European Union (EU) Carbon Border Adjustment Mechanism (CBAM) Tax
What is it?
This year, EU Council approved among others, the proposal for a Carbon Border Adjustment Mechanism (“hereinafter referred to as “CBAM”) for selected products, aiming at reducing the risk of carbon leakage, as part of the European Union’s ‘Fit for 55’ package which functions in parallel with the EU’s Emissions Trading System (EU ETS).

Why now?
CBAM will be a new regulation creating financial incentives for non-EU producers to reduce emissions, as well as to revise and update existing EU law to make sure the EU policies are in line with climate goals.

Why is this relevant?
Non-compliance will incur extra costs for Albanian businesses trading in the EU, in the sectors affected by “Fit for 55 package”.

What sectors are affected by the “Fit for 55 package”?
- energy;
- iron;
- steel;
- cement;
- aluminum and fertilizers.

What is the timeline of this new legislation?
Transition period: 2023-2026
Full entry into force: 2026 - onwards
The functionality of the EU CBAM

An EU CBAM register will be created, keeping account of all companies exporting carbon emitting products, part of the “Fit for 55” package. The CBAM charge would be paid by purchasing CBAM certificates for the chargeable quantity of carbon.

The CBAM shall apply to goods originating in countries outside the CBAM territory (i.e. EU Member States, Iceland, Norway, Liechtenstein and Switzerland as well as a number of small territories /exclaves such as Büsingen, Heligoland, Livigno, Ceuta, Melilla).

How will it work?

A reporting system will apply as from 2023 for those products with the objective of facilitating a smooth roll out of this mechanism and to facilitate dialogue with third countries, however importers will start paying a financial adjustment in 2026. More specifically:

Starting January 2023, importers will be obliged to collect and to report the quantities of certain imported goods, the direct and indirect emissions embedded in these imported goods, and the carbon price that may have already been paid to produce these goods in their country of origin. Such information should be reported for each type of good, for each supplier and for each quarter.

As of 2025/2026, importers will have to:

- Purchase CBAM certificates: the price of these certificates will be equal to the carbon price set by the EU ETS and be published on a weekly basis.
- Verify the embedded emissions: the collected and calculated data on embedded emissions is to be verified by an accredited verifier.
- Submit the CBAM declaration and surrender the CBAM certificates by 31 May of each year. The CBAM certificates that correspond to the declared embedded emissions are to be surrendered for the preceding year.
How can PwC Albania assist you?

Please reach out to us if you’d like to learn in more detail how the CBAM will function and how it will likely affect you under different scenarios. Our product and service portfolio ranges from impact analyses to technology-enabled approaches to automatically collect, process and report your suppliers’ CBAM-related data. Together, we’ll get you up to speed on the upcoming CBAM and ensure your smooth transition into efficient carbon emission reporting.