laid out in Part C, Annex III to the Implementing Regulation¹³.

G.03 / G.05 Emission factor of measurable heat

When a production process consumes imported measurable heat that is provided by a third party supplier outside of the installation or production process, the emissions associated with the production of that heat are requested from the heat supplier; and are to be determined by that supplier according to CBAM rules.

Where the emission factor of exported heat is unknown or not clearly defined (e.g. heat recovery from furnaces or from exothermic chemical processes), the standard emission factor of the fuel most commonly used in the country and industrial sector, assuming a boiler efficiency of 90%, should be used.

G.06 Activity Level

The activity level (quantity produced) of a commodity from your facility is determined by the total weight of goods that exit the manufacturing process and comply with the product standards for a consolidated CN goods category as outlined in the CBAM Regulation. This may include both final products and precursors used for the production of other goods. To avoid double counting of production, the following are excluded from the activity data:

- A product that fails to meet the required quality or standards and is sent back to the original manufacturing process for further refinement or correction.
- Residual materials, by-products, or waste from the manufacturing process, including instances where these are transported to a separate facility for reprocessing or disposal.
- Carbon prices already paid must be reported since importers of CBAM goods in these cases only have to compensate the difference to the CBAM certificate prices and do not have to pay the entire CBAM certificate price per ton of imported CBAM goods. In the context of

¹³ Available here: https://taxation-customs.ec.europa.eu/document/download/1163ef5a-192c-4059-abf6-9762e1264b6a_en

CBAM, carbon price refers to any monetary amount due in a non-EU country under a carbon tax, levy, or fee, or a greenhouse gas emission trading system. Therefore, in the field **Share of total emissions covered by the carbon price**, please insert the fraction of total embedded emissions (direct and indirect) for which a carbon price has been paid. Indicate the total amount of carbon prices paid for the production process in the field **carbon price paid**. Make sure to also include carbon prices that have been paid by your suppliers of precursor goods.

Please consult figure 3 for a visualisation of the production process carbon steel, screws and nuts (first example in the EFDA Template). In that case the activity level corresponds to 17,000 tons of carbon steel, screws and nuts.

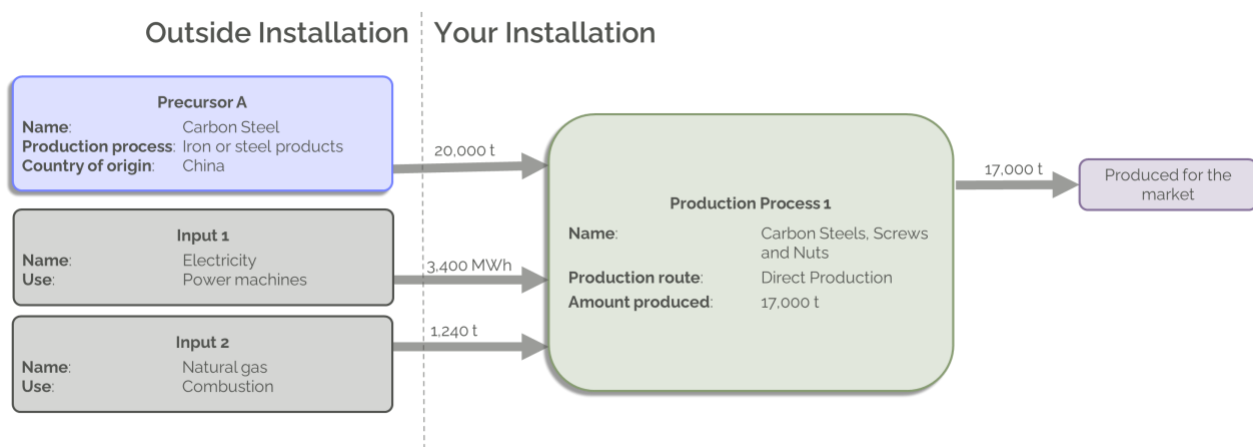


Figure 3 Example production process (data is taken from the example communication template of the European Commission titled 4 CBAM SEE V2.1_Example Steel 3 Screws and nuts_final.xlsx and available via the dedicated website).

Section I PRECURSOR DATA

Precursor materials are input materials into your production process when that input material itself is a CBAM good. Your installation may very well use multiple precursors for a single production process. The CBAM CALCULATOR in the EFDA Template considers up to sixty distinct precursors which are attributed to production processes via I.04.

The embedded emissions of precursor materials need to be added to the direct and indirect emissions attributed to the production process. You must inquire with your supplier for the specific direct and indirect embedded emissions of the precursors and integrate their estimates into your calculations by multiplying their estimates with the volume of precursor material used in your production process. Section 5 includes a sample letter which you can use to ask your supplier for the embedded emissions and other required data points of your precursor materials.

In cases where the suppliers of the precursor material are unable or unwilling to supply data on embedded emissions, it is recommended to use default values instead of reporting zero

emissions. Please note, that the CBAM CALCULATOR in the EFDA Template provides you with this option.

H.06 Emissions data from precursor supplier available?

In case you have not received any data from the suppliers of your precursors, please select 'no'. In this case the CBAM calculator will automatically fill the data gaps with default values and best estimates (i.e. specific embedded direct emissions, electricity consumed per tonne of precursor, emission factor of electricity, specific embedded indirect emissions). If you have data on precursors, select 'yes' and enter the data received.

5. Letter to supplier of precursor materials

Dear **SUPPLIER**,

During the year **YEAR**, we purchased **GOODS NAME(s)** from you, further processed them, and sold them to our clients who import the goods into the European Union (EU). The EU has implemented a Carbon Border Adjustment Mechanism (CBAM) lately and we must take care to comply with its rules as of now.

Background

On October 1st 2023, the European Union Carbon Border Adjustment Mechanism (CBAM) became effective. The CBAM complements the EU Emission Trading System (EU ETS) by establishing a carbon price on imported goods, and it introduces a set of reporting and compliance obligations for importers of goods into the European Union. Under the CBAM regulation, importers of certain goods must regularly report on the emissions embedded in the goods they import to the EU. CBAM's scope encompasses the sectors aluminium, cement, electricity, fertilisers, hydrogen, iron & steel and covers a range of CN codes (CN – Combined Nomenclature of the EU) within. Emissions embedded in imported goods must be calculated using actual data from greenhouse gas accounts and emissions data from precursor materials. To raise incentives for compliance, the EU drafted rules on penalising non-reporting importers and importers that report faulty data. Penalties range from 10 to 50 Euro per ton of unreported emissions. For further information, please visit the dedicated website from the European Commission via this [link](#).

Implications for producers of CBAM-relevant goods outside the EU

Non-EU suppliers that manufacture CBAM goods that are imported into the EU must furnish CBAM-compliant data encompassing details on production processes, precursor materials used, and annual averages of embedded emissions, to their clients. Failure to comply may result in importers being unable to meet reporting obligations, leading to potential penalties. Starting in 2026, importers must purchase CBAM certificates for each ton of embedded emissions associated with imported CBAM goods. This pricing mechanism will be phased in gradually, with costs escalating over time, reaching potentially 150 Euros per ton of embedded CO₂ emissions by 2030 (forecast). Carbon prices effectively paid for the production of goods outside the EU are deducted from CBAM payments importers have to make.

Producers capable of providing CBAM-compliant data and employing less emission-intensive production processes than their competitors stand to gain a competitive advantage, as goods with lower embedded emissions will incur lower CBAM cost mark-ups.

Task ahead

For the calculation of emissions embedded into our products we in turn require data on the emissions embedded into precursor materials that we use for production. We therefore kindly ask you to provide us with the following information.

For GOOD(S) NAME(S) and the reporting period DD.MM.YYYY to DD.MM.YYYY:

- Country of origin
- Specific electricity consumption (MWh / t of GOOD NAME)
- Electricity emission factor (t CO₂ / MWh)
- Specific direct embedded emissions (tCO₂e / t of GOOD NAME)
- Specific indirect embedded emissions (tCO₂e / t of GOOD NAME)

Information on how embedded emissions is calculated can be found in the official guidance document and on the website of the European Commission (links below). We strongly appreciate your help with this as we acknowledge the challenges that the CBAM regulation lays on our businesses.

With kind regards,

NAME NAME

Please find below links to the official Eu webpage dedicated to CBAM and a link to the guidance document on CBAM implementation for installation operators outside the EU. Both links contain background information on CBAM and provide more details on the calculation of embedded emissions.

CBAM Website: https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en#resources

Guidance Document: https://taxation-customs.ec.europa.eu/document/download/2980287c-dca2-4a4b-aff3-db6374806cf7_en?filename=Guidance%20document%20on%20CBAM%20implementation%20for%20installation%20operators%20outside%20the%20EU.pdf

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