

# Carbon Border Adjustment Mechanism (CBAM)

for Northern Ireland businesses



# Important Disclaimer

This report has been produced by Invest Northern Ireland to provide general information and guidance on the EU Carbon Border Adjustment Mechanism (CBAM) and related regulatory developments.

The content is intended for educational and awareness purposes only and does not constitute legal, tax, financial, or commercial advice. While every effort has been made to ensure accuracy, CBAM regulations are subject to change and interpretation may vary depending on individual circumstances.

Businesses are strongly advised to seek independent professional advice tailored to their specific operations, supply chains, and trading arrangements before making any compliance or commercial decisions based on the information presented.

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# 1. Executive summary

The landscape of international trade is undergoing a fundamental shift. Climate policy is no longer just about domestic emissions; it is now a core component of trade policy. The introduction of the Carbon Border Adjustment Mechanism (CBAM) by the European Union (EU) [1], and the subsequent implementation of a similar system by the UK [2], means that carbon-intensive goods will soon carry a financial cost when crossing borders.

For Northern Ireland (NI) businesses, this transition presents a unique dual challenge. Due to the Windsor Framework [3] and NI's integral position in both the UK internal market and the all-island economy, local businesses must navigate two distinct regimes: the EU CBAM (fully effective from 2026) and the UK CBAM (starting 2027).

## 1.1 CBAM

**What is it?** CBAM is effectively a "carbon tax" at the border. It ensures that imported goods pay a price for their carbon emissions, similar to goods produced by local manufacturers.

**Who is affected?** Any NI business that imports raw materials (like steel, cement, aluminium, fertiliser) from outside the UK/EU, or exports these goods to the Republic of Ireland (ROI) or the wider EU.

**Why does it matter now?** While taxes start later, the demand for data is immediate. Your EU customers need your emissions data to comply with their laws today.

**The Golden Rule:** If you cannot prove your goods are "low carbon" using verified data, you (or your customer) will likely pay a higher default fee.

## 1.2 The two regimes

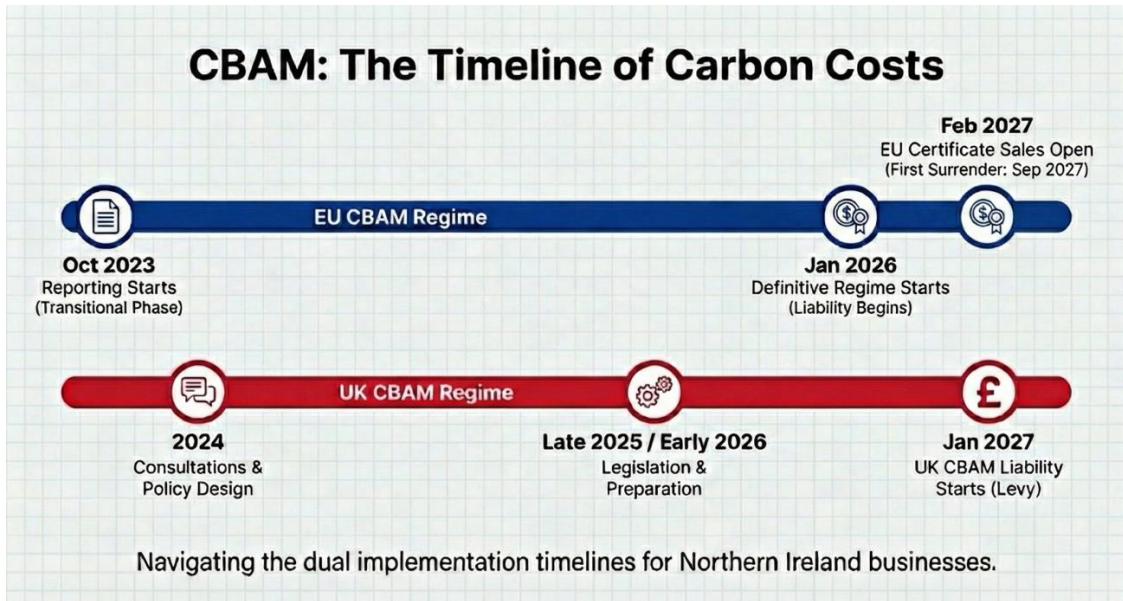
Businesses must distinguish between the two upcoming systems:

**EU CBAM (Current priority):** This system is already in a transitional phase. Since October 2023, importers into the EU must report emissions. From 1 January 2026, importers are liable for the carbon cost of their imports, with the first purchase and surrender of CBAM certificates taking place from February 2027 (covering 2026 imports).

**Impact on NI:** NI businesses exporting to ROI or the EU are already being asked for emissions data by their customers. Failure to provide this puts these trading relationships at risk.

**UK CBAM (Future planning):** The UK Government has confirmed its own CBAM will launch on 1 January 2027.

**Impact on NI:** This will apply to goods imported into Northern Ireland from overseas (non-UK/non-EU sources). It ensures that NI does not become a backdoor for high-carbon goods.

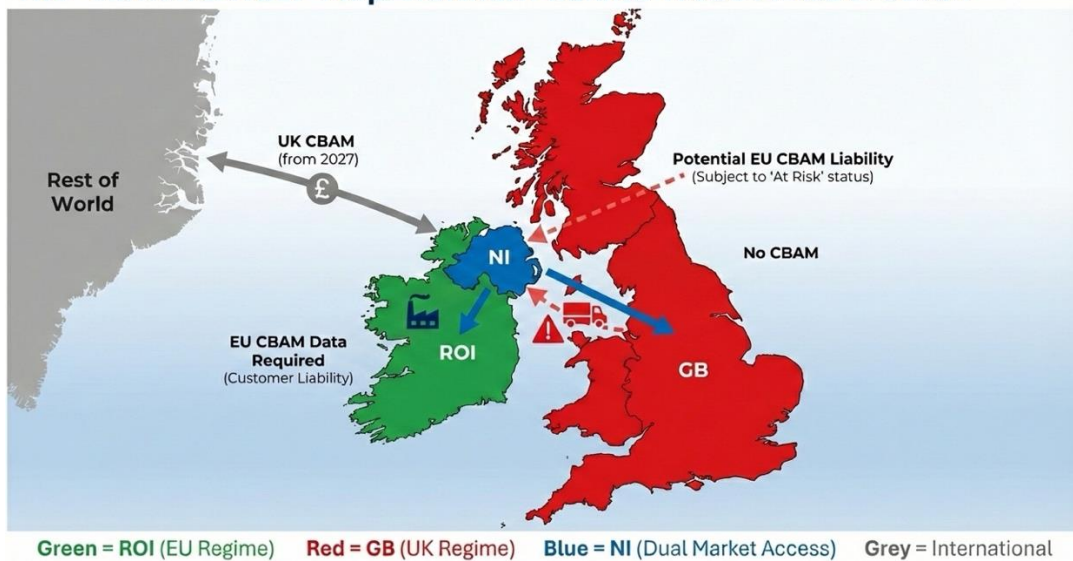


**Graphic 1 – The Timeline of Carbon Costs**

### 1.3 Northern Ireland’s unique position

Under the Windsor Framework, NI remains part of the UK customs territory but aligns with specific EU rules. EU CBAM has not been formally extended to Northern Ireland under Article 13(4) of the Windsor Framework, and is not currently being applied to NI-origin goods entering the Republic of Ireland. However, this position remains under review. Where NI businesses use third-country inputs (e.g. steel imported from Turkey or China), the ROI customer’s CBAM obligation may still be triggered by those non-EU precursors. Goods moving GB to NI that are classified as “at risk” of entering the EU also face potential CBAM exposure. Following the agreement at the UK-EU Summit in May 2025 to work towards linking emissions trading systems, businesses should monitor the finalisation of this deal, as formal ETS linkage could remove CBAM liability for cross-border trade entirely.

**The ‘Carbon Border’ Map: Northern Ireland Trade Flows & CBAM**



**Graphic 2: The "Carbon Border" Map**

## 1.4 Strategic priority: Data is currency

The immediate action for NI SMEs is not financial, but administrative. The winners in this new landscape will be companies that can accurately measure and report the "embedded emissions" in their products. A verified low-carbon footprint is now a competitive advantage.

Maintaining comprehensive emissions data is particularly important given the EU's proposed extension of CBAM to downstream steel and aluminium products from January 2028. Businesses that are currently out of scope because they manufacture complex goods may find themselves, or their customers, brought into the regime within the next two years. Having the data ready ahead of time turns a potential compliance scramble into a competitive advantage.

This guidance document provides the technical specifications, decision trees, and practical templates required to navigate these changes, minimising compliance costs and maintaining access to key markets.

## 1.5 Disclaimer

This guidance and the SME Toolkit are practical aids for NI-based businesses; they are not legal, tax, or customs advice. Users remain responsible for classification decisions, declarations/returns, and compliance with applicable EU/UK law and guidance.

# 2. Introduction and scope

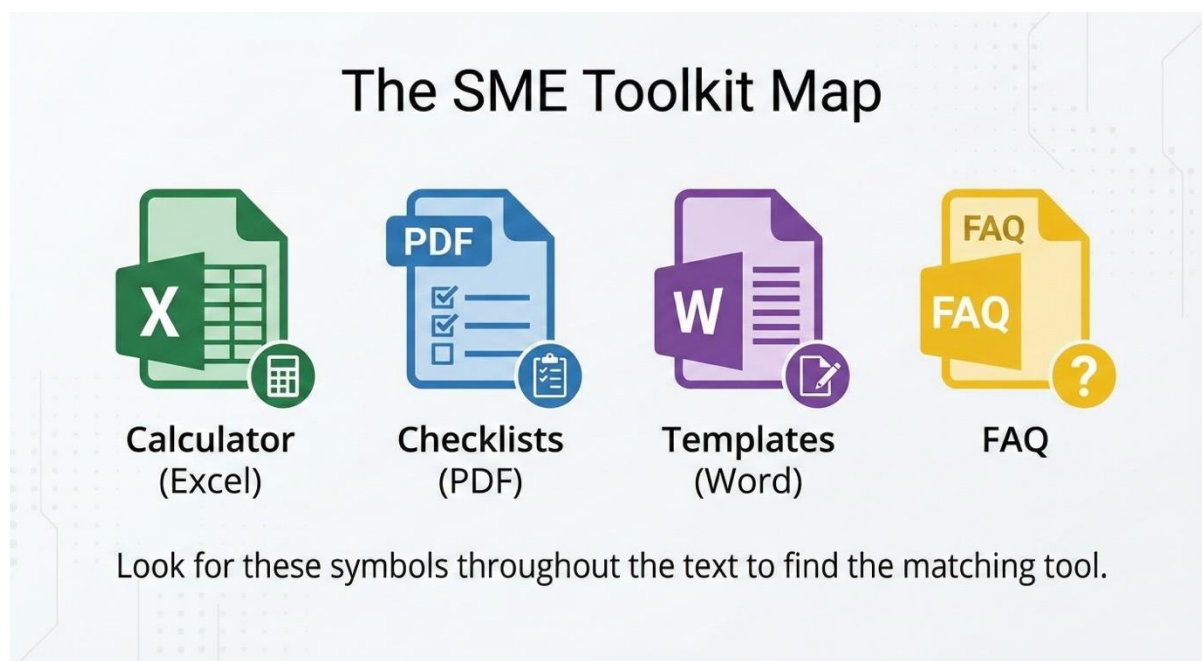
This guidance document is designed specifically for Northern Ireland (NI) Small and Medium Enterprises (SMEs) that import or export raw materials and precursor goods. As the global economy moves towards decarbonisation, "embedded carbon" is becoming a metric as important as price or quality.

For NI businesses, situated uniquely between the UK and EU markets, understanding the mechanics of the Carbon Border Adjustment Mechanism (CBAM) is now essential for maintaining competitiveness.

## 2.1 Purpose of this guidance

The primary objective of this document is to translate complex EU and UK legislation into practical instructions. It moves beyond legal theory to focus on operational "asks" what data you need to collect, who you need to report it to, and when.

It is supported by a suite of practical tools (the SME Toolkit), including checklists, carbon calculators, and templates, which are referenced throughout the text.



**Graphic 3: The Toolkit Map**

## 2.2 Scope of coverage

This guidance covers the two parallel regimes affecting NI trade:

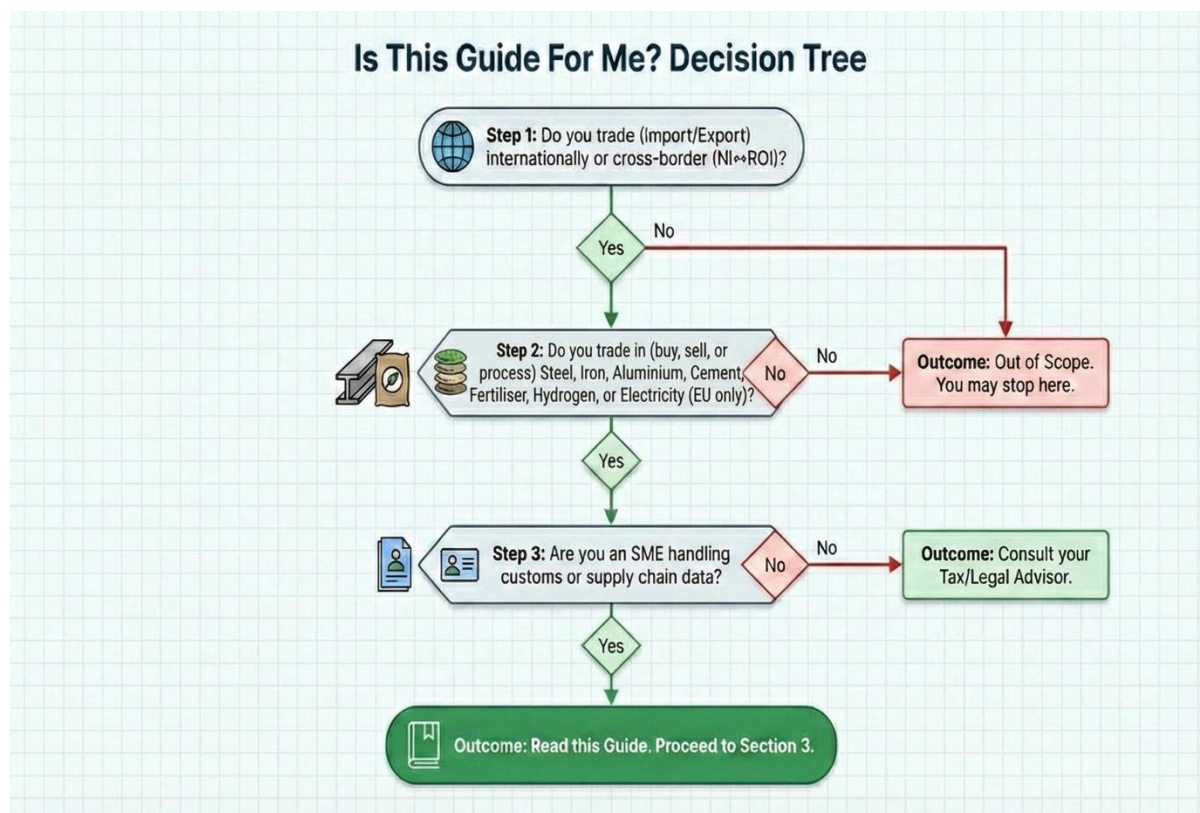
1. **EU CBAM:** Covering reporting requirements during the current transitional period (ending 2025) and financial obligations commencing in 2026<sup>55</sup>.
2. **UK CBAM:** Covering the future UK system scheduled for implementation in 2027

## 2.3 Who should read this?

This content is tailored for NI importers and exporters dealing in the following "in-scope" sectors:

- Iron and Steel
- Aluminium
- Cement
- Fertilisers
- Hydrogen
- Electricity (EU CBAM only).

It also addresses the implications for downstream "finished goods" and "precursors", helping businesses identify if their products might be captured by current rules or future regulatory expansions.



**Graphic 4: "Is this Guide for me?"**

### Section summary

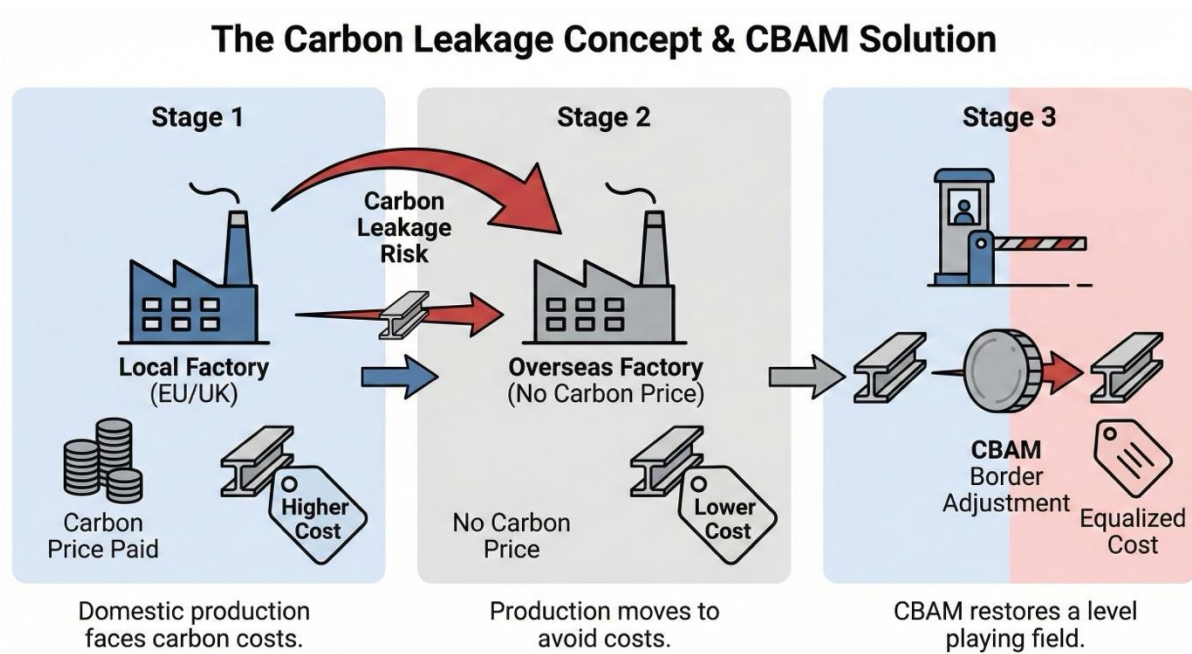
- **Who is this for?** If you buy steel, aluminium, cement, or fertiliser from outside the UK/EU, or if you sell these goods to the EU/ROI, this guide is for you.
- **What does it do?** It cuts through the legal jargon. Instead of quoting regulation articles, it tells you which spreadsheet to fill in and what to say to your suppliers.
- **Is it legal advice?** No. It is operational guidance to help you build a compliance system. For specific high-value legal determinations, always consult a qualified tax or legal professional.
- **The "NI nuance":** Unlike GB firms, NI firms face a double-exposure. This guide highlights exactly where NI trade differs from the rest of the UK due to the Windsor Framework.

## 3. Definition of CBAM.

### 3.1 What is CBAM?

The Carbon Border Adjustment Mechanism (CBAM) is essentially a carbon price applied at the border. It is a policy tool designed to ensure that imported goods pay a price for their carbon emissions comparable to the price paid by domestic producers.

In the European Union, local manufacturers already pay for their carbon emissions through the EU Emissions Trading System (ETS). CBAM ensures that international competitors importing goods into the EU face a similar cost. This levels the playing field and prevents "carbon leakage", which occurs when companies move production to countries with weaker environmental rules to avoid carbon costs.









**Graphic 5: Carbon Leakage & CBAM Solution**

## 3.2 How it works: The mechanics

While the specific administrative processes differ between the EU and the UK, the core principle remains the same. The importer is responsible for declaring the "embedded emissions" (the carbon released during production) of the goods they bring into the territory and paying a corresponding charge.

- **The EU Model (certificates):** From 2026, authorised declarants (importers) in the EU must purchase "CBAM certificates." The price of these certificates will mirror the weekly average price of carbon allowances under the EU ETS. Importers will surrender these certificates annually to cover the verified emissions in their imports.
- **The UK Model (levy/tax):** The UK Government has proposed a slightly different mechanism starting in 2027. Instead of trading certificates, the UK CBAM is expected to function more like a tax or levy. Importers will likely file a return and pay a charge calculated on the embedded emissions, adjusted for any carbon price already paid in the country of origin.

EU vs UK CBAM Comparison Panel	
EU CBAM	UK CBAM
 Start Date: Jan 2026	Start Date: Jan 2027 
Payment Method: <b>Certificates (Trading)</b> 	Payment Method: <b>Tax/Levy (Fixed Charge)</b> 
<b>Scope: Includes Electricity</b>	<b>Scope: Excludes Electricity</b>
Indirect Emissions: <b>Includes Immediately</b> 	<b>Excludes until 2029 (at earliest)</b> 

Graphic 6: EU vs UK CBAM Comparison Panel

### 3.3 Key roles and responsibilities

Understanding your role is the first step in compliance. In the context of Northern Ireland trade, you will generally fall into one of two categories:

1. **The importer (declarant):** This is the party responsible for clearing the goods through customs. If you are an NI business bringing goods in from outside the UK/EU, you are the importer. You are legally liable for calculating emissions, reporting to the authority, and paying the charge<sup>6</sup>.
2. **The exporter (supplier):** If you are an NI manufacturer selling to the EU, your customer is the importer. However, your customer cannot calculate their liability without your help. Your role is to calculate the carbon footprint of your product and provide this data to them. Without your data, they may be forced to use punitive "default values".

#### Section summary

- **Key summary:** CBAM adds a carbon cost to certain imported materials so overseas producers face similar climate costs as EU/UK manufacturers.
- **The goal:** It is designed to stop companies shifting production to countries with weaker environmental rules, known as carbon leakage.
- **The difference:** The EU system (fully active from 2026) uses digital certificates and covers both direct and indirect emissions. The UK system (from 2027) uses a tax return mechanism and initially covers direct emissions only, with indirect emissions excluded until 2029 at the earliest.
- **NI context:** NI businesses mainly engage with CBAM when importing covered goods into NI/UK, or when supplying emissions data to EU buyers to help them comply.

## 4. NI-relevant legislative, regulatory & taxation frameworks

### 4.1 The dual regulatory landscape

Northern Ireland occupies a unique position in international trade. Under the Windsor Framework, NI remains part of the UK customs territory but aligns with specific EU Single Market rules to ensure free trade across the island of Ireland. This means NI businesses must navigate two distinct legislative frameworks regarding carbon pricing.

#### The EU CBAM Regulation (Regulation (EU) 2023/956)

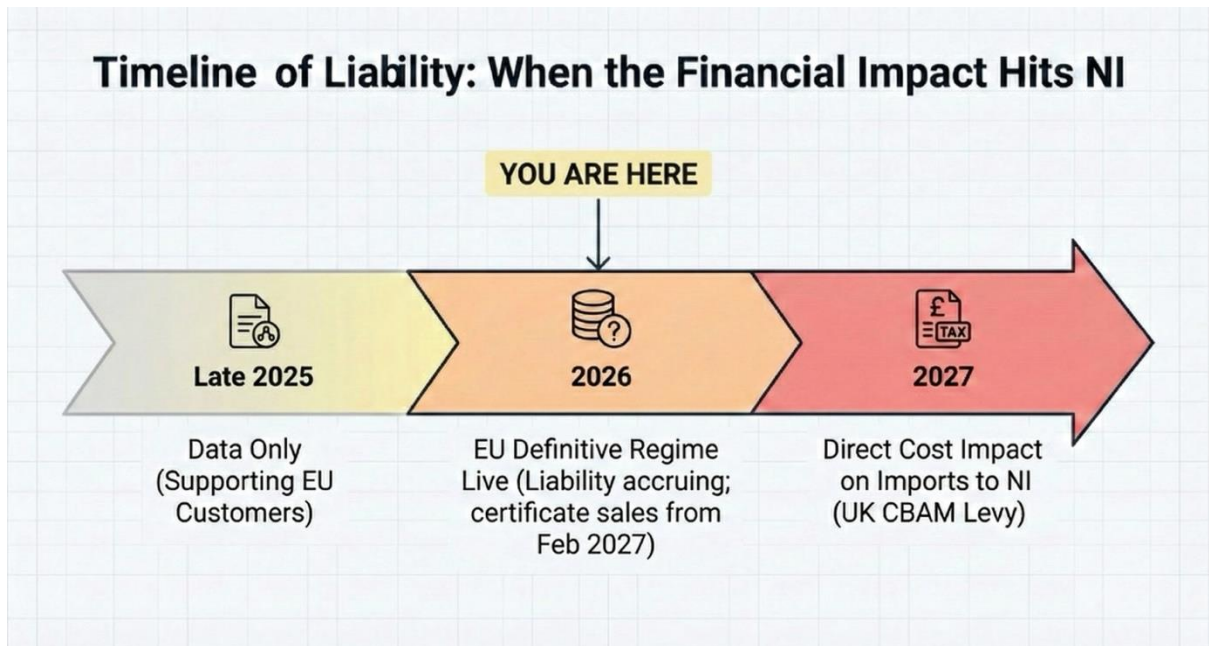
The EU CBAM entered into application in October 2023. It places obligations on "reporting declarants" (importers) established within the EU [3].

- **Application in NI:** As of late 2025, the EU CBAM Regulation has not been formally added to the list of EU rules that apply in Northern Ireland under the Windsor Framework. Consequently, there is currently no legal obligation for NI businesses to file CBAM reports to the EU for goods remaining in NI.
- **The "indirect" effect:** While NI firms are not direct "declarants" for the EU system, their customers in the Republic of Ireland (ROI) and the wider EU are. When an NI business sells goods to the ROI, the ROI buyer is the legal importer into the EU and must comply with CBAM. Therefore, the legislative burden of data collection falls on the NI supplier contractually, even if not directly through regulation.

#### The UK CBAM legislation

The UK Government has confirmed that a UK CBAM will be implemented from 1 January 2027.

- **Application in NI:** The UK CBAM will apply to the whole of the United Kingdom, including Northern Ireland.
- **The mechanism:** The UK CBAM has been enacted through the Finance Act 2026, which treats the carbon charge as a levy on imported goods entering the UK from overseas (non-EU/non-UK origins). NI importers bringing in steel or cement from countries like China, Turkey, or India will be liable to pay this charge to HMRC.

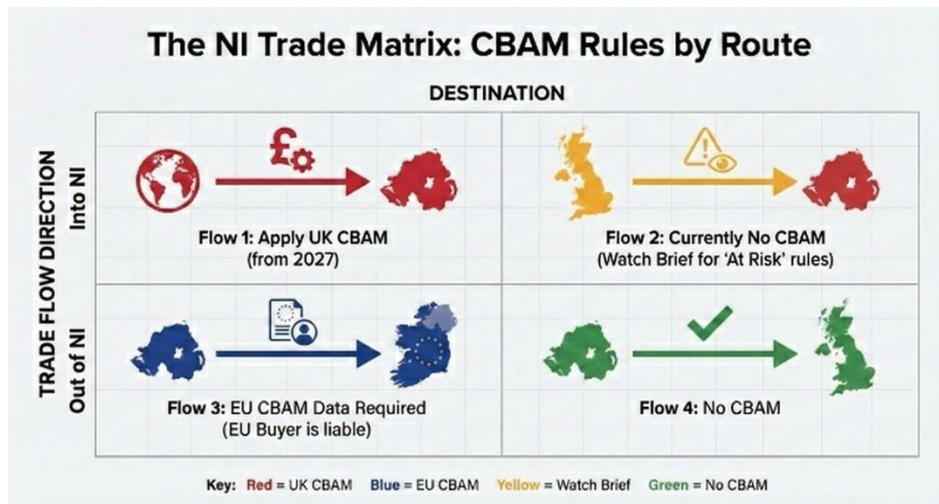


**Graphic 7: The Timeline of Liability**

### The Windsor Framework interaction

The interaction between these systems remains dynamic. The key consideration is the trade route:

- GB to NI trade:** Currently, goods moving from Great Britain to Northern Ireland are not subject to EU CBAM. However, the EU has expressed concern regarding "carbon leakage" via this route. If a political agreement is not reached (such as linking the UK and EU Emissions Trading Systems), there is a risk that EU CBAM rules could be applied to "at risk" goods entering NI from GB in the future.
- NI to ROI trade:** EU CBAM has not been formally extended to NI under Article 13(4) of the Windsor Framework, and is not currently applied systematically to NI-origin goods entering ROI. For businesses that only trade goods produced in NI or ROI between those two jurisdictions, there is currently no requirement to register as an EU CBAM declarant or purchase certificates. However, where NI goods contain third-country precursors (e.g. Turkish steel or Chinese aluminium), the ROI buyer's CBAM obligation may be triggered by those non-EU inputs. This position is evolving and businesses should maintain data readiness as a commercial safeguard regardless of the formal legal position.



**Graphic 8: The NI Trade Matrix**

### Section summary

- **Key summary:** The EU and UK run separate CBAM systems. Northern Ireland interacts with both depending on where the goods are coming from and where they are going.
- **The border matters:** EU CBAM applies when goods enter the EU border. EU CBAM is not currently applied to NI-origin goods entering the EU. However, where NI goods contain third-country inputs, the EU buyer may still face CBAM obligations linked to those precursors. Data readiness remains a strong commercial safeguard.
- **UK rules:** UK CBAM applies to all imports into NI or GB from overseas starting in 2027.
- **Permits:** You generally do not need CBAM authorisation yourself unless you are acting as the EU importer of record (e.g. if you sell DDP into the EU).
- **Key questions:** Understanding which system applies starts with two questions: "Where is the border crossing?" and "Who is the importer of record?".

## 5. Goods covered in 2025/2026

### 5.1 The operational impact

For Northern Ireland businesses, CBAM is not just a tax issue. It is a supply chain and data management challenge. The impact on your business depends entirely on your position in the supply chain, specifically, whether you are bringing goods in or sending them out.

### The NI importer (buying from overseas)

If you import raw materials (such as steel, aluminium, or cement) from outside the UK and EU (e.g. from China, India, Turkey, or the US), you will face direct regulatory duties.

- **Under UK CBAM (from 2027):** You will be the liable party. You must register with HMRC and submit declarations detailing the total mass of goods imported and the embedded emissions. You will then be required to pay the carbon levy.
- **Cost implications:** This will directly increase your landed costs. If you cannot obtain actual emissions data from your supplier, you will be forced to use default values, which are set at a punitive level. Under the EU system, following the Simplification Regulation and implementing acts adopted in December 2025, default values are based on the average emission intensity of the highest-emitting exporting countries, with country- and product-specific values now published by the Commission. These defaults are deliberately set high to incentivise the collection of actual data, making goods significantly more expensive.
- **Cash flow:** You will need to account for these additional payments in your working capital projections.

### The NI exporter (Selling to the EU/ROI)

If you manufacture goods in Northern Ireland and sell them to customers in the Republic of Ireland or mainland Europe, your position under EU CBAM depends on the origin of your inputs. EU CBAM has not been formally extended to NI, and is not currently applied to purely NI-origin goods entering the EU. However, where your production uses third-country precursors (e.g. steel from Turkey, aluminium from China), your EU customer may face CBAM obligations linked to those non-EU inputs. In practice, this means data demands from EU customers are commercially likely even where the legal position is not yet settled.

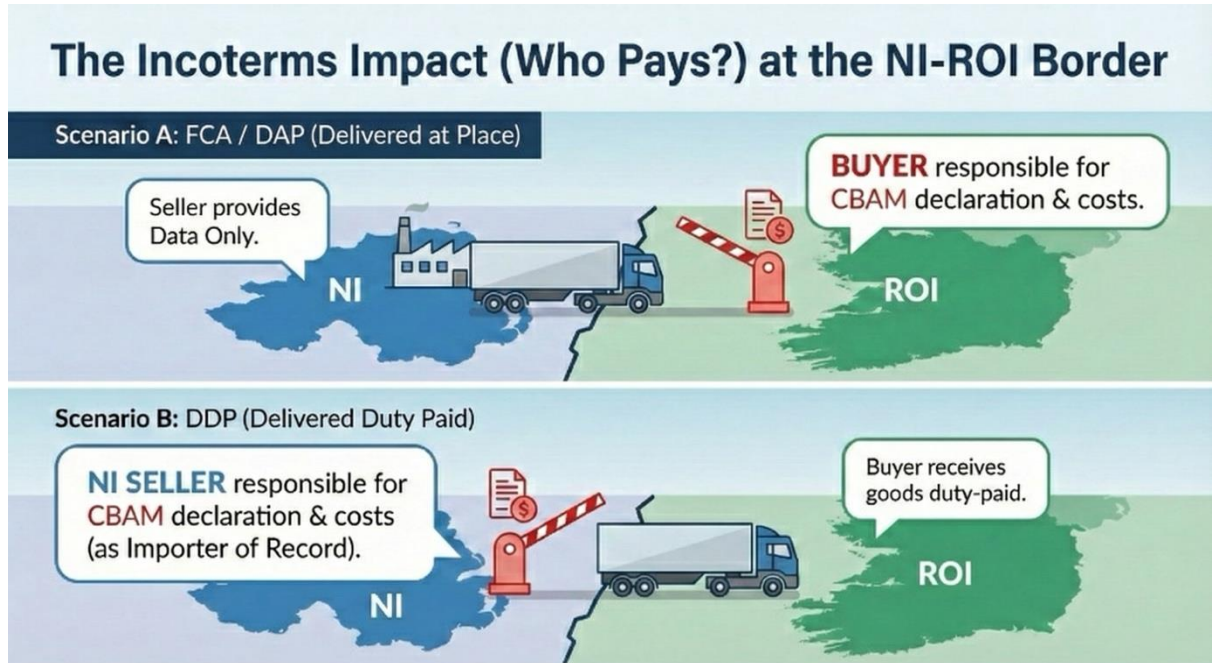
- **The data demand:** Where your EU customer does face a CBAM obligation (because of third-country precursors in your product), they are the party legally liable to report to the European Commission. They cannot do this without your data. They will require you to provide the “specific embedded emissions” of your product. Even where the legal obligation is uncertain, many EU buyers are requesting this data as standard commercial practice.
- **Competitiveness:** If you cannot provide this data, your customer must use default values. This may artificially inflate the carbon footprint of your product, potentially making your goods more expensive or less attractive compared to EU competitors or suppliers who *can* provide the data.
- **Administrative burden:** You effectively become a data processor for your clients. You may receive requests to fill out complex templates (such as the European Commission’s communication template) on a quarterly basis.

### The critical role of incoterms

The International Commercial Terms (Incoterms) agreed in your contracts determine who carries the risk. This is the most common pitfall for NI exporters.

- **Selling DAP (Delivered at place) or FCA (Free carrier):** The buyer is usually responsible for import formalities. In this scenario, your EU customer handles the CBAM registration and payments. You only need to provide the data.

- **Selling DDP (Delivered duty paid):** If you sell on DDP terms, **you** act as the importer of record in the destination country. This means an NI business selling DDP to a client in Dublin would be legally responsible for registering as an authorised CBAM declarant in the EU, submitting the reports, and purchasing the certificates. This creates a significant additional compliance burden.



**Graphic 9: The Incoterms Impact**

## Exporting from NI to non-EU Countries

### The regulatory position: "out of scope"

For Northern Ireland businesses exporting goods to destinations outside the European Union (e.g., USA, China, Australia, or Great Britain), there are currently no CBAM formalities.

- **No Reporting:** You do not need to file a CBAM report or issue an Evidence Pack to your customer. The EU CBAM Regulation applies only to imports into the Customs Territory of the Union.
- **No Destination Charge:** Most international markets do not yet have a carbon border mechanism in place, meaning your goods will not face a "carbon tax" upon arrival at the destination port.

### The commercial challenge: stranded carbon costs

While there is no administrative burden, there is a financial risk. CBAM and the UK ETS are designed to price carbon on goods consumed within the UK/EU. However, standard export rules generally do not provide a rebate for these carbon costs when goods leave the territory.

This creates a competitive disadvantage known as "stranded carbon costs":

- **The Scenario:** An NI manufacturer imports raw steel from overseas (paying the UK CBAM levy from 2027) and processes it using electricity from the grid (paying embedded carbon costs).
- **The Trap:** When exporting the finished machine to a non-regulated market (e.g., the USA), the sale price includes these "baked-in" carbon costs.
- **The Competitor:** You may be competing against manufacturers in that third country who have paid neither a carbon tax on their raw materials nor a carbon price on their energy.

### Mitigation strategy: inward processing (IP)

Businesses importing raw materials specifically for processing and re-export to non-EU/non-UK markets should review their customs procedures.

- **Inward Processing Relief:** Using the Inward Processing (IP) customs special procedure allows you to suspend import duties and VAT on raw materials.
- **CBAM Interaction:** Typically, goods under IP that are subsequently re-exported (and never released for free circulation in the UK/NI) are not subject to import levies. Correctly utilizing IP could prevent you from paying the UK CBAM levy on materials that are destined for re-export, keeping your international pricing competitive.

### Future outlook: The "carbon club"

Businesses should treat the current "no-check" status of Rest of World exports as temporary. Several major trading partners are actively consulting on their own border adjustment mechanisms:

- USA: Proposals such as the "Clean Competition Act" are periodically reviewed.
- Australia & Canada: Both nations have launched consultations on introducing their own carbon border adjustments.

Recommendation: While no immediate action is required for these trade flows, maintain your Product Carbon Footprint data. If a major partner like the USA introduces a CBAM, you will already have the data required to comply.

### Section summary

- **Imports:** If you import covered goods into NI/UK from overseas, you must prepare to register, collect emissions data, and eventually pay a carbon-based charge.
- **Exports:** If you export to the EU, your customer normally handles the legal side. However, they will demand reliable emissions data from you to keep their own costs down.
- **The DDP trap:** If you sell "Delivered Duty Paid" (DDP) into the EU, you effectively become the EU importer. This forces you to handle the entire EU CBAM process yourself.
- **Sales to GB:** Currently, sales from NI to GB are not subject to CBAM formalities.
- **Rest of World:** Exports to non-EU destinations (like the USA or China) currently require **no CBAM paperwork**. However, unlike VAT, you cannot currently claim back the carbon costs paid on your raw materials when exporting.
- **Global exports:** While selling to the "Rest of World" triggers no data reporting, it carries a hidden cost. Your goods still carry the carbon price paid on inputs, which you generally cannot claim back, potentially putting you at a price disadvantage against non-green competitors
- **Summary:** If you trade in these goods, you are either paying the tax or providing the data. There is no opting out!

## 6. Which goods are covered in 2025/2026?

### 6.1 Combined nomenclature (CN) code

The single most important takeaway from this guidance is that CBAM applies based on the specific Combined Nomenclature (CN) code (often referred to as the commodity code) of the product. If your product's code is listed in the regulation Annex, it is "in scope". If it is not listed, CBAM does not apply, regardless of what the product is made of. Use [Tool 1: The Decision Tree](#) to visually check your status and [Tool 2: CN Code Look-Up](#) to find your specific code.

## 6.2 The covered sectors

Currently, both the EU and UK regimes focus on the most carbon-intensive raw materials. For the period 2025–2026, the following six sectors are covered:

1. **Iron and steel:** This is the most sweeping category. It covers raw materials like iron ore and pig iron, semi-finished products like blocks and billets, and specific finished items like pipes, tubes, screws, bolts, and washers.
2. **Aluminium:** Covers unwrought aluminium, powders, and specific articles like plates, sheets, foil, tubes, and pipe fittings.
3. **Cement:** Covers cement clinker, portland cement, aluminous cement, and other hydraulic cements.
4. **Fertilisers:** Covers ammonia, nitric acid, urea, and mixed fertilisers containing nitrogen, phosphorus, or potassium.
5. **Hydrogen:** Covers pure hydrogen.
6. **Electricity (EU only):** The EU CBAM includes imported electricity. However, the UK CBAM currently excludes electricity. This is a critical distinction for NI, given the Integrated Single Electricity Market (I-SEM) on the island of Ireland

### **IMPORTANT CLARIFICATION: Glass and ceramics excluded**

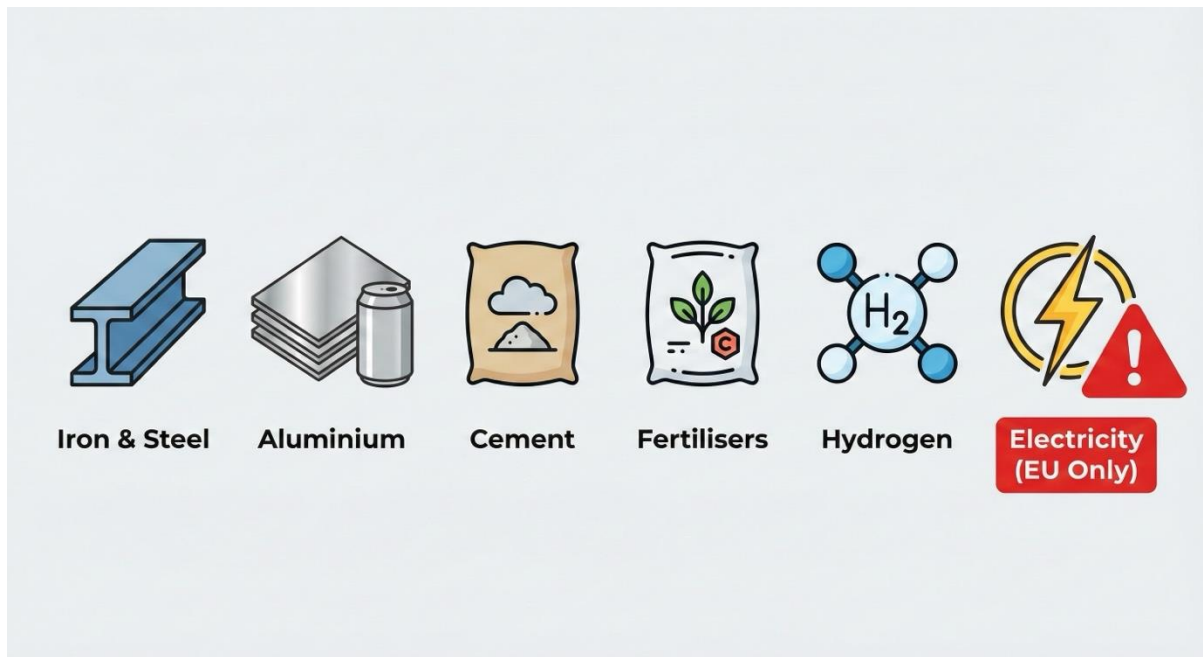
Please note that while earlier UK government consultations (December 2023) proposed including **glass** and **ceramics** in the UK CBAM, the government has explicitly confirmed that these sectors will **NOT be in scope** for the 1 January 2027 start date.

If you import glass or ceramic products, you do not need to prepare for CBAM liability in 2027. However, the government will keep this under review for potential future inclusion.

## 6.3 Finished goods vs. complex assemblies

A common source of confusion is whether "finished goods" are covered. The rule relies on the distinction between "simple" and "complex" goods:

- **Simple/basic goods (in scope):** These are raw materials or slightly processed items. For example, steel beams, aluminium sheets, or bags of cement are definitely covered.
- **Specified finished goods (in scope):** Some finished metal products are explicitly listed by their CN code. These broadly include "fasteners" and construction materials. If you import steel screws, nuts, bolts, or washers, these **are** subject to CBAM.
- **Complex goods (out of scope):** At present, complex manufactured products that *contain* these materials are generally **not** covered. For example, a car made of steel or a window frame containing aluminium is not currently subject to CBAM. The regulation targets the metal itself, not the complex assembly.



**Graphic 10: Sectors**

## 6.4 Aggregates and downstream expansion

While the current list is limited, the EU is actively reviewing the scope with the intention of expanding it. The European Commission launched a call for evidence on scope extension in August 2025, and subsequently published a legislative proposal in December 2025 to extend CBAM to downstream steel- and aluminium-intensive manufactured goods, with application from 1 January 2028. Potential future additions include organic chemicals and polymers (plastics). NI businesses should treat the current list as a starting point, not a fixed boundary.

### Section summary

- **The trigger:** Only goods listed by specific CN or commodity codes are covered. This is the absolute rule.
- **The list:** EU CBAM covers iron and steel, aluminium, cement, fertilisers, hydrogen, and electricity.
- **The UK difference:** UK CBAM (starting 2027) covers the same physical goods but excludes electricity. It also excludes indirect emissions until 2029 at the earliest, meaning only direct (process) emissions count towards the UK levy initially.
- **Finished goods:** Some finished items like screws and bolts are listed and covered. However, most complex products like machinery or vehicles are not.
- **Action:** NI businesses must classify each product accurately using the tariff code. This is the starting point for every CBAM decision.

## CBAM Scope: The “In or Out?” Traffic Light Guide



**Graphic 11: In or Out?**

## 7. Precursor goods

This section introduces the concept of "ingredients" in the carbon calculation, explaining why businesses need data from further up the supply chain.

### 7.1 Precursor goods

#### What is a precursor?

In the context of CBAM, a "precursor" is simply an input material that is itself a CBAM-covered good, used to manufacture another CBAM-covered good. Think of it as a "carbon ingredient."

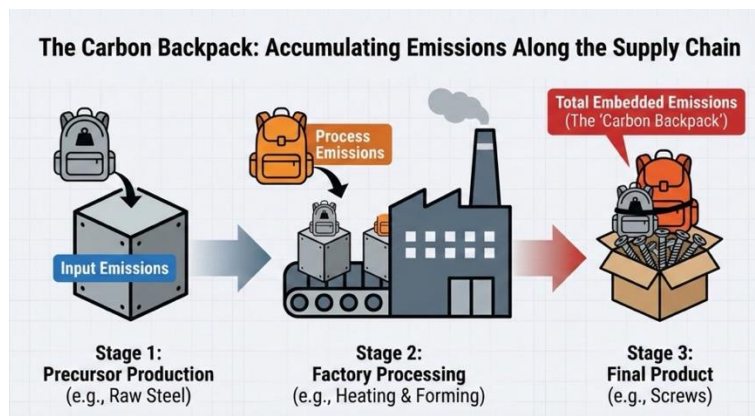
For example:

- **Cement:** "Cement clinker" is a precursor used to make finished cement.
- **Fertilisers:** "Ammonia" and "Nitric Acid" are precursors used to make complex nitrogenous fertilisers.
- **Steel/aluminium:** Raw "pig iron", "steel billets", or "unwrought aluminium" are precursors used to make finished metal products like pipes, screws, or sheets.

### 7.2 Why precursors matter

CBAM requires the calculation of the total embedded emissions of a product. This is not just the carbon emitted during your own manufacturing process (e.g., heating the metal or mixing the cement); it includes the carbon emitted to produce the precursors you used.

If you are an NI manufacturer producing a CBAM good (for export to the EU), or an importer bringing in processed CBAM goods, you cannot treat the input material as having zero carbon. You must "inherit" the specific embedded emissions of the precursor and add them to the emissions generated during your own processing stage. [Tool 3: Emissions Calculator](#) performs this "bubble" calculation automatically.



**Graphic 12: The Carbon Backpack**

## 7.3 The "bubble" concept

When calculating emissions, the regulation treats the production process as a "system boundary." You must account for three distinct types of carbon:

1. **Direct emissions:** The emissions released directly from the factory (e.g., burning fuel in a furnace or chemical reactions).
2. **Indirect emissions:** The emissions generated by the production of the electricity consumed during the manufacturing process.
3. **Precursor emissions:** The embedded emissions of the input materials (ingredients) entering the factory.

### Critical divergence: The "electricity split" (EU vs. UK)

While you generally need data for all three categories, the **UK and EU regimes treat Indirect Emissions differently** during the initial phase. This creates a significant cost difference for Northern Ireland businesses depending on the trade route.

#### 1. EU CBAM (Exports to ROI/EU): Indirects are IN











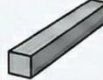
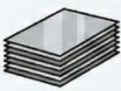

- **Rule:** For goods sent to the EU (e.g., selling to a customer in Dublin), you **must report** indirect emissions immediately.
- **Impact:** Your EU customer requires data on the electricity consumption of your product to be compliant.

#### 2. UK CBAM (Imports to NI from Overseas): Indirects are DELAYED

- **Rule:** The UK Government has confirmed that **indirect emissions will be excluded** from the UK CBAM liability until **2029 at the earliest**.

- **Impact:** If you import electro-intensive goods (like Aluminium) from overseas into Northern Ireland, your tax liability in 2027 and 2028 will be calculated **only on Direct and Precursor emissions**. You will not pay for the embedded electricity during this period.

**Strategic note for aluminium importers:** Since aluminium production is electricity-intensive, the exclusion of indirect emissions means the UK CBAM levy on aluminium will be significantly lower than the EU CBAM cost for the same product between 2027 and 2029. However, you should continue to collect electricity data from suppliers now to future-proof your system for the 2029 inclusion date.

 Industry	 Key Precursor
 Cement	 Clinker
 Fertiliser	 Ammonia  Nitric Acid
 Iron & Steel	 Direct Reduced Iron (DRI)  Pig Iron  Billets
 Aluminium	 Unwrought Aluminium

**Graphic 13: Common Precursors**

### UK-produced precursors: a built-in deduction

Where an imported complex CBAM good contains a precursor that was originally produced in the UK, the emissions attributable to that UK-origin precursor are deducted from the total embodied emissions of the good before CBAM is calculated. In practical terms, you only pay UK CBAM on the portion of the embodied emissions that was generated outside the UK.

**This relief applies to UK CBAM only.** It does not affect your EU CBAM obligations on goods exported into the Republic of Ireland or elsewhere in the EU - those are governed by the EU regime, which has its own rules on precursor treatment.

The rationale is simple. A precursor made in the UK has already been exposed to the UK Emissions Trading Scheme, so charging it again under CBAM on re-entry would mean paying for the same tonne of carbon twice. The exemption prevents that double-counting.

A realistic NI example: an NI engineering firm imports a fabricated steel assembly from a supplier in Asia. Part of the input into that assembly is rolled steel originally produced at a UK mill, exported to the supplier, and incorporated into the finished product. On re-import into the UK, the single global default embodied emissions of the UK-origin steel can be

stripped out of the CBAM calculation, and only the emissions of the overseas fabrication work and the non-UK inputs remain liable.

### A few practical points:

- The exemption is evidence-driven. You will need documentation from the overseas installation showing the quantity of UK-origin precursor used, its UK origin, and the associated emissions to be deducted. This typically means a statement from the producer plus supporting records of origin and carbon pricing exposure. Tool 5 (Supplier Data Request Template) is the natural place to capture this information - flag it to suppliers early, because retrofitting the data after the fact is difficult.
- The deduction applies to the emissions, not to the value or weight of the good for registration-threshold purposes. A complex good containing UK-origin precursors still counts in full towards the £50,000 threshold under both liability tests. The relief only reduces the tax once you are in the system - it does not keep you out of the system.
- The exemption is specific to UK-produced precursors. Emissions from EU-origin precursors, or from precursors produced in any other jurisdiction, are not deductible under this provision - though separate Carbon Price Relief (Section 10.3) may be available if those precursors were subject to a qualifying carbon pricing scheme in their country of origin.
- Where the UK-origin precursor was itself a CBAM good that has been exported and is returning as part of a complex good, this relief sits alongside the returned goods provisions described earlier. The two reliefs are complementary, not alternatives.

If your supply chain involves overseas suppliers building products around UK-origin materials, this is worth mapping now: it can make a material difference to your eventual CBAM bill, but only if the evidence is in place when the return is submitted.

### Section summary

- **Key summary:** A "precursor" is an ingredient. If you make bread, flour is the precursor. If you make cement, clinker is the precursor.
- **The rule:** You are responsible for the carbon footprint of the ingredients, not just the 'cooking' process.
- **For fertilisers:** The emissions from ammonia inputs are often the biggest part of the final footprint.
- **For metal goods:** If you import steel screws, the carbon calculation includes the emissions from making the original raw steel.
- **Action:** You must ask your raw material suppliers for their emissions data. You cannot calculate your product's final footprint without knowing the footprint of the inputs.

**UK note:** The UK CBAM excludes indirect emissions from liability calculations until 2029 at the earliest. This means electricity-related emissions are not part of your UK CBAM cost initially, but you should still collect electricity data from suppliers in preparation for the 2029 inclusion date.

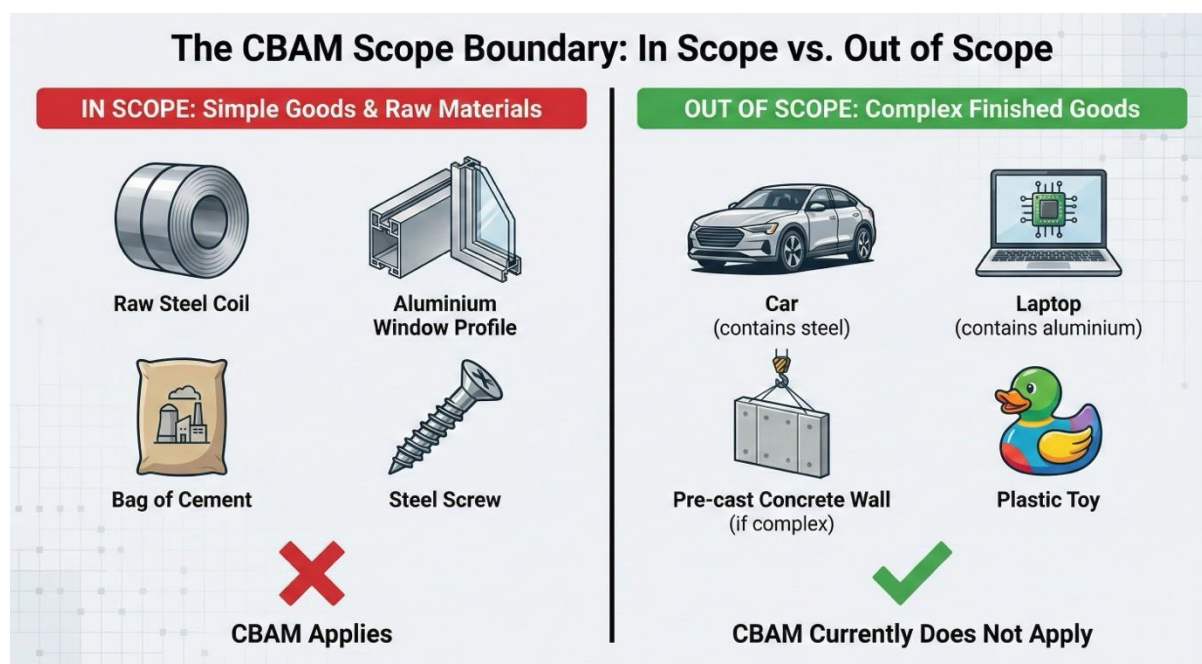
## 8. Finished products not listed (but precursors are)

### 8.1 The current scope boundary

A common question from manufacturers is whether a complex product, such as a machine, a vehicle, or an electronic device, is subject to CBAM because it contains steel or aluminium.

Under the current 2025–2026 rules, the answer lies strictly in the classification of the final product being imported or exported.

- **The rule:** If the specific CN code of the finished product is **not** listed in the CBAM regulation, the product is **out of scope**.
- **The implication:** This applies even if the product contains significant amounts of CBAM materials. For example, a washing machine is largely made of steel, but because the CN code for washing machines is not on the CBAM list, it does not currently require a CBAM declaration when imported into the EU or UK.

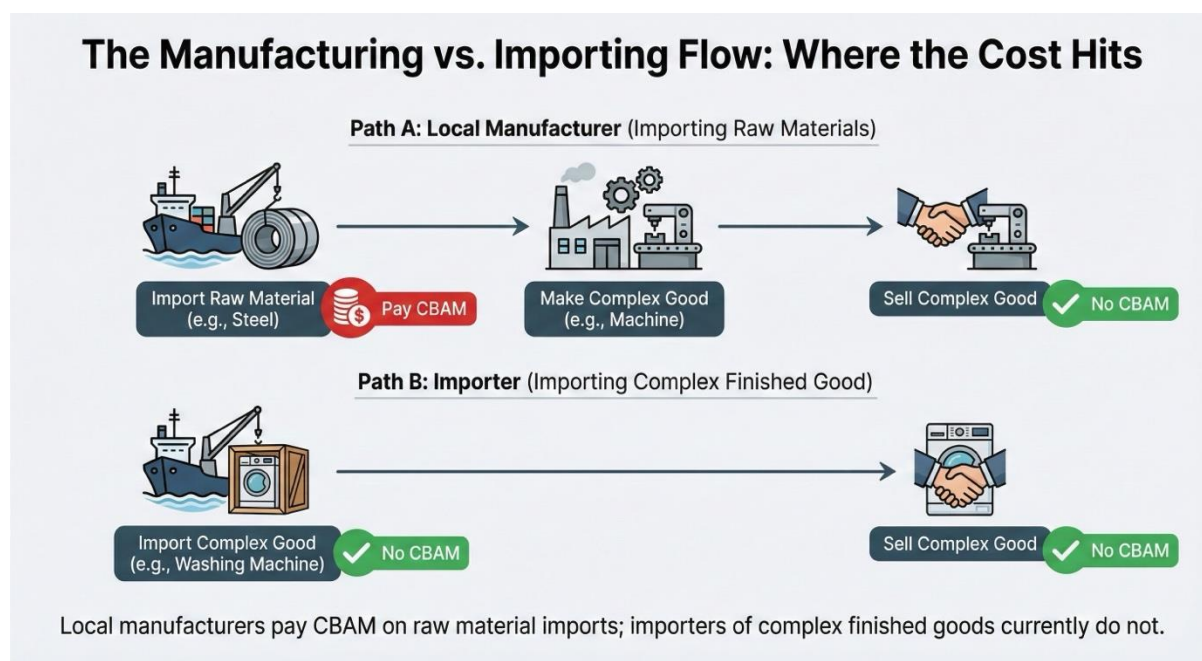


Graphic 14: CBAM Scope Boundary

### 8.2 The "domestic manufacturing" distinction

It is vital to distinguish between importing a finished good and manufacturing one using imported materials.

1. **Importing the finished good:** If you import a finished washing machine from China into Northern Ireland, you generally do not pay UK CBAM on it (because the machine is out of scope).
2. **Manufacturing the finished good:** If you import raw steel sheets from China to *manufacture* washing machines in Northern Ireland:
  - You **are liable** for UK CBAM (from 2027) on the import of the steel sheets.
  - However, when you export the finished washing machine to the EU, your EU customer is **not liable** for EU CBAM (because the machine is out of scope).



**Graphic 15: The Manufacturing vs Importing Flow**

## 8.3 Anti-circumvention and future risks

Regulators are aware that this boundary creates an incentive to modify products slightly to change their classification to a non-CBAM code. This is known as "circumvention."

- **Monitoring:** The EU and UK authorities monitor trade patterns for sudden shifts. If there is a spike in imports of slightly modified steel products that fall just outside the list, they can rapidly extend the scope to cover them.
- **Expansion plans:** The European Commission published a legislative proposal in December 2025 to extend CBAM to downstream steel- and aluminium-intensive

finished goods, with a proposed application date of 1 January 2028. While complex goods may be exempt today, businesses should not build their long-term strategy on this exclusion remaining permanent.

### Section summary

- **Code importance:** If your finished product's commodity code is not on the list, it is currently exempt.
- **'Ingredients' vs. 'meals':** If you import the 'meal' (e.g. finished machine), it is exempt. If you import the 'ingredients' (steel/aluminium) to cook it yourself, those ingredients are taxed.
- **Avoid circumvention:** Attempting to slightly modify a product just to change its code (e.g. adding a bolt to a steel plate to call it a "structure" vs "plate") is considered circumvention and carries heavy penalties.
- **Future proofing:** Even if your finished product is out of scope now, keep track of your supplier's emissions data. The Commission published a downstream scope extension proposal in December 2025, with further expansions likely in the coming years.

## 9. Systems recommendations (evidence pack, data, recording)

### 9.1 The "minimal burden" approach

For most Small and Medium Enterprises (SMEs) in Northern Ireland, complying with CBAM does not require purchasing expensive new carbon accounting software. A robust system can be built using standard tools (like Excel and SharePoint) provided the underlying process is disciplined.

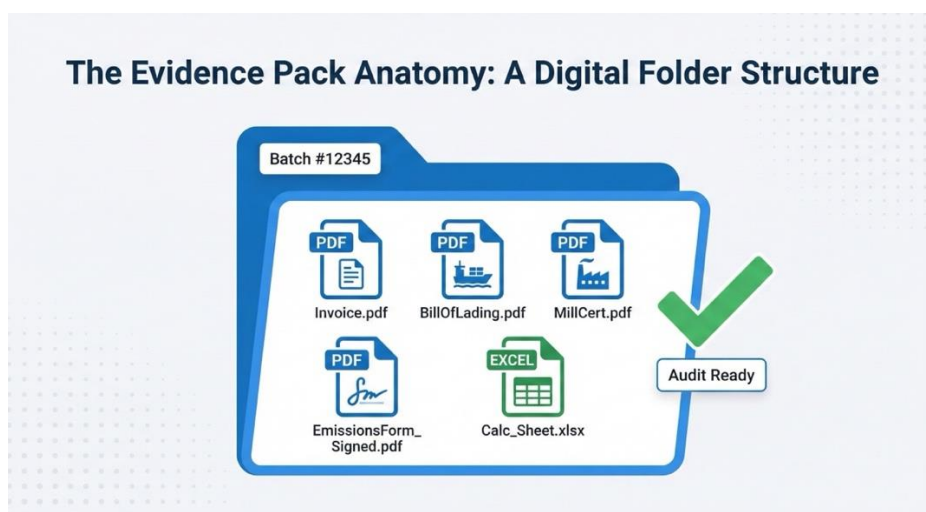
The goal is to create a "Single Source of Truth" for your carbon data that is audit-ready at any time.

### 9.2 The CBAM evidence pack

For every shipment of covered goods, you should create a digital "Evidence Pack." This is a standardised folder containing all the documents required to prove the origin and emissions of that specific consignment.

A compliant Evidence Pack must typically contain:

- **Commercial documents:** The commercial invoice and Bill of Lading (proving the quantity and origin).
- **Production data:** The Mill Certificate or Lab Report (identifying the specific batch).
- **Emissions statement:** The "Carbon Declaration" form signed by the supplier, detailing the specific embedded emissions (direct and indirect).
- **Calculation record:** A copy of the spreadsheet calculation used to convert the supplier's data into the final CBAM figure.



**Graphic 16: The Evidence Pack Anatomy**

### 9.3 The master data sheet

While Evidence Packs store the proofs, you need a central register to track your cumulative liability. We recommend a "Master Spreadsheet" (included in the SME Toolkit, [Tool 3](#)) that records:

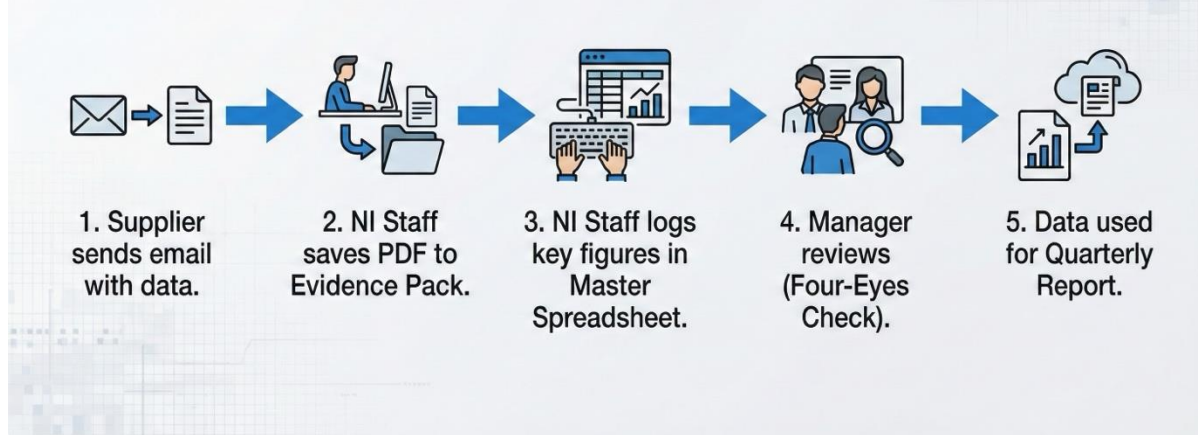
- Date of import
- Customs Entry Number
- Commodity Code (CN Code)
- Country of Origin
- Net Mass (Tonnes)
- Embedded Emissions (Tonnes CO<sub>2</sub>e)
- Carbon Price Paid (if any, in the country of origin)

### 9.4 Validation and "four-eyes" checks

Data entry errors are the biggest risk. A decimal point error in a carbon intensity figure can increase your liability tenfold.

- **The rule: Implement a "four-eyes" check where a second person reviews the data entry against the supplier's evidence before the quarter is closed.**
- **Variance checks:** Your system should flag outliers. If one shipment of steel has an emissions factor of 1.8 and the next has 0.2, the system should prompt a check.

## The CBAM Data Flow Process: From Supplier to Report



**Graphic 17: The Data Flow Process**

## 9.5 Third-Party Verification

Your internal checks (Section 9.4) are essential, but both the EU and UK regimes also require independent, external verification of certain data. Understanding what needs to be verified, by whom, and when is critical to avoiding compliance problems.

### What Needs to Be Verified?

The verification requirements differ depending on the regime and what you are claiming.

Under the **EU CBAM** (from 2026), the embedded emissions declared in your annual CBAM declaration must be verified by an accredited verifier before you surrender your certificates. This covers the direct emissions from production and, where applicable, indirect emissions from electricity used in manufacturing. If you are relying entirely on the European Commission's published default values for a particular entry, verification of those specific entries may not be required -but you must document and justify why actual data was not available.

Under the **UK CBAM** (from 2027), verification requirements apply specifically when you intend to claim **carbon price relief**, that is, a deduction for carbon costs already paid in the country of origin. In that case, the following data must be independently verified:

- The total emissions (in tonnes of CO<sub>2</sub> equivalent) produced by the installation that manufactured the goods.
- The proportion of those emissions that were subject to a carbon pricing scheme.
- The proportion covered by free allowances.
- Any monetary support (rebates or refunds) the installation received that was linked to its emissions.
- Where relevant, the emissions factors used under an indirect carbon pricing scheme.

If you are **not** claiming a deduction for carbon prices paid abroad (for example, if your supplier is in a country with no carbon pricing), the UK verification requirements for carbon price relief do not apply to that shipment. However, you must still be able to justify the emissions figures used in your return.

### Who Can Verify?

Not just anyone. Both regimes require the verifier to be formally accredited and independent.

For the **EU**, the verifier must be accredited by a National Accreditation Body in an EU Member State, in line with the EU CBAM Implementing Regulation. The European Commission maintains a list of accredited verifiers through the CBAM Registry.

For the **UK**, the draft secondary legislation sets out specific requirements. The verifier must be accredited to all four of the following international standards:

- **ISO/IEC 17029:2019** - Conformity assessment: general principles and requirements for validation and verification bodies.
- **ISO 14064-3** - Greenhouse gases, Part 3: specification with guidance for the validation and verification of greenhouse gas assertions.
- **ISO 14065:2020** - General principles and requirements for bodies validating and verifying environmental information.
- **ISO 14066** - Environmental information: competence requirements for teams validating and verifying environmental information.

The accreditation must be issued by a body that is a full member of the **Global Accreditation Cooperation Incorporated (GACI)** and a signatory to the Global Accreditation Cooperation Multilateral Recognition Arrangement. GACI replaces the former International Accreditation Forum (IAF), so any accreditation references you encounter using the older "IAF" name should be read as referring to the same cooperation under its new structure. In the UK context, verifier accreditation will typically be issued through **UKAS** (the UK Accreditation Service), which is the UK's national accreditation body and a GACI member. Critically, the verifier must be **independent** of:

- The installation (factory) where the goods were produced.
- The importer claiming the relief.
- The government authorities administering the carbon pricing scheme in the country of origin.

In practice, this means you cannot use your existing auditor or consultant if they also advise the overseas supplier on their carbon reporting.

### The UK Carbon Pricing Verification Form

For UK carbon price relief claims, the process centres on a specific document: the **Carbon Pricing Verification Form**. This is a standardised form that HMRC will publish electronically. The form must be:

- Completed by the accredited verifier (not by you or your supplier).

- Provided by the verifier to the installation that manufactured the goods.
- Obtained by you (the importer) from that installation before you submit your CBAM return.

The form must contain verified data from a calendar year that is one of the **two years prior** to the year of importation. For example, for goods imported in 2027, the verified data must relate to either 2025 or 2026 production.

You then use the data in this form to calculate your carbon price relief using the method set out in the UK regulations (see Section 10.3).

### Practical Steps for NI Businesses

- **Ask your suppliers now** whether they have access to an accredited verifier in their country. If they do not, this is a risk to flag early -without a verified form, you cannot claim any deduction for carbon prices paid abroad, which could significantly increase your UK CBAM bill.
- **Budget for verification costs.** Verification is a professional service and will carry a fee. For smaller importers, it may be worth coordinating with other customers of the same supplier to share the cost of a single verification engagement.
- **Keep the verification form in your Evidence Pack** (see Section 9.2). It is the single most important document for any carbon price relief claim and must be retained for at least six years (see Section 9.6).
- **Do not confuse internal checks with formal verification.** Your "four-eyes" review (Section 9.4) is good practice for catching data entry errors, but it does not replace the requirement for an independent, accredited verifier where the regulations demand one.

## 9.6 Record retention

Both the EU and UK regulations require strict record retention, but the minimum periods differ. Under the EU CBAM, you must keep records of the information used to calculate declared emissions for at least four years after the year in which the declaration was submitted. Under the UK CBAM, records must be preserved for six years after the end of the relevant accounting period to which they relate. Because NI businesses may be subject to both regimes in parallel, you should plan for a minimum six-year retention period to satisfy both.

### Section summary

- **Key summary:** You do not need expensive software. A well-organized system of folders and spreadsheets is sufficient for most SMEs.
- **Quality control:** Keep one master list of all imports and their carbon scores. Do not rely on scattered emails.
- **Verification ready:** Imagine an auditor is coming tomorrow. Could you show them the specific email or lab report that justifies the number you put in your tax return? If not, your system is failing.
- **Dual compliance:** Because NI trades with both the UK and EU, set your file structure up to handle both. Group files by "Quarter" and then by "Regime" (EU Export vs UK Import).

- **Written evidence:** If it is not written down and saved in the Evidence Pack, it does not exist.

## 10. Purchasing certificates / return payments.

This section contrasts the two financial mechanisms; certificates for the EU versus a tax return for the UK; and outlines the specific steps NI businesses must take to pay what is owed.

While both systems aim to price carbon, the way you actually pay differs significantly. The EU uses a "trading" model where you buy digital certificates. The UK uses a "taxation" model where you file a return and pay a bill.

### UK CBAM: the legislative picture at a glance

The UK CBAM sits on three layers of law and guidance, which this section refers to throughout:

- **Primary legislation - Finance Act 2026.** This establishes the UK CBAM, the liable person, the tax point, the registration threshold, the penalty framework, and the enabling powers for secondary legislation.
- **Draft secondary legislation - released in two tranches.** The first tranche was published on **10 February 2026** for technical consultation (closed 24 March 2026). The second tranche was published on **9 April 2026** for technical consultation (closes **21 May 2026**) and includes the **system boundaries reference document** and the **force-of-law notices** referenced later in this guide. Four named instruments make up the package:
  - The Carbon Border Adjustment Mechanism (Administrative Provisions) Regulations 2026 - covering registration, returns, reimbursement, weight, and record keeping.
  - The Carbon Border Adjustment Mechanism (Calculation of CBAM Rate and Determination of Carbon Price Relief) Regulations 2026 - covering the rate, CPR eligibility and methodology, currency conversion, and record keeping for CPR.
  - The Carbon Border Adjustment Mechanism (Transitory Provision) Regulations 2026 - modifying registration, accounting periods, and payment dates for the first year of the scheme.
  - The Carbon Border Adjustment Mechanism (Emissions and Verification) Regulations 2026 - covering the calculation of embodied emissions, monitoring and verification, and verifier accreditation.
- **GOV.UK guidance and HMRC notices.** HMRC will publish operational guidance ahead of 1 January 2027, including the default emissions values, the Carbon Pricing Verification Form template, and the quarterly CBAM rate tables.

Because the secondary legislation is still in draft, specific wording may change before the final instruments are laid. The details in this guide are accurate as of the most recent consultation tranche. Businesses should treat the underlying direction of travel as settled, but check HMRC's CBAM pages before relying on precise numerical or procedural detail for compliance decisions.

## 10.1 The EU system: Buying & surrendering certificates (from 2026)

If you are the importer of record for goods entering the EU (or ROI), you must become an "Authorised CBAM Declarant."

- **Step 1: Application (apply by mid-2025):** You must apply for authorised status via the CBAM Registry. This requires a clean compliance record (no serious tax/customs infringements in the last 5 years) and proof of financial solvency. If your business has been established for less than two years, you may need to provide a financial guarantee.
- **Step 2: Purchasing certificates:** You do not pay a fixed tax rate. Instead, you buy "CBAM certificates" from a central EU platform. **Sales of CBAM certificates will commence on 1 February 2027** for emissions embedded in 2026 imports. For the **2026 compliance year**, the certificate price will be calculated based on the **quarterly average** of EU ETS auction prices for each quarter of 2026. **From 2027 onwards**, the price will revert to a **weekly average** of EU ETS auction prices (e.g., €80 per tonne). Certificates can be purchased at any time once sales open and may be carried forward to future years or sold back to the Registry if excess certificates are held.
- **Step 3: Quarterly top-ups:** You cannot wait until the end of the year to buy everything. At the end of each quarter, you must ensure you have enough certificates in your account to cover at least **50%** of the emissions inherent in the goods imported since the start of the year. *(Note: This requirement was reduced from 80% under Regulation (EU) 2025/2083, the CBAM Simplification Regulation adopted in October 2025, to ease cash flow pressures on importers.)*
- **Step 4: Annual surrender:** Annual Surrender: By **30 September** of the following year (e.g., **30 September 2027** for goods imported in 2026), you must "surrender" (cancel) the exact number of certificates corresponding to your total verified emissions. *(Note: This deadline was extended from 31 May under Regulation (EU) 2025/2083, the CBAM Simplification Regulation adopted in October 2025, to give importers additional time to gather verified data and complete declarations).*

## 10.2 The UK system: The CBAM levy (from 2027)

The UK mechanism is designed to function more like a tax or excise duty. Instead of purchasing certificates on a trading platform, you will file a return and pay a charge based on a published rate.

**Liability threshold:** You must register with HMRC if the value of your imported "CBAM goods" meets or exceeds £50,000. The threshold is assessed through two separate tests that you must apply in parallel:

- Forward-looking test - on any given day, do you expect the total value of your CBAM goods passing the UK tax point over the next 30 days to meet or exceed £50,000? If yes, your liability to register begins on that day.
- Backward-looking test - on the first day of each month, look back over the preceding 12 months. If the total value of CBAM goods that have already passed the tax point meets or exceeds £50,000, your liability to register begins on that day.

If both tests are met, your registration liability starts from the earlier of the two dates. For imports during 2027 (the first year of the scheme), the backward-looking test only needs to look back to 1 January 2027, not a full 12 months.

The value used for both tests is the same value that would be used to calculate customs duty on the goods. This means a single large consignment can trigger registration under the forward-looking test even if your cumulative imports over the previous year are well below £50,000 - SMEs should not assume the rolling 12-month figure is the only check that matters.

### Returned goods relief for NI-origin goods

The UK CBAM includes a specific relief for Union goods that are exported from Northern Ireland into the EU and later re-imported into the UK. Where this relief applies, the re-imported goods are **not liable** for UK CBAM, and their value does **not count** towards the £50,000 registration threshold under either of the two liability tests described above.

Two conditions must be met:

- The goods must be **re-imported within three years** of their original export from Northern Ireland, and
- They must be returned in the **same state** in which they were exported - that is, they must not have been substantively processed or transformed while outside the UK.

This matters for NI businesses that routinely send goods across the land border for steps such as coating, galvanising, heat treatment, calibration, testing, short-term storage, or rework, and then bring them back into Northern Ireland. Without this relief, each such round trip could in principle trigger a fresh CBAM assessment. With it, the round trip is treated as a non-event for CBAM purposes.

A few practical points:

- The relief is not automatic in the paperwork sense. You will need to **keep evidence** showing that both conditions have been met - typically export documentation from the original NI dispatch, import documentation on re-entry, and a record confirming that the goods were not processed or altered in the interim. The Evidence Pack discipline in Section 9.2 applies here.
- The person re-importing the goods **does not have to be** the same person who exported them originally. A buyer returning goods to an NI seller, for example, can still benefit from the relief, provided the conditions are met.
- "Same state" is a meaningful test. If the goods have been substantively processed abroad - welded into an assembly, cut to a new shape, chemically altered - they are no longer the same goods, and the relief does not apply. Light handling (repackaging,

inspection, cleaning) would not normally break the test, but borderline cases should be checked with a customs adviser.

- This relief sits alongside, and is separate from, the standard UK returned goods relief available to any exporter who re-imports goods within three years. Both can apply to the same consignment; the CBAM-specific provision is what removes CBAM liability specifically.

If in doubt, flag the movement with your customs agent before the goods leave NI. Getting the evidence in place prospectively is much easier than reconstructing it later for a return.

### **Registration: What You Need and How to Do It**

Unlike the EU system (which requires you to apply for "Authorised Declarant" status through a competent authority), UK registration is handled directly through HMRC's online systems, similar to how you would register for VAT or Customs Duty.

You must register electronically using the **CBAM service**, accessed through your existing **Government Gateway account**. If you do not yet have a Government Gateway account, you will need to set one up first (this is free and is the same account used for other HMRC services such as Corporation Tax, PAYE, or Making Tax Digital).

When registering, you will be asked to provide:

1. Your business name, correspondence address, telephone number, and email address.
2. The name and contact details of the officer or employee completing the registration on behalf of the business.
3. The address of your principal place of business (if different from your correspondence address).
4. The legal form of your business, whether you are a limited company, partnership, sole trader, or other structure.
5. Your **EORI number** - this is the Economic Operators' Registration and Identification number assigned by HMRC. If you already import goods, you will have one. If not, you must apply for an EORI before you can register for CBAM.
6. Your **VAT registration number** (if VAT registered).
7. The date on which you triggered the registration requirement - that is, the earlier of the date you first expected your next 30 days of imports to meet or exceed £50,000 (forward-looking test) or the first day of the month on which your preceding 12 months of imports met or exceeded that figure (backward-looking test). The **value of CBAM goods** you have imported or expect to import during the 12 months from the date you triggered registration.
8. The **estimated weight** (in tonnes) of CBAM goods in each CBAM sector (e.g., iron and steel, aluminium, cement) that you expect to import in that same 12-month period.

**Registration Deadline:** The draft Transitory Provision Regulations confirm that for businesses triggering registration in 2027, the deadline to register is **31 January 2028**. This is a transitional easement -the standard requirement under the Finance Act 2026 is registration within 30 days of triggering the threshold, which will apply from 2028 onwards.

**Changes and Errors:** Once registered, you have an ongoing obligation to notify HMRC if any of the information you provided changes or if you discover it was incorrect. This must also be done electronically through the CBAM service.

**Deregistration:** If you stop importing CBAM goods above the threshold, you can request deregistration through the same Government Gateway service.

**Non-Digital Access:** In limited circumstances (no internet access or inability to use it on religious grounds), HMRC may permit registration by telephone or in writing. Businesses should contact HMRC directly to arrange this.

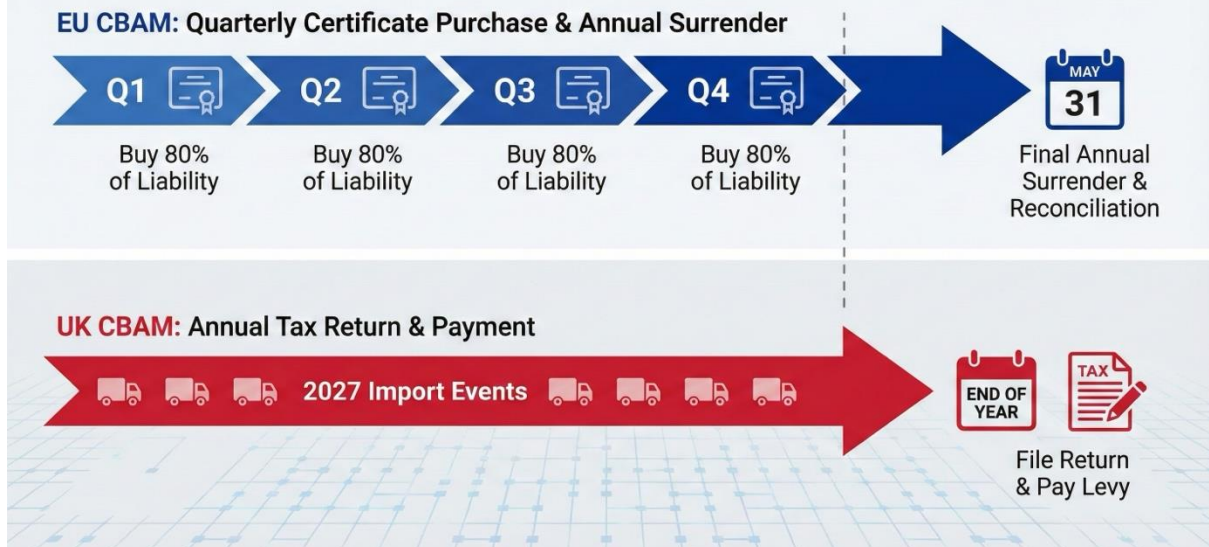
**Practical Note for NI Businesses:** If you are an NI business that also acts as the EU importer of record (for example, selling DDP into the Republic of Ireland), remember that UK HMRC registration does **not** cover your EU obligations. You would need to separately apply to become an Authorised CBAM Declarant through the relevant EU Member State authority (see Section 10.1). The two registrations are entirely independent.

**The payment cycle:** The UK government has confirmed specific accounting periods and payment deadlines:

1. **First year (Transitional Ease):** The first accounting period will cover the full calendar year from **1 January 2027 to 31 December 2027**. You will not have to make quarterly payments during this first year. Instead, you will submit one return and pay the total liability by **31 May 2028**.
2. **Standard cycle (From 2028):** From 1 January 2028, the system moves to quarterly accounting periods (e.g., 1 January to 31 March). The UK draft Transitory Provision Regulations set specific deadlines for the initial quarters of 2028, allowing three to four months after the end of each period for returns and payment. Subsequent quarters are expected to move to a standard deadline of two months after the end of each quarter.

**The rate:** The UK government will publish a CBAM rate (in £ per tonne of CO<sub>2</sub>) that reflects the UK ETS price, adjusted to account for the phase-out of free allowances. You calculate your liability by multiplying your embedded emissions by this rate.

## CBAM Payment Cycle Comparison: EU (Certificates) vs. UK (Levy)

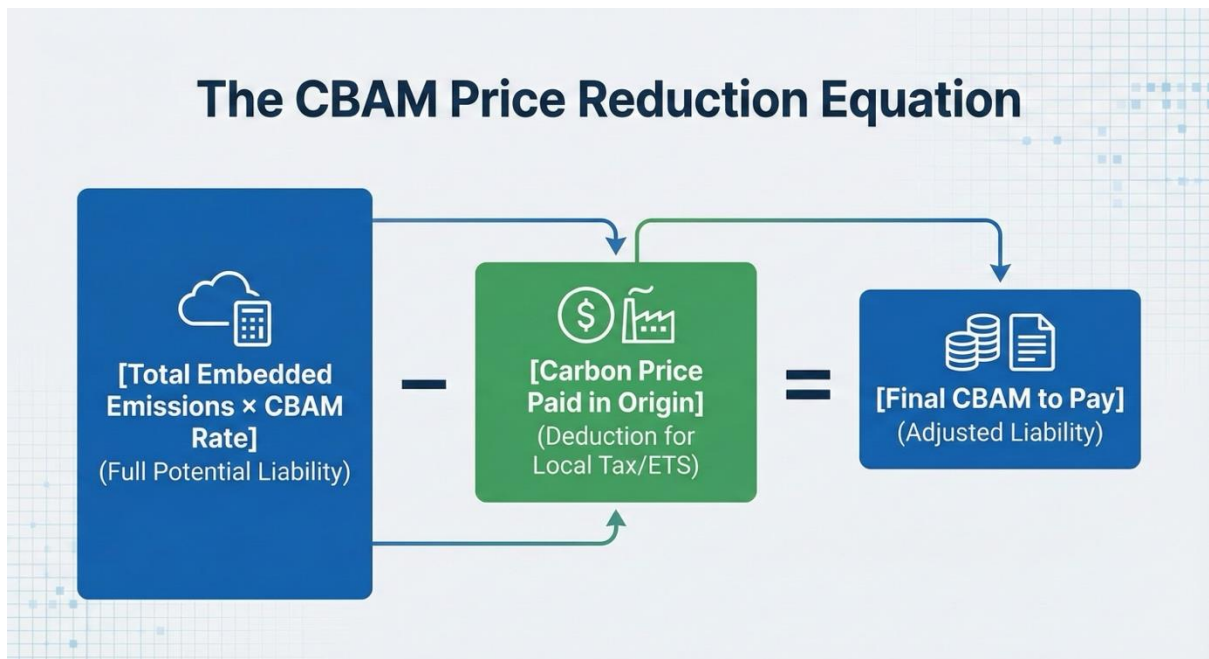


**Graphic 18: The Payment Cycle Process**

## 10.3 Deducting carbon prices paid abroad

In both systems, you do not pay double. If you can prove that a carbon price (such as a local carbon tax or ETS levy) was already effectively paid in the country of origin, you can deduct this amount from your CBAM bill.

- **Evidence:** You must provide official proof of payment and certification that the price was not rebated (e.g., upon export).



**Graphic 19: The "Price Reduction" Equation**

### What Qualifies as a "Carbon Price Paid"?

Not every environmental charge counts. To qualify for a deduction, the price must come from what the regulations call a "qualifying carbon pricing scheme." In plain terms, this means a government-administered scheme (national, regional, or supra-national) that:

- Requires installations producing CBAM goods to participate as a matter of law.
- Imposes a direct cost per tonne of CO<sub>2</sub> emitted, or an indirect cost on the fossil fuels used in production.
- Has publicly available rules, scope, and headline carbon price.

Examples of schemes that would typically qualify include the EU ETS, the UK ETS, China's national ETS, South Korea's ETS, and national carbon taxes such as those in South Africa, Japan, or certain Canadian provinces. Voluntary schemes, industry self-regulation programmes, or internal company carbon pricing do **not** qualify.

### Where to Find Carbon Prices by Country

One of the most common questions from businesses is: "How do I know what carbon price my supplier's country charges?" There is no single official CBAM lookup tool for this, but the following sources provide reliable, regularly updated information:

1. **World Bank Carbon Pricing Dashboard** ([carbonpricingdashboard.worldbank.org](https://carbonpricingdashboard.worldbank.org)) The most comprehensive global reference. It maps every carbon tax and ETS currently in operation, showing the headline price, coverage, and scheme type for each jurisdiction. This should be your first port of call when assessing a new supplier's country.
2. **ICAP ETS Map** ([icapcarbonaction.com](https://icapcarbonaction.com)) -Maintained by the International Carbon Action Partnership, this focuses specifically on emissions trading systems worldwide. It provides detailed factsheets on each ETS, including price histories, sector coverage, and free allocation rules.
3. **European Commission CBAM Resources** -For EU CBAM purposes, the Commission publishes country- and product-specific default emission values. As the definitive regime matures, it is expected to publish or reference recognised carbon prices from third countries that can be used for deduction claims.
4. **HMRC Notices (UK)** -For the UK CBAM, HMRC will publish notices specifying which carbon pricing schemes qualify and how headline prices should be determined. The draft legislation requires that the headline price is taken from the **calendar quarter immediately before the tax point date**. If the price was variable during that quarter, the mean average must be used.
5. **Your Supplier** -In practice, your overseas supplier is the primary source for the actual carbon price data specific to their installation. Tool 5 (Supplier Data Request Template) includes a field for the supplier to declare any carbon price paid per tonne of CO<sub>2</sub>. They must also confirm the price was not rebated or refunded upon export.

### How the Deduction Works in Practice

The basic principle is straightforward: your CBAM liability is reduced by the carbon cost already paid at origin.

Under the **EU system**, when you submit your annual CBAM declaration, you report the carbon price effectively paid in the country of origin. The number of certificates you must

surrender is reduced accordingly. The deduction is calculated per tonne of CO<sub>2</sub>, so if your supplier paid €30/tonne under their national ETS and the EU CBAM certificate price is €80/tonne, you effectively pay the €50 difference.

Under the **UK system**, the process is more structured. You must:

1. Obtain a **Carbon Pricing Verification Form** - completed by an accredited verifier and provided via the installation that produced the goods (see Section 9.5 for verification requirements).
2. Use the data in that form to calculate the **effective carbon price** and the **Carbon Price Relief (CPR)** using the **six-step method** set out in the UK regulations:
  - **Step 1:** Identify the total relevant emissions (in tCO<sub>2</sub>e) produced by the installation in the relevant calendar year, calculated in line with CBAM system boundaries. The year used must be one of the two calendar years before the year of importation.
  - **Step 2:** Within that total, identify how much of those emissions were subject to each relevant element of the qualifying carbon pricing scheme - for example, emissions priced at the headline rate, emissions covered by free allowances in the overseas scheme, or emissions within a graduated or threshold-based band.
  - **Step 3:** Multiply the emissions attributable to each relevant element by the applicable price per tonne (disregarding any monetary support at this stage) and add the results together.
  - **Step 4:** Divide the Step 3 total by the Step 1 total to produce an overall price per tonne of CO<sub>2</sub>e. This is the **effective carbon price**, subject to any adjustment in Step 5.
  - **Step 5 (if applicable):** Adjust the Step 4 price to account for any monetary support, rebate, or compensation the installation received in relation to those emissions. The compensation is converted to a per-tonne figure and deducted from the Step 4 price.
  - **Step 6:** Multiply the adjusted effective carbon price by the embodied emissions of your imported good. The result is your **Carbon Price Relief**, which is deducted from your UK CBAM liability.
3. Convert the CPR figure into pounds sterling, if calculated in a foreign currency, using the HMRC-published exchange rate for the calendar quarter before the good was imported.

The total CPR you claim **cannot exceed** your CBAM liability on the relevant goods - you cannot generate a net credit or carry excess relief forward. If a good has been subject to more than one qualifying carbon pricing scheme (for example, because precursors came from different jurisdictions), the CPR for each price must be calculated separately and then combined on the return.

### Important Practical Points

- **No form, no deduction (UK).** If your supplier cannot arrange for an accredited verifier to complete the Carbon Pricing Verification Form, you cannot claim any relief -even if you know a carbon price was paid. Raise this with suppliers early.
- **Rebated prices don't count.** Some countries rebate or exempt carbon costs on goods that are exported. If the carbon price was refunded when the goods left the

country of origin, it cannot be claimed as a deduction. Your supplier must confirm this in their declaration (Tool 5).

- **Currency conversion.** Where the carbon price was paid in a foreign currency, the UK regulations require conversion to sterling using the exchange rate and method specified in HMRC notices.
- **Timing matters.** For the UK, the relevant headline carbon price must come from the quarter before the tax point. For the EU, the price data relates to the year of production. Ensure your supplier provides data for the correct period.

## Section Summary

- **EU = certificates:** EU = Certificates: You buy digital tokens throughout the year (covering 50% of liability quarterly) and surrender them annually.
- **UK = tax return:** You file a return and pay a charge, similar to VAT or Customs Duty.
- **Authorisation:** If you are the EU importer (e.g. selling DDP to Dublin), you **must** apply to be an "Authorised CBAM Declarant" well before Jan 2026.
- **Cash flow:** Both systems require you to hold cash or certificates *before* the final annual deadline. Plan your working capital accordingly.
- **Incoterms:** Your contract determines who buys the certificates. If you sell DAP, your customer pays. If you sell DDP, **you** pay.
- **Deduction Evidence:** To claim a deduction for carbon prices paid abroad, you need verified proof from your supplier's country. Under the UK system, this means obtaining a specific verification form completed by an accredited independent verifier. No form means no deduction.

# 11. Future cost implications & minimisation

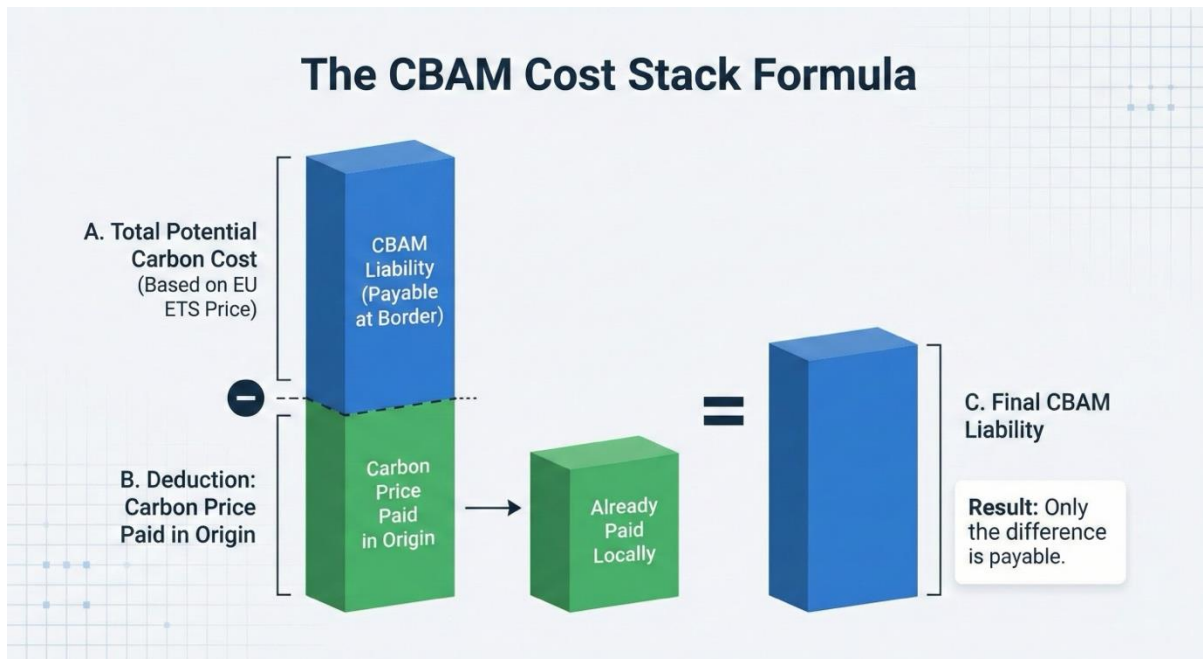
## 11.1 The cost equation

To manage the financial risk of CBAM, you must first understand how the liability is calculated. Whether for the EU (certificates) or the UK (levy), the basic formula remains the same:

**Total cost = (Embedded Emissions × CBAM Price) – (Carbon Price Paid in Origin)**

There are three variables you can influence in this equation:

1. **Embedded emissions:** The total tonnes of CO<sub>2</sub>e in your goods.
2. **CBAM price:** The market rate for carbon (pegged to the ETS).
3. **Origin price:** Any carbon tax already paid to the government of the producing country.



[Tool 6: Cost Modeller](#) allows you to plug in these variables to estimate 2027 liability.

### What Feeds into the "Final Carbon Value"? A Worked Example

The formula above looks simple, but each element involves several underlying components. Understanding what sits inside each variable is essential for accurate cost planning. The following example illustrates how the numbers come together under each regime.

#### The Scenario

An NI steel stockholder imports 500 tonnes of hot-rolled steel coil from a mill in Turkey. The mill operates under Turkey's national ETS. The stockholder needs to estimate the CBAM cost under both the EU and UK systems for a 2027 import.

#### Variable 1: Embedded Emissions

The supplier has provided actual production data showing a direct emissions intensity of 1.9 tonnes of CO<sub>2</sub> per tonne of steel, and indirect emissions (from electricity used in production) of 0.3 tonnes of CO<sub>2</sub> per tonne of steel.

- EU CBAM (covers both direct and indirect emissions):  $1.9 + 0.3 = 2.2 \text{ tCO}_2\text{e per tonne of steel}$
- UK CBAM (covers direct emissions only until 2029 at the earliest):  $1.9 \text{ tCO}_2\text{e per tonne of steel}$

For 500 tonnes of steel:

- EU total embedded emissions:  $500 \times 2.2 = 1,100 \text{ tCO}_2\text{e}$
- UK total embedded emissions:  $500 \times 1.9 = 950 \text{ tCO}_2\text{e}$

Note: If the supplier had not provided actual data, the importer would need to use default values published by the European Commission (EU) or specified in HMRC notices (UK). These are deliberately set high - for steel, the EU default is derived from the average intensity of the highest-emitting exporting countries. Using actuals almost always results in a lower figure.

### Variable 2: The CBAM Price

This is not a single fixed number. It reflects the carbon market price, adjusted for the proportion of free allowances still given to domestic producers.

*EU side:*

- Assume the EU ETS price averages **€85 per tonne** during the relevant period.
- In 2027, the free allocation adjustment factor means importers pay on approximately **7.5%** of total embedded emissions (the phase-in percentage rises each year until 2034).
- Liable emissions:  $1,100 \times 7.5\% = \mathbf{82.5 \text{ tCO}_2\text{e}}$
- Gross EU CBAM cost:  $82.5 \times €85 = \mathbf{€7,012.50}$

*UK side:*

- Assume the UK ETS average auction clearing price in the preceding quarter is **£65 per tonne**.
- The UK CBAM rate is calculated by reducing this price by the baseline free allocation percentage for the sector, adjusted by an annual factor that mirrors the EU's phase-out schedule. Assume the effective rate after adjustment works out at approximately **£5 per tonne** in the first year (reflecting significant free allowance deduction in early years).
- Gross UK CBAM cost:  $950 \times £5 = \mathbf{£4,750}$

### Variable 3: Carbon Price Paid in Origin (The Deduction)

The Turkish mill participates in Turkey's national ETS. To claim a deduction, the importer must obtain a verified Carbon Pricing Verification Form (see Section 9.5).

The 5-step calculation under the UK system works as follows:

- **Step 1:** Identify total emissions from the installation in the relevant calendar year. The verified data shows the mill produced **850,000 tCO<sub>2</sub>e** across all its output in 2026.
- **Step 2:** Identify how many of those emissions were subject to the Turkish carbon pricing scheme. The verified figure is **680,000 tCO<sub>2</sub>e** (the remainder fell below the scheme's threshold or related to non-covered processes).
- **Step 3:** Multiply the priced emissions by the applicable headline carbon price. Turkey's ETS headline price in the relevant quarter averaged **€10 per tonne**.  $680,000 \times €10 = \mathbf{€6,800,000}$ .
- **Step 4:** Divide by the total emissions figure from Step 1 to get an overall price per tonne:  $€6,800,000 \div 850,000 = \mathbf{€8.00 \text{ per tCO}_2\text{e}}$ .

- **Step 5:** Adjust for any monetary support (rebates, refunds) the installation received that was linked to its emissions. Assume the mill received no such support. The effective carbon price remains **€8.00 per tCO<sub>2</sub>e**.

The **carbon price relief** is then: Effective carbon price × Embedded emissions = €8.00 × 950 = **€7,600** (converted to sterling at the applicable exchange rate per HMRC notices).

For the EU side, the same principle applies -the importer reports the carbon price effectively paid in Turkey, and the number of certificates to surrender is reduced accordingly. Using the same €8.00 effective price: 82.5 liable tonnes × €8.00 = **€660 deduction**, giving a net EU cost of €7,012.50 – €660 = **€6,352.50**.

For the UK side, the relief is applied against the gross liability. However, because the UK CBAM rate in the early years is already heavily reduced by the free allocation adjustment, the effective carbon price paid in Turkey (€8.00/tonne, roughly £7/tonne) may in some cases **exceed** the UK CBAM rate per tonne -meaning the net UK liability could be close to zero in the first year. The maximum relief is capped at the total liability, so you cannot generate a credit.

### The Key Takeaway

The "final carbon value" is not one number -it is the product of several interacting elements: the actual emissions from the factory, the market price of carbon in the EU or UK, the percentage of free allowances still in play, and the verified carbon price already paid in the country of origin. Each of these changes over time -emissions intensity can be reduced through cleaner production, carbon prices fluctuate with the market, the free allowance percentage ratchets up each year, and origin country schemes evolve. This is why CBAM cost planning should be reviewed annually, not treated as a one-off exercise.

## 11.2 The trajectory: Why costs will rise

It is critical to understand that the cost in 2026/2027 is just the starting point. The CBAM rates in both jurisdictions are designed to increase annually as "free allowances" are removed from domestic industry.

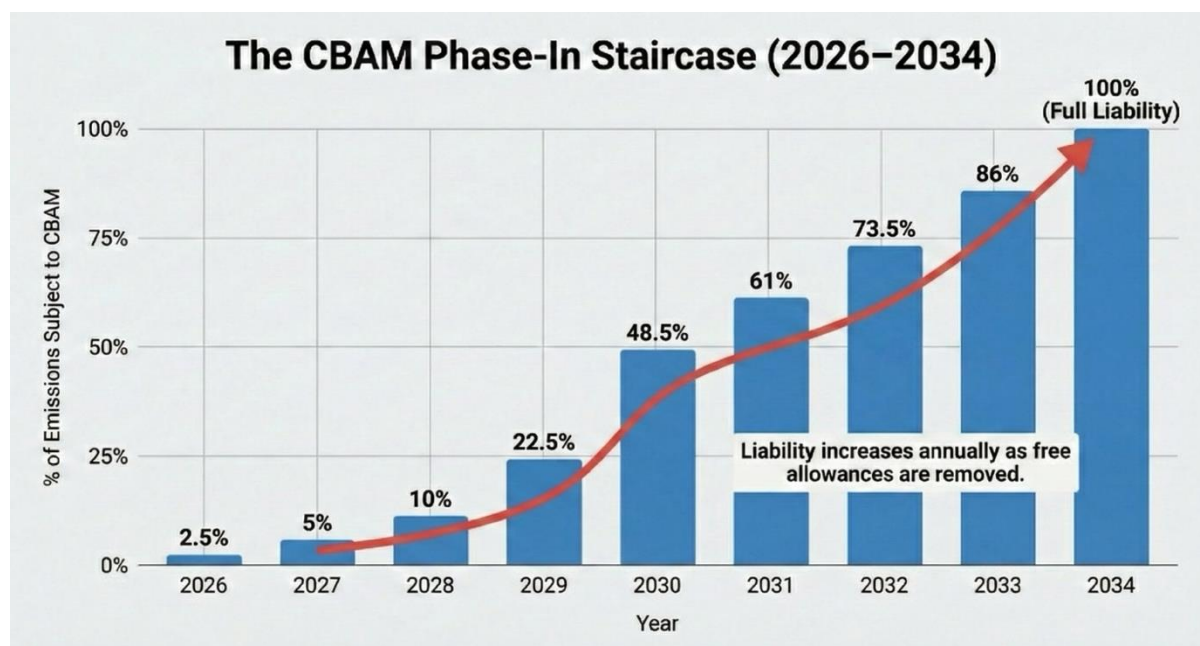
**1. EU phase-out (The "staircase" 2026–2034)** Currently, EU producers receive free carbon allowances to protect them from international competition. These are being phased out between **2026 and 2034**.

- In 2026, you will pay only a small fraction (approx. 2.5%) of the full carbon cost.
- By 2034, free allowances will cease, and you will pay 100% of the carbon cost on imports.

**2. UK phase-out (9 Years from 2027)** The UK has confirmed its own specific trajectory. The UK Emissions Trading Scheme (UK ETS) will phase out free allocations for CBAM sectors over an indicative timeframe of **9 years, beginning in 2027**.

- **The Mechanism:** The UK CBAM rate will include a "reduction factor" that adjusts annually. As free allowances for UK producers decrease over this 9-year period, the CBAM levy on imports will rise proportionally to ensure a level playing field.

**Rising carbon prices** In addition to the removal of free allowances, the underlying price of carbon (the traded market price in the UK and EU ETS) is generally forecast to rise as emissions caps are tightened to meet Net Zero targets. You face a multiplier effect: a higher tax rate applied to a higher carbon price.



**Graphic 21: The Phase-In Staircase**

### Minimisation strategy 1: Move from defaults to actuals

The single most effective way to reduce your CBAM liability immediately is to stop using "default values."

- **The penalty of defaults:** If you cannot provide verified data from your supplier, you must use the European Commission's default values. Under the definitive regime, these are derived from the average emission intensity of the highest-emitting exporting countries, with country- and product-specific values published by implementing acts in December 2025. They are deliberately set high to incentivise the use of actual data.
- **The benefit of actuals:** A specific mill or factory often has a carbon footprint significantly lower than the global default. By obtaining actual data, you simply replace a high number in the equation with a lower one, instantly reducing the tax bill.

### Minimisation strategy 2: sourcing and recycled content

- **Recycled content:** For metals like aluminium and steel, the carbon footprint is heavily dependent on the "scrap" content. Aluminium made from recycled scrap requires up to 95% less energy than primary aluminium. Sourcing materials with higher verified recycled content will drastically lower your embedded emissions figure.
- **Cleaner grids:** Goods produced in countries with renewable-heavy electricity grids (or factories with direct solar/wind supply) will have lower indirect emissions.

### Minimisation strategy 3: deducting local carbon costs

If you import from a country that has its own carbon tax or ETS (e.g., the UK, and potentially others in the future), ensuring you have the evidence to claim the deduction is vital. You generally pay only the difference between the origin price and the destination price. If the prices are linked or equalised in the future, the CBAM cost could drop to zero.

#### Section summary

- **The bill:** Your cost is essentially **Emissions × Price**.
- **The trend:** It starts low in 2026 but ramps up every year until 2034. Do not budget based on 2026 costs staying flat.
- **Data wins:** Using verified supplier data usually results in a lower tax bill than using the "default" penalty values.
- **Material matters:** Cleaner inputs (like recycled aluminium or low-clinker cement) reduce your exposure significantly.
- **Price volatility:** EU/UK carbon prices fluctuate like stock prices. You should plan for price swings in your procurement contracts.
- **Double taxation:** You can deduct any carbon price already paid in the country of origin, provided you have the proof.

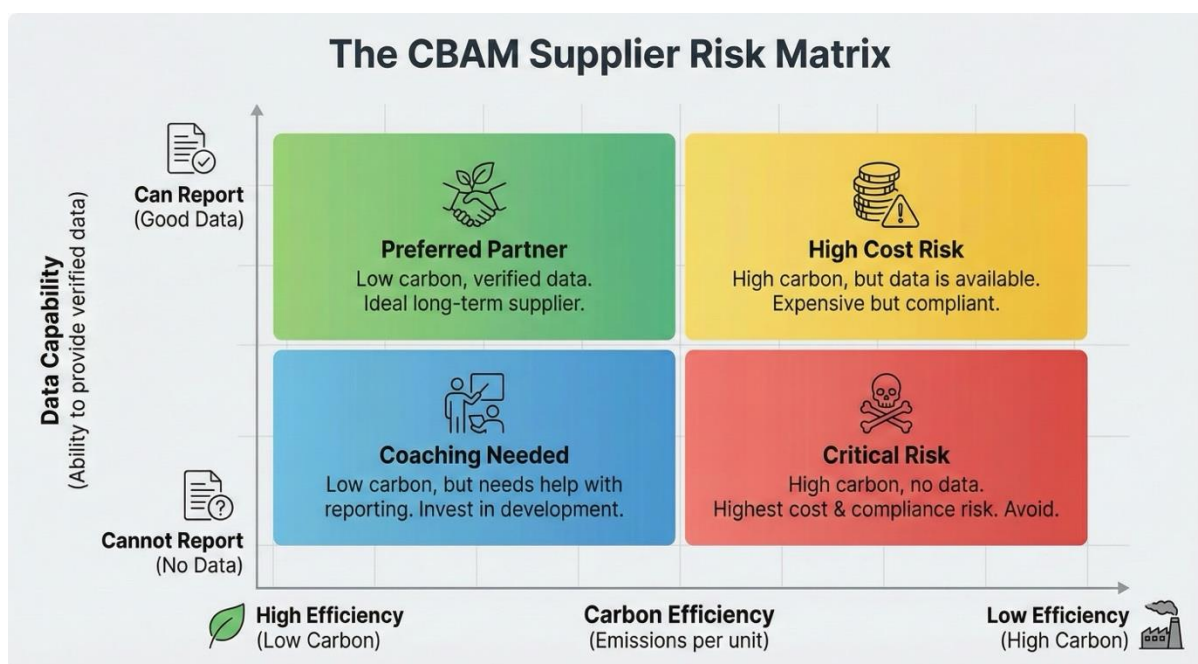
## 12. Supply-chain contingency planning

CBAM should be treated as a material supply chain risk, comparable to currency fluctuation or transport disruption. If a key supplier cannot provide the necessary emissions data, or if their carbon intensity makes their product prohibitively expensive under the new regime, your business continuity could be threatened.

### 12.1 Supplier assessment and diversification

You need to categorise your current suppliers based on their "CBAM Readiness."

- **The risk:** A supplier in a country with no carbon pricing and older technology (high emissions) presents a high financial risk. If they also lack the capability to measure and report that carbon, they present a compliance risk.
- **The contingency:** Identify alternative suppliers who are "CBAM-ready." This might mean looking for suppliers in countries with a linked Emissions Trading System (like Norway or Switzerland) or suppliers in the UK/EU who are already compliant. While the unit price might be higher, the "landed cost" after CBAM might be lower due to the reduced carbon levy and administrative ease.



**Graphic 22: The CBAM Supplier Risk Matrix**

### 12.2 Contractual protections

You should update your purchase contracts to make CBAM cooperation mandatory.

- **Data clauses:** Insert clauses requiring the supplier to provide verified emissions data in the prescribed EU/UK format within a set timeframe (e.g. 14 days after quarter-end). [Tool 5: Supplier Data Request Template](#) provides the example wording and form you need to send.
- **Indemnity:** Consider clauses that allow you to recover costs if the supplier fails to provide data, forcing you to use punitive default values.
- **Change in law:** Ensure your "Change in Law" clauses cover carbon taxes so you are not locked into fixed prices if CBAM rates spike unexpectedly.

## 12.3 Routing and logistics (The NI factor)

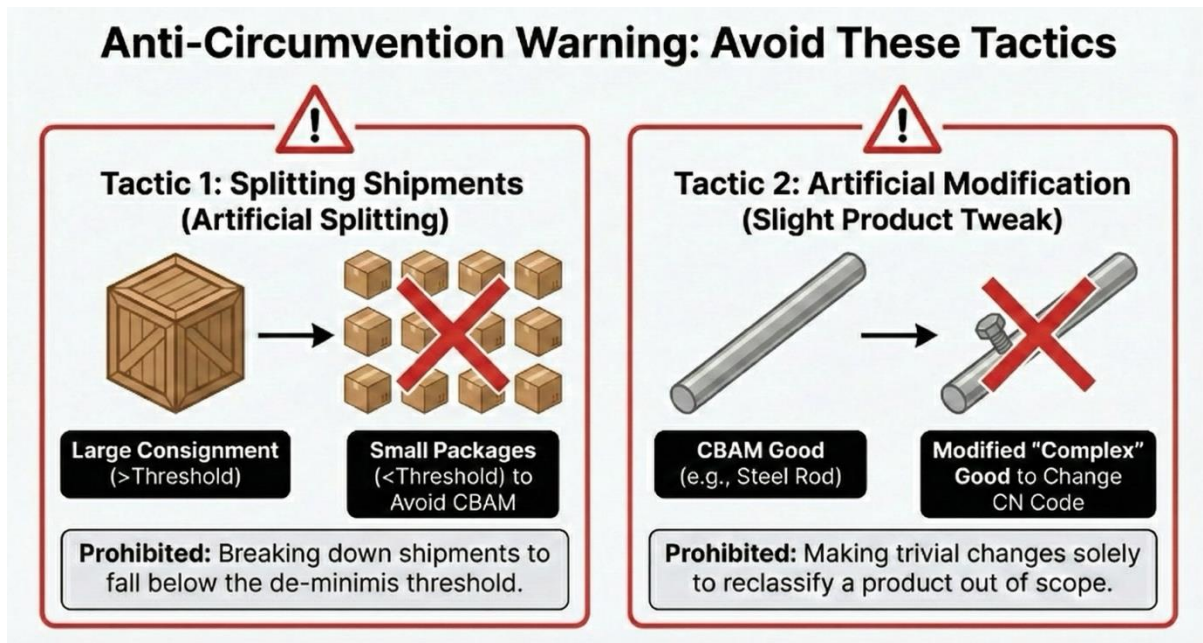
For Northern Ireland businesses, the route matters.

- **Direct vs. indirect:** Bringing goods directly into NI from overseas triggers UK CBAM (from 2027). Moving goods via an EU port might trigger EU CBAM formalities first. Review your incoterms and routing to ensure you are not inadvertently paying double administrative costs or triggering a regime you are not prepared for.
- **Buffers:** As new border checks are implemented, delays are likely. Consider holding additional "safety stock" of critical CBAM materials during the initial implementation periods (Jan 2026 for EU, Jan 2027 for UK).

## 12.4 Anti-circumvention rules

Do not attempt to bypass the rules using "creative" logistics. The regulations contain strict anti-circumvention measures.

- **Splitting consignments:** Splitting Consignments: Breaking shipments into smaller quantities to fall below the de minimis threshold (50 tonnes of cumulative net mass across all covered sectors per year for the EU; £50,000 of CBAM goods over a rolling 12-month period for the UK) is prohibited.
- **Slight modification:** Slightly modifying a product (e.g. adding a trivial part to a steel bar) solely to change its CN code to a non-covered category is illegal.
- **Transshipment:** Routing goods through a third country solely to disguise their true origin is fraud.
- **Penalties:** The penalties for circumvention are severe and can include reclaiming all avoided levies plus heavy fines.



**Graphic 23: Anti-Circumvention Warning**

### Section summary

- **The weak link:** Your supply chain is only as strong as your supplier's ability to count carbon. If they can't provide data, you pay the price.
- **Plan B:** Identify back-up suppliers who are already measuring their emissions.
- **Get it in writing:** Update your contracts. "I forgot" is not a valid excuse to a tax authority; make data provision a condition of payment.
- **Avoid circumvention:** Regulators are actively watching for artificial splitting of shipments or minor product tweaks designed to dodge the tax.
- **Safety stock:** Expect teething problems at the border when these taxes go live. Keep extra inventory.

## 13. Explainer (incl. 2025–2026 changes, key dates & roles)

### 13.1 Common questions from NI businesses

#### Q: Does CBAM apply to goods moving from Great Britain to Northern Ireland?

A: Not currently. As of late 2025, goods moving GB to NI are not subject to EU CBAM formalities. However, this is a key area of negotiation. If the EU deems there is a risk of leakage into the Single Market, they may request CBAM checks on "at risk" goods in the future. For now, the trade remains free of CBAM charges, but you should monitor the "Green Lane" rules closely.

**Q: I am a small NI business exporting to the Republic of Ireland. Do I need to register with the EU?**

A: No, you generally do not need to register yourself. Your customer in the ROI is the "importer of record" and they are the one who must register. However, they will demand emissions data from you. If you sell on "Delivered Duty Paid" (DDP) terms, the situation changes, you become the importer and must register.

**Q: What happens if I can't get data from my Chinese supplier?**

A: You will have to use "Default Values," but it is critical to use the correct set depending on which regime you are reporting to.

- **For EU Exports (NI to ROI):** You or your customer must use the default values published by the European Commission. Under the definitive regime, country- and product-specific default values were published by implementing acts in December 2025. These are based on the emission intensity of the highest-emitting exporting countries and are deliberately set at a punitive level.
- **For UK Imports (Overseas to NI):** Under the **UK system**, importers must use the default emissions values published by HMRC in a GOV.UK notice ahead of 1 January 2027. From the start of the scheme, there will be **one default value per CBAM good** - a single figure applied regardless of country of origin or installation. This contrasts with the EU approach, which uses country-specific defaults. HM Treasury has the power to amend or update UK default values over time where evidence supports a change, and any revisions will be published through the same notice mechanism.

**Q: Is there a minimum threshold?**

A: Yes.

- **EU System:** Under the CBAM Simplification Regulation (EU) 2025/2083, a de minimis exemption applies to importers bringing in less than 50 tonnes of cumulative net mass of CBAM goods across all covered sectors (iron and steel, aluminium, cement, and fertilisers) per calendar year. The European Commission estimates this will remove approximately 90% of importers from CBAM administrative requirements while still capturing 99% of relevant emissions. Note: the exemption does not apply to imports of electricity or hydrogen, which remain subject to CBAM obligations regardless of volume..

**Q: Can I just use the "Default Values" forever to save hassle?**

A: No.

- **EU System:** The use of default values is intended to be temporary or for a limited percentage of total emissions (usually less than 20% of complex goods). Relying 100% on defaults indefinitely is not a compliant long-term strategy.
- **UK System:** While the UK allows default values initially, the government is considering moving to an alternative approach for default values after 2027. You should view defaults as a "safety net" for the first year, not a permanent compliance strategy.

### Q: If the UK and EU carbon prices are the same, does the CBAM charge disappear?

A: It depends on what you mean by "charge." You must distinguish between the **financial cost** and the **administrative liability**.

- **Scenario A (Price Parity Only):** If the UK and EU prices are identical (e.g., £85/tonne), the financial cost might be zero because you can deduct the UK price paid from the EU liability. **However, the paperwork remains.** You or your customer must still file the declarations and prove the UK price was paid to claim that deduction.
- **Scenario B (ETS Linkage):** This is the only scenario that removes the paperwork. If the UK and EU officially "link" their systems (creating a "mutual exemption"), the legal obligation to report vanishes entirely for UK-origin goods.
- **Summary:** Price parity saves you money (via deductions); Linkage saves you time (via exemption).

### Q: Is the CBAM cost discounted to 2.5% of the carbon price?

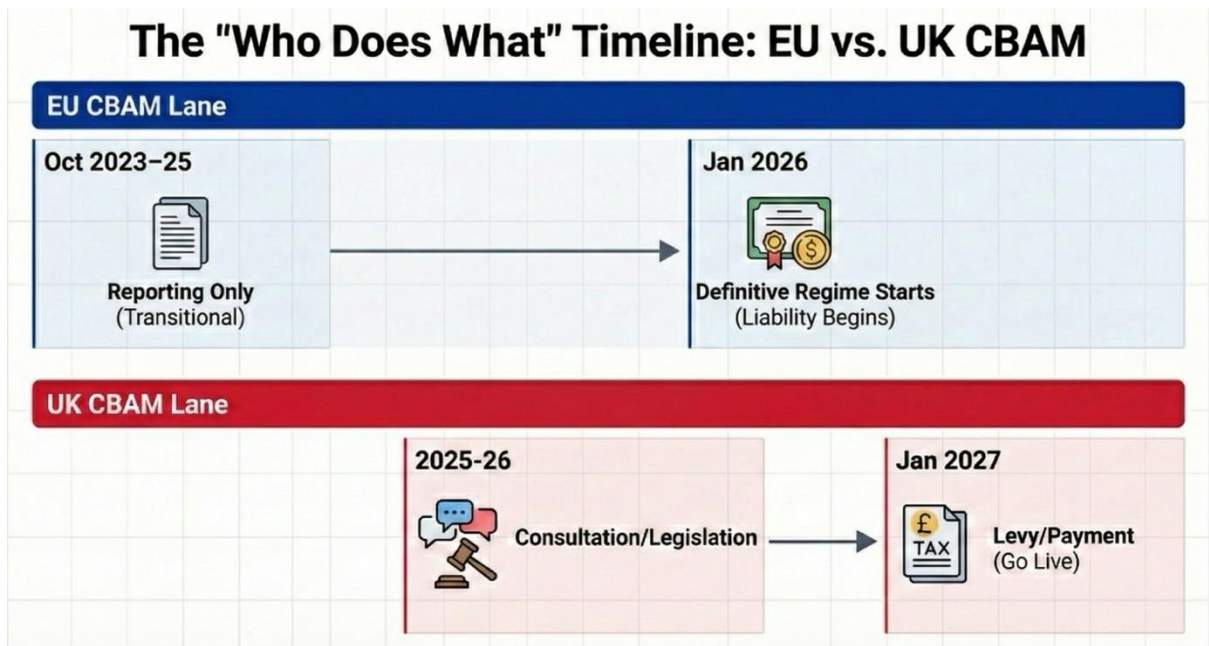
A: No, the carbon price itself is not discounted. The "market price" (e.g., £85 per certificate) remains the full rate. The reduction comes from the **volume** you are required to pay for.

- **The Mechanism:** To mirror the gradual removal of free allowances for local industry, you are only charged for a percentage of your total emissions in the early years.
- **Example (2026):** If you import steel with **100 tonnes** of embedded CO<sub>2</sub>:
  - **The Price:** You pay the full market rate (e.g., £85/cert).
  - **The Volume:** You are liable for only ~2.5% of the emissions (2.5 tonnes).
  - **The Cost:** You buy 2.5 certificates @ £85 = £212.50.
- **The Trajectory:** This percentage rises annually. By 2030, you will pay for ~48.5% of the volume, and by 2034, you will pay for 100%.

### Timeline: Who does what, when?

Period	NI Exporter (to EU/ROI)	NI Importer (from Overseas)
<b>Now (Late 2025)</b>	<b>Support:</b> Provide Q4 2025 emissions data to EU buyers on request.	<b>Prepare:</b> Map your CN codes. Check if you hit the UK £50k threshold.
<b>1 Jan 2026</b>	<b>Critical:</b> Ensure all invoices/packs include emissions data. EU CBAM costs are now "live".	<b>Watch:</b> UK legislation finalized. UK CBAM portal likely opens for pre-registration.
<b>2026 (throughout)</b>	<b>Monitor:</b> EU customers may push for price reductions if your carbon intensity is high.	<b>Collect:</b> Begin asking overseas suppliers for data to be ready for 2027.

Period	NI Exporter (to EU/ROI)	NI Importer (from Overseas)
1 Jan 2027	<b>Routine:</b> Data provision is now business-as-usual.	<b>Action:</b> UK CBAM goes live. You must report and pay the levy on non-UK/EU imports.
30 September 2027	<b>No Action:</b> ((EU customers submit first annual CBAM declarations and surrender certificates for 2026 imports).	<b>No Action:</b> ((UK first accounting period runs full year 2027; first return and payment due 31 May 2028).



**Graphic 24: The Who Does What Timeline**

### Section summary

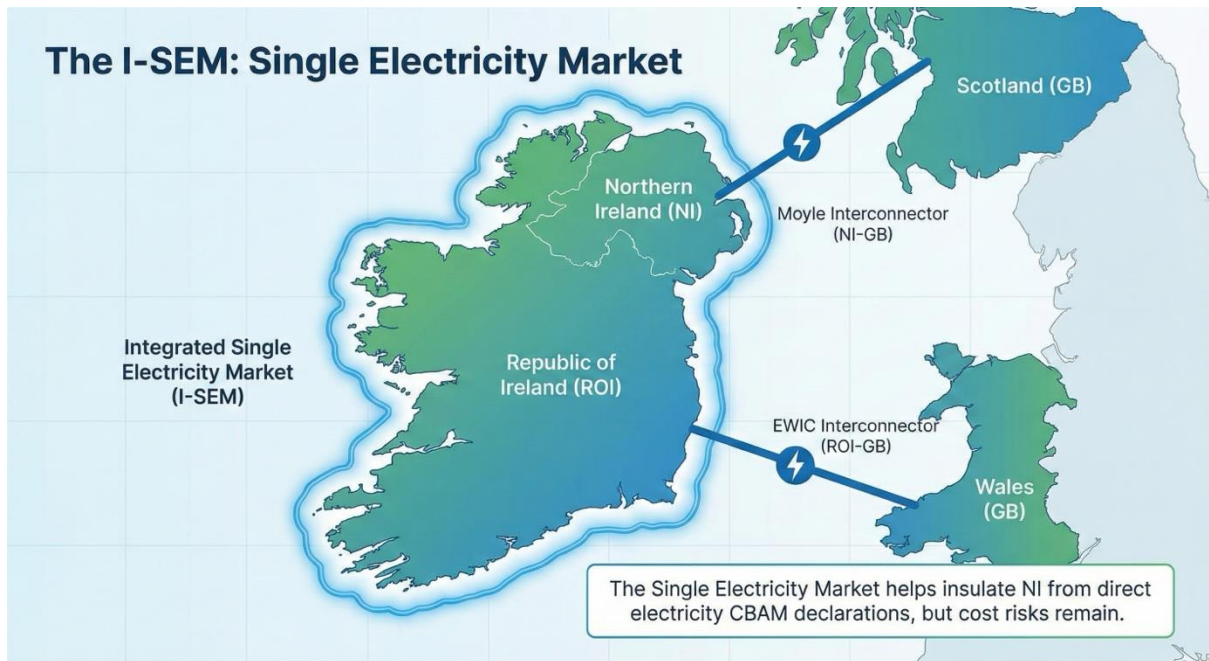
- **EU deadline:** Full financial liability starts **1 Jan 2026**.
- **UK deadline:** Full financial liability starts **1 Jan 2027**.
- **Your role:** If you are an **importer**, you pay. If you are an **exporter**, you provide data.
- **The trap:** Do not ignore requests from ROI customers. If you don't give them the carbon number, they might switch to a supplier who can.
- **The check:** Look at your Incoterms. "DDP" usually means *you* are doing the paperwork. "DAP" usually means *they* are.

## 14. Other NI-relevant points (electricity, ETS linkages, cross-border & policy watch)

### 14.1 The electricity anomaly

Electricity is a covered sector in the EU CBAM but is excluded from the initial phase of the UK CBAM. This creates a specific complexity for Northern Ireland, which shares a wholesale electricity market with the Republic of Ireland (the Integrated Single Electricity Market, or I-SEM).

- **The current status:** Generators in Northern Ireland currently participate in the UK Emissions Trading Scheme (UK ETS). However, under the Windsor Framework, the electricity market in NI generally follows EU rules to maintain the I-SEM.
- **The implication:** For most businesses, the "carbon cost" of electricity is passed through in your utility bill. You generally do not need to file a CBAM declaration for the electricity you consume unless you are directly importing power across a border outside of the I-SEM arrangements.
- **The risk:** The main risk is that electricity imported from Great Britain (GB) into Northern Ireland via the Moyle or EWIC interconnectors could theoretically be subject to a carbon levy if the UK and EU carbon prices diverge significantly. This would result in higher energy costs for NI businesses compared to GB businesses.



**Graphic 25: The I-SEM Map**

## 14.2 The "linkage" solution

Much of the friction described in this guidance could be removed if the UK and EU agree to "link" their Emissions Trading Systems.

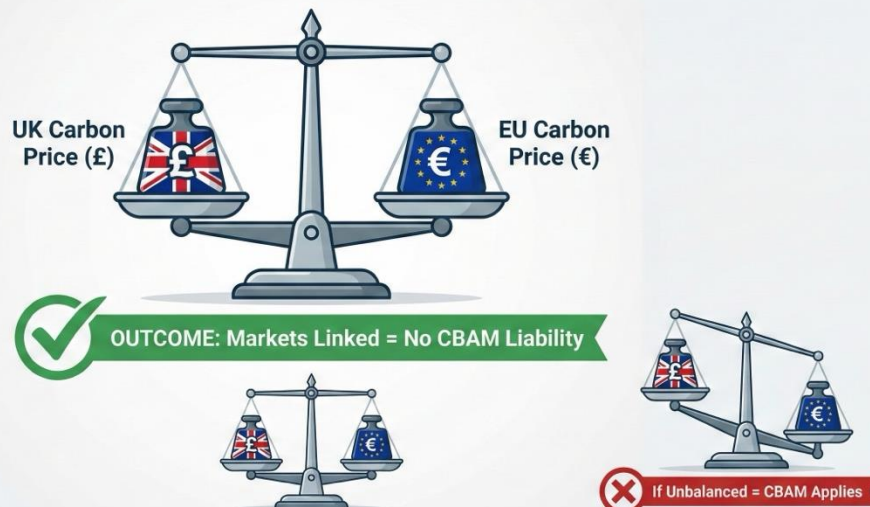
**What is linkage?** Linkage means the UK and EU agree to recognise each other's carbon allowances. This is currently the case between the EU and Switzerland.

**The significant policy shift (May 2025)** Previous ambiguity regarding this solution has been removed. At the **UK-EU Summit held on 19 May 2025**, the UK and EU formally **agreed to work towards linking their respective ETS**. The UK Government has stated it will seek to complete this agreement "as soon as is feasible."

**The effect: mutual exemptions** The UK government has confirmed that this linkage would create the conditions for "mutual exemptions." If finalised, goods originating in the UK would be exempt from the EU CBAM charge (and vice versa). For NI businesses, this would effectively remove the administrative and financial burden of CBAM for cross-border trade with the Republic of Ireland.

**Latest status (as of 5th Dec 2025)** The UK Government has confirmed that the "May 2025 Summit Common Understanding" sets out the agreed parameters for a linkage deal. Officials are currently finalising the timetable for the concluding negotiations. While promising, businesses should note that this confirms the exemption is **not yet "live"** and compliance planning must continue until a final deal is ratified.

## The 'Linkage' Scale: UK & EU Carbon Markets



**Graphic 26: The Linkage Scale**

### 14.3 The "at risk" movement

Under the Windsor Framework, goods moving GB to NI are generally free of EU tariffs if they are "not at risk" of entering the EU.

- **CBAM application:** Currently, EU CBAM formalities do not apply to "not at risk" goods moving GB to NI.
- **Future policy:** The EU retains the right to request that CBAM be applied to these movements if they believe there is a risk of carbon leakage. This would mean NI importers bringing goods from GB would need to prove the UK carbon price has been paid to avoid paying the EU CBAM charge.

#### Section summary

- **Electricity:** While EU CBAM covers electricity, NI businesses generally do not file reports for the power they use. The impact will be felt in the price per kWh, not in paperwork.
- **The "magic bullet":** If the UK and EU link their carbon markets (ETS Linkage), most CBAM costs for trade between NI and the EU/GB will disappear.
- **Policy watch:** CBAM rules are still evolving. The definition of "At Risk" goods could change.
- **Cross-border:** NI shares the wholesale electricity market with ROI (SEM), so NI to ROI flows are not typically treated as standard CBAM electricity imports.
- **Action:** Keep a "policy watch" brief. If news breaks that "UK and EU Link ETS," your CBAM burden for trade with Europe effectively vanishes.

## 15. Case studies & assistance evidence

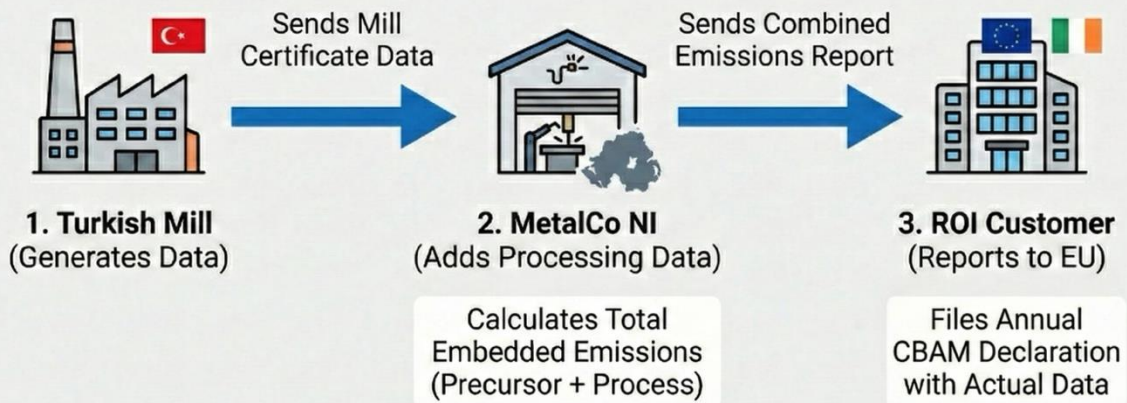
### 15.1 Learning from real-world Scenarios

To help you visualise how these rules apply to your business, we have developed three anonymised case studies of how CBAM will apply, based on typical Northern Ireland trading profiles.

#### Case study 1: The NI steel fabricator (Exporting to the EU)

- **Profile:** "MetalCo NI" imports steel coils from Turkey and manufactures structural steel parts for construction projects in Dublin (ROI).
- **The challenge:** MetalCo is not the EU importer, so they do not file the CBAM return. Their Dublin customer (the construction firm) faces a CBAM obligation because MetalCo's product contains a third-country precursor (Turkish steel). It is this non-EU input, not the NI-to-ROI movement itself, that triggers the Dublin customer's reporting requirement.
- **The action:** The Dublin customer issued a "Data Request" to MetalCo NI, asking for the specific emissions per tonne of the steel parts.
- **The solution:**
  1. MetalCo contacted their Turkish mill and obtained the Mill Certificate stating the carbon intensity of the raw steel (the precursor).
  2. MetalCo added their own processing emissions (electricity and heating) to this figure.
  3. MetalCo provided a "Carbon Reporting Sheet" to the Dublin customer.
- **The outcome:** The customer was able to file their report using actual data. Because MetalCo provided this service, the customer continued the contract rather than switching to an EU-based supplier.

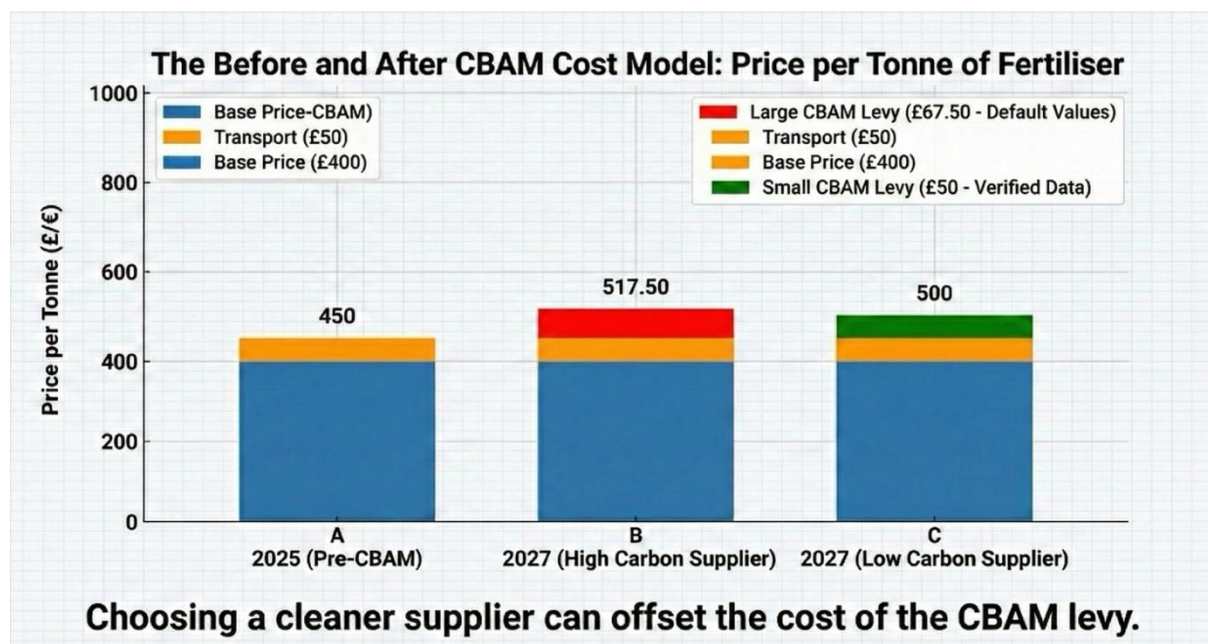
## The CBAM Data Chain Reaction: Case Study 1



**Graphic 27: The CBAM Data Chain Reaction**

### Case Study 2: The Agri-Distributor (Importing Fertilisers)

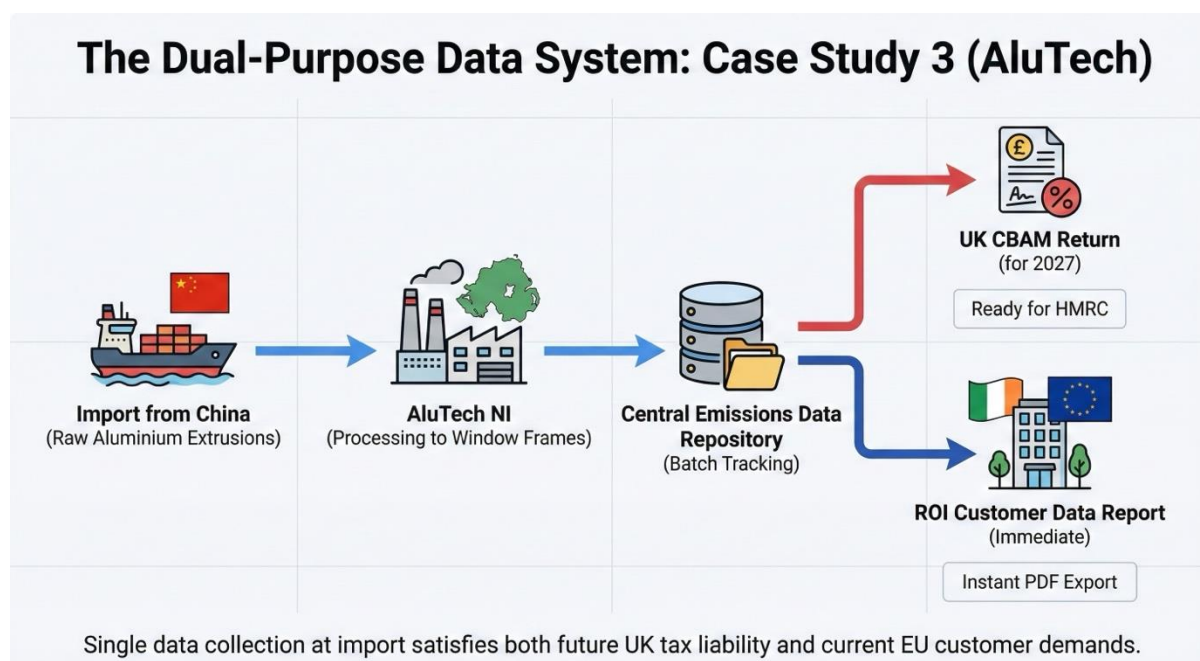
- **Profile:** "AgriGrow NI" imports urea and nitrogen fertilisers from Egypt and the USA for sale to farms across Northern Ireland.
- **The challenge:** From 2027, these imports will be subject to UK CBAM. AgriGrow needs to understand the future cost impact on their margins.
- **The action:** AgriGrow used the "CBAM Cost Calculator" (see Toolkit) to model the price in 2027. They input the current Egyptian supplier's emissions data (which was high due to natural gas efficiency issues) and the projected UK CBAM rate.
- **The solution:** The model showed a price increase of 15%, which would make the product uncompetitive against UK-produced fertiliser.
- **The outcome:** AgriGrow has started a tender process to find a new supplier in a region with a lower carbon intensity or a recognised carbon pricing mechanism (like Norway), ensuring they remain competitive when the tax goes live.



**Graphic 28: The Before and After Cost Model**

### Case Study 3: The Aluminium User (Complex Supply Chain)

- **Profile:** "AluTech" makes window frames in County Antrim. They buy aluminium extrusions from China, process them, and sell to both GB and ROI.
- **The challenge:** AluTech faces a dual exposure. They must pay UK CBAM on the Chinese imports (from 2027), and because their product contains third-country precursors (Chinese aluminium), their ROI customers may face EU CBAM obligations linked to those non-EU inputs and will request emissions data accordingly.
- **The action:** AluTech implemented a "Batch Tracking System." They created a digital folder for every shipment from China, saving the emissions data alongside the commercial invoice.
- **The solution:**
  1. For UK compliance, they have the data ready to file their tax return in 2027.
  2. For ROI sales, they can instantly export a PDF summary of the carbon profile for their customers.
- **The outcome:** By treating carbon data as "just another specification" like strength or colour, AluTech minimised admin time and avoided any disruption at the border.



**Graphic 29: The Dual-Purpose Data System**

### Section summary

- **Don't wait to be asked:** In Case Study 1, if the NI firm had refused to provide data, the ROI customer would likely have switched suppliers. Proactive data sharing protects your sales.
- **Model the cost:** In Case Study 2, the importer realised *before* the tax started that their current supplier was too expensive. Use the grace period to switch sources if needed.
- **Dual-use data:** In Case Study 3, the same data collected for the UK tax return was used to satisfy the EU customer. You only need to measure the carbon once.

- **Transparency:** In all cases, the businesses that had transparency over their supply chain succeed. Those who rely on "black box" sourcing will struggle.

## 16. Conclusion: compliance & opportunity

### 16.1 From regulation to routine

The introduction of the Carbon Border Adjustment Mechanism represents the most significant shift in trade rules for a generation. For Northern Ireland businesses, the challenge is twofold: navigating the immediate data demands of EU customers while preparing for the financial reality of the UK levy in 2027.

However, once the initial administrative systems are built, CBAM will become just another aspect of cross-border trade, similar to customs declarations or VAT returns. The "shock" of the new system will fade, replaced by a routine process of data collection and reporting.

### 16.2 The competitive advantage

There is a silver lining. As carbon pricing becomes global, "low carbon" becomes a selling point. Northern Ireland manufacturers who can prove, via verified data, that their products have a lower carbon footprint than competitors in China or India will find themselves in a stronger position. Transparency is key.

By acting now by mapping your codes, engaging your suppliers, and setting up your evidence packs, you are not just ticking a compliance box. You are future-proofing your business against the rising cost of carbon.

#### Section summary

- **Don't panic:** Start small. Identify your top 3 "in-scope" products and focus on getting data for those first.
- **Don't ignore it:** Hiding from the regulation is not an option. If you trade in steel, aluminium, cement, or fertiliser, this applies to you.
- **Talk to suppliers:** Your biggest risk sits outside your factory. Start the conversation with your overseas suppliers today.
- **Use the help:** Invest NI and InterTradeIreland offer support. You do not have to figure this out alone.

# Appendix A – Glossary of terms

- **Authorised declarant:** The importer (or their representative) who is officially authorised by the competent authority to import CBAM goods and surrender certificates.
- **CBAM (Carbon Border Adjustment Mechanism):** A policy measure that places a carbon price on imports to ensure they face equivalent costs to domestic production.
- **CN code (Combined Nomenclature):** The 8-digit tariff code used to classify goods for customs and trade. CBAM liability is determined entirely by this code.
- **Default values:** Standard emission values published by the European Commission, used when actual supplier data is unavailable. Under the definitive regime, country- and product-specific default values are based on the emission intensity of the highest-emitting exporting countries. They are deliberately set at a punitive level to incentivise the collection of actual production data.
- **Direct emissions:** Greenhouse gas emissions generated from the production processes of the goods (e.g., burning fuel in a furnace).
- **Embedded emissions:** The sum of direct and indirect emissions released during the production of the good.
- **ETS (Emissions Trading System):** A "cap and trade" system where a limit is placed on total emissions, and companies buy/sell allowances. (Exists in both EU and UK).
- **Indirect emissions:** Emissions associated with the production of the electricity consumed during the manufacturing process.
- **Precursor:** An input material (like cement clinker or steel billets) that is itself a CBAM good and whose emissions must be included in the calculation of the final product.
- **Verification:** The process by which an accredited third party checks and confirms that the emissions data report is accurate.

# Appendix B - Key resources and legislation

## EU resources

- **Regulation (EU) 2023/956:** The primary legislation establishing the CBAM.
- **European Commission CBAM portal:** The central hub for guidance, default values, and the Transitional Registry.
- **Guidance document on installations:** Technical guide for non-EU operators on how to monitor emissions.

## UK Resources

- **UK CBAM legislation and consultations:** Primary legislation is in the Finance Act 2026. Draft secondary legislation has been released in two tranches (10 February 2026 and 9 April 2026) and is available via GOV.UK, comprising the Administrative Provisions, CBAM Rate and Carbon Price Relief, Transitory Provision, and Emissions and Verification Regulations 2026. HMRC's CBAM Policy Summary (updated 9 April 2026) provides a consolidated overview. Check GOV.UK for the final versions once secondary legislation is laid later in 2026.
- **UK ETS authority:** Information on UK carbon pricing and potential linkage with the EU.

## NI Support

- **Invest NI:** General business support and specific guidance on energy efficiency and decarbonisation.
- **InterTradeIreland:** Cross-border trade support, including specific CBAM advice for NI-ROI trade flows.
- **nibusinessinfo.co.uk:** Practical guides and updates for NI businesses.

# Appendix C - SME toolkit inventory

This Guidance Document is supported by a suite of practical tools (The SME Toolkit). Refer to these files for operational support:

- [Tool 1: The decision tree \(PDF\)](#): A flowchart to help you instantly decide if your product is in scope.
- [Tool 2: CN code look-up \(Excel\)](#): A searchable list of all 2025/2026 in-scope commodity codes.
- [Tool 3: Emissions calculator \(Excel\)](#): A spreadsheet to calculate "embedded emissions" using either supplier data or default values.
- [Tool 4: Evidence pack structure \(Folder Guide\)](#): A checklist of documents you must save for every shipment (Invoice, Mill Cert, etc.).
- [Tool 5: Supplier data request template \(Word\)](#): A pre-written email and form to send to your overseas suppliers to ask for carbon data.
- [Tool 6: Cost modeller \(Excel\)](#): A financial planning tool to estimate your potential tax liability in 2027 based on different carbon price scenarios.

# Appendix D - References

Ref	Source	Link
<b>EU Primary Legislation</b>		
1	Regulation (EU) 2023/956 of the European Parliament and of the Council of 10 May 2023 establishing a carbon border adjustment mechanism. Official Journal of the European Union, L 130/52.	<a href="https://eur-lex.europa.eu/eli/reg/2023/956/oj">eur-lex.europa.eu/eli/reg/2023/956/oj</a>
2	Commission Implementing Regulation (EU) 2023/1773 of 17 August 2023 laying down the rules for the application of Regulation (EU) 2023/956 as regards reporting obligations during the transitional period. Official Journal of the European Union, L 228/94.	<a href="https://eur-lex.europa.eu/eli/reg_impl/2023/1773/oj">eur-lex.europa.eu/eli/reg_impl/2023/1773/oj</a>
3	Regulation (EU) 2025/2083 of the European Parliament and of the Council of 8 October 2025 amending Regulation (EU) 2023/956 as regards simplifying and strengthening the carbon border adjustment mechanism (the "CBAM Simplification Regulation"). Official Journal of the European Union, L series, published 17 October 2025, in force 20 October 2025.	<a href="https://eur-lex.europa.eu/eli/reg_del/2025/2083/oj">eur-lex.europa.eu/eli/reg_del/2025/2083/oj</a>
<b>EU Guidance and Portals</b>		
4	European Commission, Directorate-General for Taxation and Customs Union. Carbon Border Adjustment Mechanism -Guidance and Legislation.	<a href="https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism/cbam-guidance-and-legislation_en">taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism/cbam-guidance-and-legislation_en</a>
5	European Commission. CBAM Successfully Entered into Force on 1 January 2026 (press release, 14 January 2026).	<a href="https://taxation-customs.ec.europa.eu/news/cbam-successfully-entered-force-1-january-2026-2026-01-14_en">taxation-customs.ec.europa.eu/news/cbam-successfully-entered-force-1-january-2026-2026-01-14_en</a>
<b>UK Legislation and Government Guidance</b>		
6	HM Government. Carbon Border Adjustment Mechanism -policy overview and consultation response (October 2024).	<a href="https://www.gov.uk/government/publications/introduction-of-carbon-border-adjustment-mechanism">www.gov.uk/government/publications/introduction-of-carbon-border-adjustment-mechanism</a>
7	HM Government. Carbon Border Adjustment Mechanism -Detailed Design (HMRC factsheet).	<a href="https://www.gov.uk/government/publications/introduction-of-carbon-border-adjustment-mechanism/carbon-border-adjustment-mechanism">www.gov.uk/government/publications/introduction-of-carbon-border-adjustment-mechanism/carbon-border-adjustment-mechanism</a>
8	HM Government. Summary of European Commission Guidance on the EU CBAM for UK Exporters.	<a href="https://www.gov.uk/government/publications/summary-of-european-commission-guidance-on-the-eu-cbam-for-uk-exporters/summary-of-european-commission-guidance-on-the-eu-cbam-for-uk-exporters">www.gov.uk/government/publications/summary-of-european-commission-guidance-on-the-eu-cbam-for-uk-exporters/summary-of-european-commission-guidance-on-the-eu-cbam-for-uk-exporters</a>
9	HM Government. UK Emissions Trading Scheme (UK ETS) -Policy Overview.	<a href="https://www.gov.uk/government/publications/uk-emissions-trading-scheme-uk-ets-policy-overview">www.gov.uk/government/publications/uk-emissions-trading-scheme-uk-ets-policy-overview</a>
10	Finance Act 2026 (UK), Part 5 and Schedule 16. Carbon Border Adjustment Mechanism provisions.	<a href="https://www.legislation.gov.uk">www.legislation.gov.uk</a>
<b>Windsor Framework</b>		
11	HM Government. The Windsor Framework (Command Paper CP 806, February 2023).	<a href="https://www.gov.uk/government/publications/the-windsor-framework">www.gov.uk/government/publications/the-windsor-framework</a>
<b>Northern Ireland and Cross-Border Sources</b>		

Ref	Source	Link
12	InterTradeIreland, Cross Border Trade Hub. Carbon Border Adjustment Mechanism - Information for Cross-Border Traders.	<a href="https://crossbordertradehub.intertradeireland.com/carbon-border-adjustment-mechanism">crossbordertradehub.intertradeireland.com/carbon-border-adjustment-mechanism</a>
13	Northern Ireland Assembly. Brexit & Beyond Newsletter, Issue 147 (29 April 2024) - includes NI Economy Minister's statement on CBAM.	<a href="http://www.niassembly.gov.uk/assembly-business/brexit-beyond-newsletters/issue-147--29-april-2024/">www.niassembly.gov.uk/assembly-business/brexit-beyond-newsletters/issue-147--29-april-2024/</a>
14	Energy UK. Borderline Confusion: Carbon Border Adjustment Mechanisms in Northern Ireland (2024).	<a href="http://www.energy-uk.org.uk/publications/borderline-confusion-carbon-border-adjustment-mechanisms-in-northern-ireland/">www.energy-uk.org.uk/publications/borderline-confusion-carbon-border-adjustment-mechanisms-in-northern-ireland/</a>
15	Centre for International Trade Policy (CITP), University of Sussex. Where Technical Meets Political: The Complexity of the EU CBAM in Northern Ireland.	<a href="http://citp.ac.uk/publications/where-technical-meets-political-the-complexity-of-the-eu-cbam-in-northern-ireland">citp.ac.uk/publications/where-technical-meets-political-the-complexity-of-the-eu-cbam-in-northern-ireland</a>
<b>International and Industry Sources</b>		
16	International Carbon Action Partnership (ICAP). EU CBAM Enters Definitive Phase (status report, January 2026).	<a href="http://icapcarbonaction.com">icapcarbonaction.com</a>
17	Climate Change Advisory Council (Ireland). Factsheet: Carbon Border Adjustment Mechanism.	<a href="http://www.climatecouncil.ie/councilpublications/secretariatfactsheets/">www.climatecouncil.ie/councilpublications/secretariatfactsheets/</a>
18	Environmental Protection Agency (Ireland). EU Carbon Border Adjustment Mechanism.	<a href="http://www.epa.ie/our-services/licensing/climate-change/eu-carbon-border-adjustment-mechanism/">www.epa.ie/our-services/licensing/climate-change/eu-carbon-border-adjustment-mechanism/</a>

*Note: All URLs were verified as accessible on 10 February 2026. Readers should check for updated versions of government guidance, as CBAM regulations continue to evolve.*



**For more information**  
Email: [gedcarbonguidance@investni.com](mailto:gedcarbonguidance@investni.com)

