

Navigating CBAM: Key Considerations for U.S. Manufacturers

Final guidance on the European Union Carbon Border Adjustment Mechanism (CBAM) compliance is here, heightening existing greenhouse gas (GHG) emissions reporting and monitoring to include actual emissions associated with the production of certain goods.

Starting in 2026, using default values rather than actual embedded emissions will trigger higher carbon taxes, which will negatively impact the cost and competitiveness of U.S.-manufactured products exported to the EU.

To remain competitive, U.S. manufacturers must understand their EU customers' new compliance requirements and tax obligations so they can meet new expectations around data collection and controls, supply chain emissions reporting, and decarbonization.

Current CBAM emissions reporting on 2025 EU imports was due on January 31, 2026, representing the last period before CBAM carbon taxes began and default emissions have become punitive.



ABOUT CBAM

CBAM introduces a carbon tax on certain carbon-intensive goods that are imported into the EU to discourage production from shifting to countries with less-stringent climate policies.

The definitive CBAM system went into effect on January 1, 2026, following a transitional period that began in late 2023. CBAM requires EU importers of covered goods to report the emissions associated with the production of these goods (referred to as “embedded emissions”) and pay a carbon tax through the purchase and surrender of CBAM certificates. These obligations trickle down to non-EU manufacturers with customers in the EU, who are likely to field requests for data and verification needed for compliance.

Imported goods in the following sectors are currently in CBAM's scope:

- ▶ Iron and steel
- ▶ Aluminum
- ▶ Hydrogen
- ▶ Cement
- ▶ Fertilizers
- ▶ Electricity

CBAM applies primarily to basic materials, with in-scope goods and input materials (“precursors”) determined by EU classification codes specified in the regulation. At this time, CBAM covers only a limited number of finished products — for example, screws, nuts, and bolts.

However, the EU has introduced a new proposal that would expand CBAM to include additional finished goods with high aluminum and steel content. Beginning in 2028, if finalized, the proposal would extend CBAM reporting and financial obligations to many industrial supply chain products used in heavy machinery and specialized equipment (e.g., base metal mountings, cylinders, industrial radiators), as well as some household appliances like washing machines.



UNDERSTANDING EU CUSTOMER REQUIREMENTS

U.S. manufacturers of CBAM-covered products may be asked to provide verified embedded emissions data (including energy source and precursors) to help EU customers fulfill their compliance obligations. Beyond compliance, to remain competitive, U.S. manufacturers will need to lower their products' carbon footprints to help minimize their EU customers' CBAM tax obligations and avoid higher costs for products sold in the EU.

When preparing for compliance, it's helpful for U.S. manufacturers to understand CBAM from the perspective of their customers (EU importers). Some of the key requirements and considerations for EU importers under CBAM are as follows:

- ▶ Before being permitted to import CBAM-covered goods, EU importers or their indirect representatives must register with national authorities to become authorized CBAM declarants.
- ▶ Once authorized, these organizations must submit annual CBAM declarations that report the volume of imported covered goods and embedded emissions. The embedded emissions in these declarations are used to calculate the number of CBAM certificates an importer must purchase and surrender.
- ▶ To fulfill their CBAM declaration obligations, EU importers must collect detailed emissions reports from the manufacturers producing CBAM-covered goods. Actual, installation-level emissions data must be used whenever available and must be verified by an EU-accredited CBAM verifier.
- ▶ Companies have the option of using default values when actual data is not available. However, applying default values will result in an additional certificate purchase markup, beginning at 10% in 2026, then increasing to 20% in 2027 and 30% in 2028 for several categories of CBAM goods.
- ▶ Importers who report actual values can deduct carbon taxes that were already paid for the product outside of the EU from the total cost of the EU certificates they are required to purchase to cover the EU carbon tax.
- ▶ EU companies importing up to 50 metric tons of CBAM goods per year across all suppliers and goods categories are exempt from CBAM obligations. The exemption does not apply to electricity and hydrogen imports.

KEY CONSIDERATIONS FOR U.S. MANUFACTURERS

CBAM outlines highly prescriptive and complex reporting methodologies and verification principles, making it essential for U.S. manufacturers to establish robust processes and controls for calculating and reporting embedded emissions data to their customers.

Manufacturers should begin by developing an emissions monitoring plan that aligns with CBAM rules, including tracking emissions at the installation level and determining the emissions associated with specific production processes. Because totals must include embedded emissions from any in-scope input materials used during production, it may be necessary to conduct a supply chain assessment to determine whether actual emissions data is available for these precursors. This may present challenges, especially for businesses with global supply chains — making early engagement and data readiness critical.

If manufacturers are unable to obtain accurate, verifiable emissions data, default values may be used. Using actual emissions data rather than standardized default estimates is likely to result in lower carbon footprints and lower carbon tax obligations for EU importers. Providing actual embedded emissions data, along with taking steps to lower emissions from production, can help U.S. manufacturers both protect and grow their EU market share.

It is important to note that when actual data or carbon price paid is reported, verification must be obtained at the reasonable assurance level. U.S. manufacturers should be prepared to work with an EU-accredited verifier to help ensure that the actual embedded emissions reported are reliable. This process includes planning, sampling, data validation, and mandatory site visits during the first year.

To effectively navigate the regulatory and market pressures of CBAM, U.S. manufacturers should consider the following:

Develop a monitoring plan aligned with EU methodology to calculate embedded emissions data at the product and installation level.

CBAM regulations outline the minimum elements that companies should address in their monitoring approach, including defined data-collection methods for each production process and controls for data accuracy and completeness.

Track carbon taxes across supply chains to help EU importer avoid overpaying.

U.S. manufacturers should gather and share with EU importers documentation that shows any carbon taxes already paid outside of the EU, including evidence of any rebates and references to relevant legislation. Like emissions data, this information must be verified.

Obtain reasonable assurance and a verification report aligned with CBAM-specific requirements when using actual data.

U.S. manufacturers will need to work with a CBAM-accredited verifier and will be expected to provide relevant documentation that includes assumptions, activity data, and data on embedded emissions of precursors, among other details.

Register with the [CBAM Registry](#), a central portal that streamlines data sharing.

The portal allows companies to provide data to multiple EU importers at once and helps them maintain the confidentiality of their business-sensitive information.

COMPLIANCE TIMELINE

As CBAM moves into its initial years of full implementation, companies should note the deadlines in the table. Although EU importers or “CBAM declarants” are directly responsible for taking action by the following dates, related requirements may be passed down to their U.S. suppliers.

DATE	ACTION
January 1, 2026	<ul style="list-style-type: none"> ▶ CBAM fully operational ▶ Imports require authorized CBAM declarant
March 31, 2026	<ul style="list-style-type: none"> ▶ Last date for EU importers to apply for authorized CBAM declarant status to avoid import disruptions
February 1, 2027	<ul style="list-style-type: none"> ▶ CBAM certificate sales begin for 2026 imports
September 30, 2027	<ul style="list-style-type: none"> ▶ Deadline to submit first annual CBAM declaration and surrender certificates for 2026 imports
September 30 (annually)	<ul style="list-style-type: none"> ▶ Surrender CBAM certificates for previous year

How BDO can help

Precise emissions measurement isn't just a compliance requirement; it is a pricing and competitiveness strategy for U.S. exporters. By providing high-quality CBAM data, U.S. manufacturers can help strengthen their commercial position in EU markets and better prepare to comply with similar legislation emerging in other jurisdictions, such as the [UK CBAM](#).

BDO can help U.S. manufacturers implement the necessary processes for CBAM emissions monitoring and determine their readiness for compliance. Support also includes evaluating opportunities for emissions reduction to help improve competitiveness in the EU market, reviewing companies' invoicing processes and coding, and evaluating embedded emissions and carbon tax duplication in the supply chain.

[Contact us](#) to learn more about our CBAM-related service offerings.

