

CBAM implications for fertilizers and possible extension to other sectors

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To discuss the report further please contact:

Tatiana Shuldyk

Tax Director, International tax, M&A and ESG, PwC Middle East

✉ tatiana.s.shuldyk@pwc.com

Dr. Sana Ben Kebaier

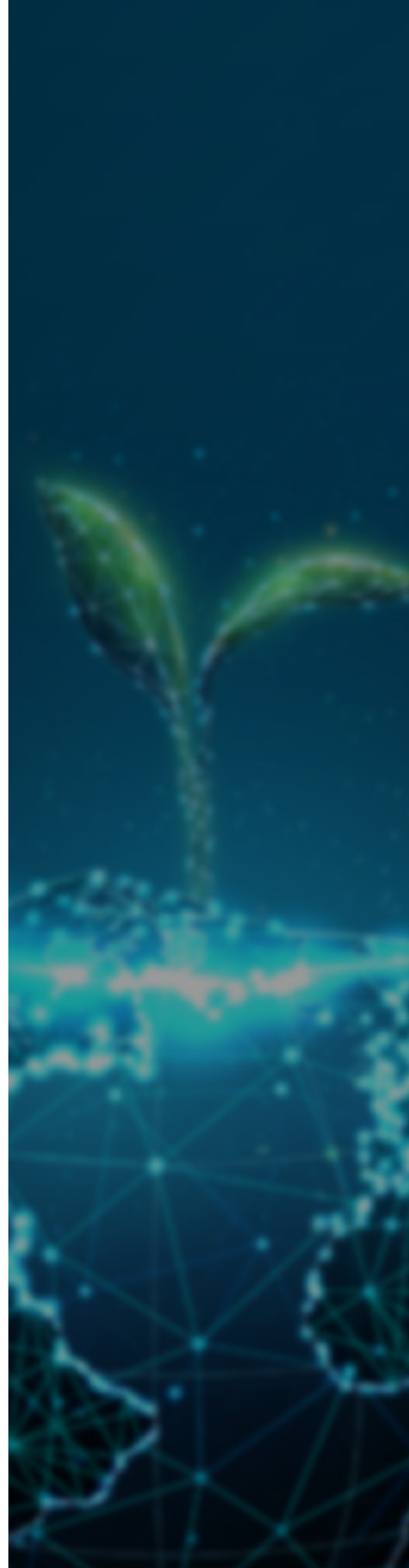
Head of Economic Research dept (A), GPCA

✉ sana.k@gpca.org.ae

Noora Mukhtar

Senior Reseach Specialist, GPCA

✉ noora@gpca.org.ae





Introduction: Global decarbonization goals and the role of carbon pricing mechanisms

Around the world, governments are prioritizing energy and resource efficiency, as well as advancing ambitious sustainability and decarbonization goals. Achieving these objectives requires substantial financial investment, as seen by initiatives such as the EU's Green Deal Industrial Plan (GDIP), Japan's Green Growth Strategy and China's 14th Five-Year Plan.

A key pillar of the policy actions is the implementation carbon pricing mechanisms, with 75 carbon taxes and Emissions Trading Systems (ETS) currently in place worldwide. These mechanisms generated over USD 100 billion in revenue in 2023 alone, reflecting their growing prominence as tools for curbing emissions and funding sustainable development.

Among the other carbon pricing mechanisms, the European Union's Carbon Border Adjustment Mechanism¹ (EU CBAM), introduced as part of the EU Green Deal, stands out as a transformative policy milestone. As the first mechanism of its kind, the EU CBAM aims to create a level playing field by aligning the carbon costs of imported goods with those faced by EU producers. This pioneering initiative is likely to inspire similar measures in other jurisdictions, with the UK set to implement UK CBAM² starting 2027, and various legislative proposals in the US³ aiming to address carbon emissions in international trade. Meanwhile countries, such as Canada, Japan and Australia are also exploring similar policies.

The implications of CBAM are particularly significant for products like fertilizers, hydrogen and other chemicals, which are heavily exposed to international trade and emissions-related pressures.

These industries are already being addressed in the EU CBAM and in the emerging policies, such as the UK CBAM and various U.S. legislative proposals.

The Gulf Cooperation Council (GCC) chemical industry is highly export-driven, with Europe as the third-largest export destination, after Asia and MENA. For GCC producers, Europe accounted for 10.8% of the region's total chemical exports, in 2023. This export dependency makes the GCC chemical industries sensitive to regulatory changes such as the EU CBAM.

This paper examines the potential impact of the EU CBAM on the fertilizer and chemical industries in the GCC region, while highlighting the opportunities it presents.

Additionally, it explores the impact on CBAM of the recent (ESG) Omnibus Simplification Package, introduced by the European Commission that aims to create a consolidated sustainability framework and simplify overlapping EU reporting and due diligence requirements. By providing a comprehensive overview of EU CBAM's implications, this paper aims to enable GCC producers to prepare for these changes, mitigate potential risks, and unlock new business opportunities—particularly in low-carbon production pathways, such as blue ammonia. Carbon pricing mechanisms while introducing additional costs, also help differentiate low-carbon goods, making them more competitive in global markets. CBAM could, therefore, serve as a catalyst for innovation and investment in low-carbon technologies, transforming challenges into avenues for growth and sustainability.

¹European Commission - Carbon Border Adjustment Mechanism – 2025

²HM Revenue and Customs - Introduction of a UK Carbon Border Adjustment Mechanism from January 2027: Government response to the policy design consultation – 2024

³E&E Daily - Climate trade bills may get momentum under Trump - 2024

1. CBAM in the context of the EU Green Deal

EU CBAM is one of the elements of the EU Green Deal⁴ - the European Union's comprehensive strategy to achieve carbon neutrality by 2050. It aims to reduce greenhouse gas emissions by 55% by 2030 (compared to 1990 levels) while promoting economic growth through green innovation.

The EU Green Deal involves more than 175 directives and regulations⁵ that establish or expand clean energy investment, drive climate tech innovation, enforce supply chain requirements, implement carbon pricing and mandate sustainability reporting, among other American English programs. These include, for example, the European Climate Law, which makes carbon neutrality legally binding, the Just Transition Mechanism to ensure fairness in the transition, and the Circular Economy Action Plan to minimize waste and promote recycling.

This far-reaching framework extends beyond the EU, impacting businesses and industries worldwide. Notable policies include including EU CBAM (covered in this paper), the extension of EU Emissions Trading System (ETS)⁶ which started in 2024, the Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD). Such policy measures are prompting businesses around the world to re-consider their long-term strategies and approaches, while also raising concerns about the potential compliance burden of the new reporting requirements.

The EU CBAM is aimed at equalizing the price of carbon paid for EU products operating under the EU Emissions Trading System (ETS) and imported goods. It is designed to target products with

significant carbon footprints, and its as reflected in its current scope. As of now, CBAM applies to six sectors: fertilizers, hydrogen, aluminium, iron and steel, cement and electricity. It is expected that the EU Commission will evaluate expanding EU CBAM to cover organic chemicals and polymers by 2030, the scope of CBAM could potentially be expanded to the other product groups currently covered by the EU ETS. In the recent Omnibus Simplification package the EU Commission reinforced the intention to include more industries in the CBAM scope, with the new legislative proposals expected in early 2026.

During the transitional phase of EU CBAM - running from 1 October 2023 to 31 December 2025 - importers to the EU are required to report the greenhouse gas (GHG) footprint of CBAM products on a quarterly basis.

From 2026 onwards, the stakes will rise as companies will be required to purchase CBAM certificates to cover the carbon emissions embedded in the imported goods. This shift could impact market prices, profit margins, as well as the demand for regular and low-carbon products. Producers of CBAM goods should also be aware and monitor other significant development, for example the requirement to use the CBAM methodology starting 2025 and the obligatory CBAM verification starting in 2026. We also note that starting 2026 only the Authorized CBAM declarants would be allowed to import CBAM goods to the EU, therefore the exporters of CBAM goods to the EU should consider their trading structures and commercial agreements.

2. The Omnibus Simplification Package

As part of the first Omnibus Simplification Package, presented by the European Commission on 26 February 2025⁷, the EU Commission proposed a set of changes aimed at EU CBAM simplification and making it more effective long term.

Importantly, the EU Commission outlined that this simplification precedes the future extension of CBAM to other ETS sectors, downstream goods, followed by new legislative proposal on the scope extension of CBAM in early 2026. Therefore, the potential new proposals on extension of CBAM to other goods, specifically polymers and organic chemicals should be monitored in early 2026.

Some of the major changes proposed include introducing a new CBAM de minimis threshold, which would exempt importers of less than 50 tons of CBAM-covered goods per year would be exempted from CBAM obligations. This proposal would eliminate CBAM obligations for approximately 182,000 or 90% of importers, mostly SMEs, while still covering over 99% emissions in scope⁸. However, this simplification proposal was not aimed to reduce compliance requirements for large importers and producers of CBAM goods. The major producers of CBAM goods in the region will probably not be significantly impacted, since the proposed threshold is quite low.

Another key proposal involves setting "default emissions" based

on the average emission intensity of the respective products of the ten countries with the highest emission intensities. This approach in relation to default values might be actually more stringent than the initial proposal which suggested using the 10% of the EU installations with the highest emission intensity or the regional default values. At the same time, importers and producers can still use actual emissions, provided that the CBAM methodology is in place and data would be verified. Given that CBAM-covered goods in the region are generally produced with lower emissions than the global average, producers can gain a competitive advantage by using actual emissions data instead of default values. This makes compliance with the CBAM methodology even more critical. Further details on the CBAM methodology are provided later in this paper.

While the "definitive period" of CBAM is expected to start on 1 January 2026, it has also been proposed to postpone the obligation to purchase CBAM certificates for goods imported in 2026 until February 2027. While it is a positive proposal since the cash outflow would be delayed, the CBAM costs in relation to 2026 might become less predictable since the average EU carbon price would not be known till the end of 2026. For the subsequent periods starting from 2027, the proposal includes cutting the required amount of CBAM certificates on declarants' accounts from 80% to 50% of embedded emissions at the end of each quarter⁹.

⁴EU - The European Green Deal - 2020

⁵PWC - How the EU's Green Deal is driving business reinvention - 2024

⁶PWC - Carbon pricing ahoy! - 2023

⁷EU - Omnibus I - 2025

⁸EU - Commission simplifies rules on sustainability and EU investments, delivering over €6 billion in administrative relief - 2025

⁹EU - Regulation Of The European Parliament And Of The Council - 2025

3. Scope of the EU CBAM: Current and potential future coverage

The EU CBAM is a cornerstone of Europe's climate strategy under the Green Deal, designed to level the playing field between EU producers subject to the ETS and international exporters.

For the GCC chemical and petrochemical producers, the scope of CBAM is of particular importance as it directly influences market access, competitiveness, and compliance requirements in one of their key export regions. Fertilizers, among the six sectors that are covered under CBAM, are a significant component of GCC production, representing 22.3% of the total GCC petrochemical production capacity. In 2023, urea and ammonia collectively accounted for 82.9% of the GCC's total agri-nutrient output, underscoring the region's reliance on these high-emission products. Similarly, polymers, which are likely candidates for inclusion in future CBAM expansions, represent 17.7% of GCC petrochemical production, with polyethylene and its derivatives accounting for 56.4% of total polymer production in 2023.

With the potential expansion of CBAM to organic chemicals and polymers, including key GCC exports like polyethylene and methanol, the policy's impact on GCC industries is set to deepen. This highlights the necessity for a proactive approach to emissions reduction, compliance, and strategic market positioning to maintain competitiveness in the EU market.

The following fertilizer products are currently in the scope of EU CBAM:

Product	CN Code
Ammonia, anhydrous or in aqueous form	2814
Urea, whether or not in aqueous solution	3102 10
Nitric acids, sulfonitric acids	2808 00 00
Mixed fertilizers	
Nitrates of potassium	2834 21 00
Mineral or chemical fertilisers, nitrogenous	3102
Mineral or chemical fertilisers containing two or three of the fertilizing elements nitrogen, phosphorus, and potassium; other fertilisers (except Mineral or chemical fertilisers containing the two fertilising elements phosphorus and potassium)	3105 (except 3105 60 00)

In relation to fertilizers, EU CBAM covers direct and indirect emissions (emissions related to the electricity consumed) of the relevant products. While many companies in the GCC region are already monitoring the greenhouse gas emission and disclosing the emissions in their sustainability reporting, it should be noted that EU CBAM provides for a specific methodology for calculation of the emissions and attribution of the emissions to the specific products. On a high level, the direct and indirect emissions under the EU CBAM are broadly comparable with Scope 1 and Scope 2 emissions, while Scope 3 emissions are currently limited to certain precursors relevant for CBAM.



Starting in 2025 only the EU CBAM methodology should be used for CBAM purposes. Therefore it is important for the GCC producers to understand the specific requirements of the methodology, as well as documentation, to efficiently navigate the increased compliance burden. EU CBAM also requires a specific verification of the accredited verifiers, which will become obligatory from 2026.

The EU Commission is considering extending the scope of CBAM emissions such as additional precursors and related emissions, effectively extending CBAM to cover certain "Scope 3" emissions. It is important to note that shipping emissions are already regulated as of 2024 (under a separate mechanism - the extension of the EU ETS to shipping).

The EU Commission is also expected to evaluate expanding CBAM to other products, including organic chemicals and polymers.

While the list of organic chemicals and polymers to be included in the CBAM scope is not available yet, based on the drafts of the CBAM regulation discussed back in 2022, the following products might be considered:

- **Polymers**
 - o HDPE
 - o LDPE
 - o normal alpha olefins
 - o hexene
- **Organic chemicals**
 - o methanol
 - o ethylene
 - o ethylene dichloride
 - o vinyl chloride monomer

The potential expansion of the EU CBAM to cover additional product groups, including polymers and organic chemicals, is set to bring significant challenges for producers. Furthermore, before 2030 the CBAM scope might be extended to crude petroleum, petroleum products, inorganic chemicals, industrial gases, synthetic rubber, non-ferrous metals, aviation, shipping and other industries.

4. EU CBAM methodology: Requirements and challenges for producers

EU CBAM methodology requirements are outlined in the annexes to the CBAM Regulation¹⁰ and the Commission Implementing Regulation¹¹, which also provides for specific documentation requirements. Starting 2025 only the EU CBAM methodology should be used for CBAM reporting purposes.

Producers of CBAM goods are encouraged to develop and implement CBAM methodology as soon as possible.

A non-EU operator of the installation should keep the supporting documentation for at least four years after the reporting period.

The CBAM Implementing Regulation includes a temporary deviation during the transitional phase to facilitate alignment between the CBAM framework and existing monitoring and reporting systems used by third-country operators. However, this flexibility is granted only if the monitoring, reporting and verification (MRV) system meets certain requirements and ensures accuracy and coverage in line with the EU methodology.

This flexibility aims to help companies as they adjust their systems and processes to comply with the EU's reporting requirements.

If actual emissions data is unavailable (or deemed unreliable), default values for the definitive period, yet to be published, might apply. The European Commission plans to publish a separate set of default values for the definitive period, which are expected to include a top-up to further "stimulate" alignment with the CBAM methodology. Thus, for the producers it is increasingly important to ensure implementation of the CBAM methodology and having all the necessary documentation in place.

To mitigate the risk of application of default values, companies could consider the following:

- Develop and implement robust GHG methodology aligned with the EU CBAM requirements and prepare for verification.
- Ensure accurate data collection and consider implementation of fit for purpose IT solutions.
- Retain supporting documentation, as mandated by EU regulations.

5. Key factors influencing costs starting 2026

The actual costs associated with the EU CBAM from (potentially payable starting 2027 in relation to 2026) will depend on multiple factors. Below, we provide an overview of these critical elements:

- The emission intensity of CBAM goods
- Eligibility to use the actual emissions data versus default values
- Dynamics of carbon prices within the EU ETS market
- Phasing in of CBAM from 2026 to 2034

This section focuses specifically on fertilizers, with a particular emphasis on ammonia, for several reasons:

(1) Fertilizers, including ammonia, are among the initial six sectors covered by the CBAM due to their significant carbon intensity and trade exposure.

(2) Ammonia, in particular, is a critical building block of the global fertilizer industry and a major product for GCC producers, who rely heavily on exports to international markets, including the EU.

(3) GCC ammonia producers often benefit from relatively lower emissions compared to coal-based production in other regions due to the reliance on natural gas. However, the region still faces challenges in meeting the stringent EU emissions benchmarks, making it essential to analyze the potential CBAM costs specific to this product category.

Addressing these challenges will be critical for GCC producers to maintain competitiveness while exploring opportunities in low-carbon production pathways such as blue and green ammonia.



¹⁰Regulation 2023/956 of the European Parliament and of the Council of 10 May 2023 establishing a carbon border adjustment mechanism, Annex IV

¹¹Commission Implementing Regulation of 17 August 2023, Annex III

5.1. Emission intensity analysis: Fertilizers and chemical products in the scope of CBAM

The carbon footprint of the goods covered under CBAM will directly influence the associated costs. Producers of high-emission goods will face higher CBAM-related expenses, creating a strong incentive to reduce emissions.

Fertilizer production in the GCC region benefits from cleaner energy inputs, particularly the use of natural gas, which reduces the overall emission intensity. However, the average emissions in the region might still be higher than the EU benchmarks.

- **Lower emissions than the global average:** The GCC's reliance on natural gas contributes to lower emissions compared to coal-intensive regions. While the global weighted average emission intensity of ammonia is 2.82 tCO₂e/t, the average for Saudi Arabia was estimated as 2.11 tCO₂e/t (including direct and indirect emissions)¹².
- **Higher emissions than EU benchmarks:** Despite these advantages, GCC producers often exceed the strict EU benchmarks for emission intensity, posing challenges for CBAM compliance. For example, the EU ETS benchmark for ammonia is significantly lower at 1.57 tCO₂e/t.¹³

This discrepancy underscores the need for further decarbonization to remain competitive in the EU market.

To align with EU benchmarks and reduce CBAM costs, fertilizer producers in the GCC and beyond might explore further decarbonization opportunities, for example:

- Integration of renewable energy sources
- Implementing CCS technologies
- Development of advanced technologies

The carbon footprint of fertilizers will be a critical determinant of CBAM costs, particularly for regions like the GCC, where production benefits from cleaner fuels but still faces challenges in meeting stringent EU standards. By leveraging green energy, adopting CCS, and embracing innovative technologies, producers can reduce emissions, lower compliance costs, and maintain a competitive edge in the EU market.

5.2. EU ETS emissions allowances price dynamics

Starting in 2026 there would be an obligation to purchase "CBAM certificates" to cover the embedded emission of the CBAM goods imported in the EU. The price of the CBAM certificates would be linked to the weekly average market price of carbon in the EU ETS, which is known for its price volatility.

Long-term carbon price trends

If carbon prices rise, the cost of CBAM certificates will also increase, directly impacting the import "costs". Over the past ten years carbon prices in the EU ETS have more than tripled, influenced by many factors, such as the 2018 EU ETS reform. While some experts anticipate further price increases in the carbon prices¹⁴, the magnitude of the potential rise remains uncertain due to the complex multidirectional factors influencing the carbon market.

Short-term carbon price volatility

Companies should account for both long-term carbon price

trends and short-term price volatility within each quarter and year. While some flexibility exists for purchasing CBAM certificates during the quarter or year of importing CBAM goods, it is essential for companies to develop a strategy for effectively managing the certificate procurement process.

Producers and importers could:

- Monitor the EU ETS market closely to anticipate carbon price trends and be prepared for the different scenarios of carbon market prices.
- Consider timing the purchase of CBAM certificates strategically to leverage periods of lower prices.
- Hedge against carbon price fluctuations if feasible



¹²EU - Greenhouse gas emission intensities of the steel, fertilisers, aluminium and cement industries in the EU and its main trading partners - 2023

¹³EU - Update of benchmark values for the years 2021 – 2025 of phase 4 of the EU ETS - 2021

¹⁴BloombergNEF - EU ETS Market Outlook 1H 2024: Prices Valley Before Rally - 2024

5.3. Phasing in of EU CBAM from 2026 to 2034

CBAM will be gradually phased in between 2026 and 2034, aligned with the phasing out of the free allowances under the EU ETS. This alignment aims to ensure that products produced within the EU and those imported from countries outside the EU are treated equally under the carbon pricing regime. The transition period would also allow businesses to adapt, but costs will increase over time.

Emissions subject to CBAM during the period between 2026 and 2034 would be calculated using the following formula:

Emissions subject to EU CBAM = Embedded emissions – (CBAM benchmark × CBAM factor).

The diminishing CBAM Factor is set as follows:

	CBAM Factor
2026	97.5%
2027	95.0%
2028	90.0%
2029	77.5%
2030	51.5%
2031	39.0%
2032	26.5%
2033	14.0%
2034	0.0%

While the CBAM benchmarks for the relevant goods are yet to be published by the EU Commission, it is anticipated that they will be based on the combination of the existing EU ETS benchmarks.

For example, the EU ETS benchmark for ammonia is 1.57 tCO₂e/t¹⁵. Assuming for illustrative purposes that the CBAM benchmark for ammonia would be to align with this benchmark, then the emissions subject to CBAM for 2026 could be calculated as follows:

If the emission intensity of ammonia is 2.1 tCO₂e/t, then the “base” for CBAM calculation would be 0.569 tCO₂e/t¹⁶.

If the carbon price would be approximately 70 Euro/tCO₂e, this would result in CBAM cost of 39.8 Euro per ton of ammonia.

However, if the actual emission intensity data is not available or can't be supported, the default values would be used, which are yet to be published.

5.4. Potential CBAM costs scenario analysis – ammonia

We have provided an overview of several CBAM cost scenarios for ammonia, which are based on the different scenarios of carbon price dynamics in the EU ETS market in the period from 2026 to 2034.

- **Scenario 1.** Gradual increase of EU ETS carbon price from 60 to 100 Euro/ tCO₂e.
- **Scenario 2.** Gradual increase of EU ETS carbon price from 80 to 140 Euro/ tCO₂e.
- **Scenario 3.** Gradual increase of EU ETS carbon price from 90 to 180 Euro/ tCO₂e.

For each of the carbon pricing scenarios, we have estimated the CBAM costs for ammonia of different emission intensity:

- Embedded emissions of 2.8 tCO₂e/t (based on the default values for the transitional period¹⁷).
- Embedded emissions of 2.2 tCO₂e/t (average emissions intensity of “grey ammonia” on the basis of natural gas).
- Embedded emissions of 0.1 tCO₂e/t (“blue ammonia”, 99% decarbonized).

For the illustration purposes, we assumed the “CBAM Benchmark” for ammonia would be 1.57 tCO₂e/t (aligned with the EU ETS benchmark).

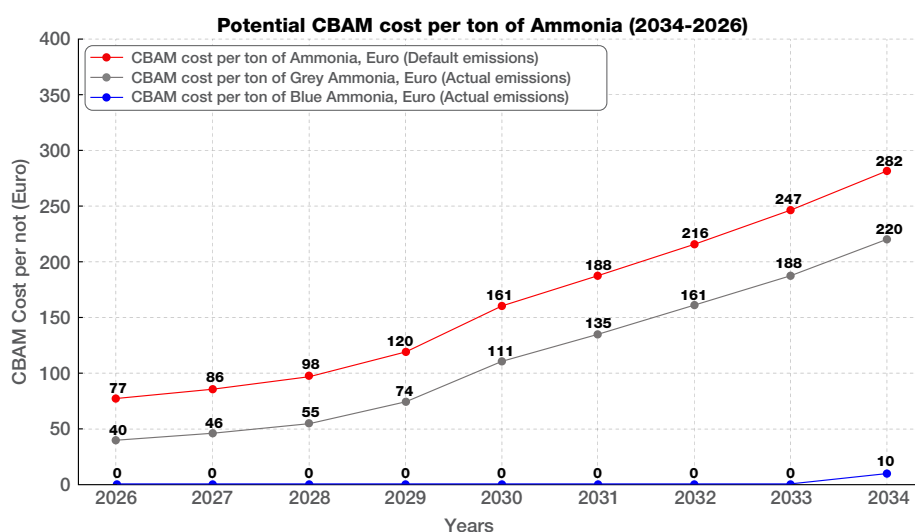


¹⁵ EU - Update of benchmark values for the years 2021 – 2025 of phase 4 of the EU ETS – 2021

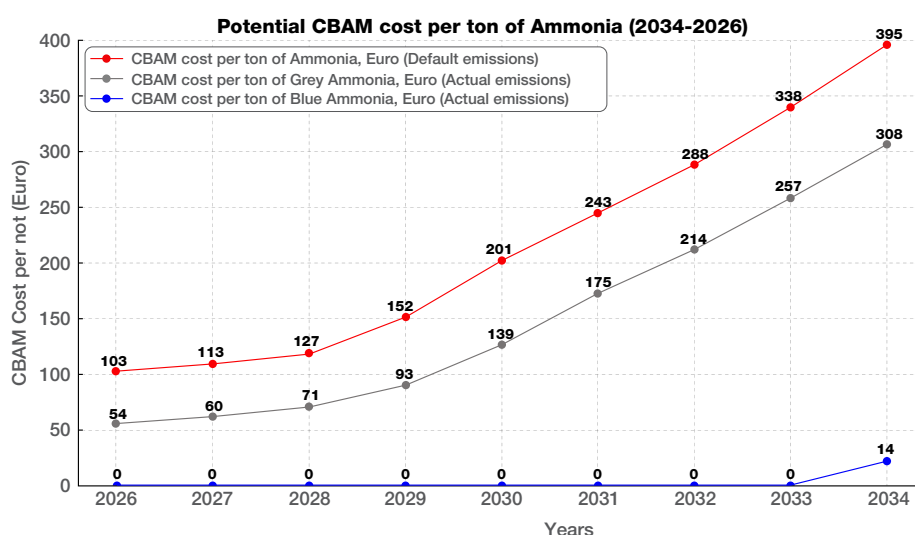
¹⁶ Calculated as 2.1 tCO₂e/t - (1.57 tCO₂e/t*97.5%)

¹⁷ EU - Default Values For The Transitional Period Of The Cbam Between 1 October 2023 And 31 December 2025 - 2023

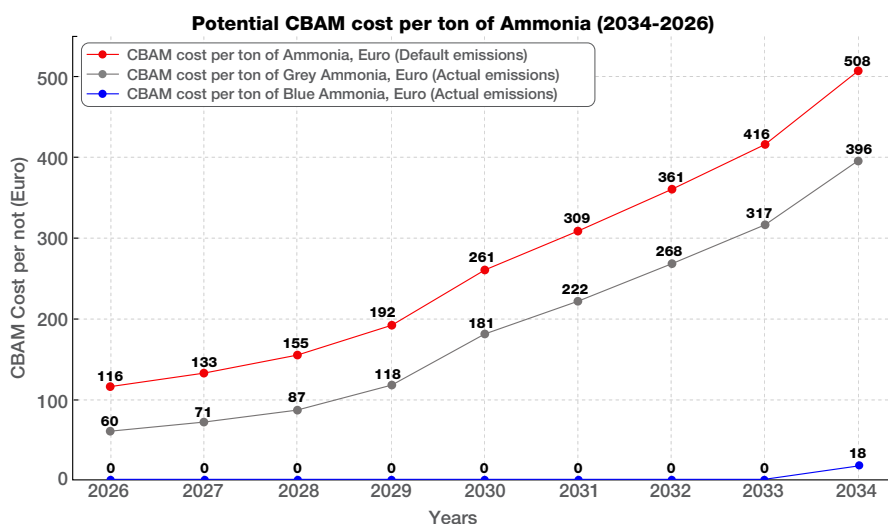
Scenario 1. Gradual increase of EU ETS carbon price from 60 to 100 Euro/ tCO₂



Scenario 2. Gradual increase of EU ETS carbon price from 80 to 140 Euro/ tCO₂



Scenario 3. Gradual increase of EU ETS carbon price from 90 to 180 Euro/ tCO₂e



Based on the illustrative scenario calculations, we would like to highlight the following:

Impact of emission intensity

The CBAM costs will vary substantially depending on the embedded emissions of ammonia. Producers with higher emission intensities, such as 2.8 tCO₂e/t (transitional default values), will face considerably higher costs compared to those producing lower-emission products like blue ammonia.

Opportunity for market leadership

Lower emissions intensity could become a competitive differentiator. Blue ammonia (in the illustrative example, 99% decarbonized) or green ammonia would incur minimal CBAM costs, even under the highest carbon price scenario. This

positions it as a cost-competitive alternative in the market, particularly as CBAM becomes a stronger price differentiator. Producers investing in decarbonization technologies such as Carbon Capture, Utilization, and Storage (CCUS) or switching to renewable energy sources can gain a competitive edge.

Importance of emissions reporting methodology and documentation

Producers who cannot verify and report their actual emissions will face default values, incurring the highest CBAM costs. Considering the CBAM cost escalation over time, this emphasizes the need for robust monitoring and reporting systems to avoid unnecessary costs as well as financial penalties.

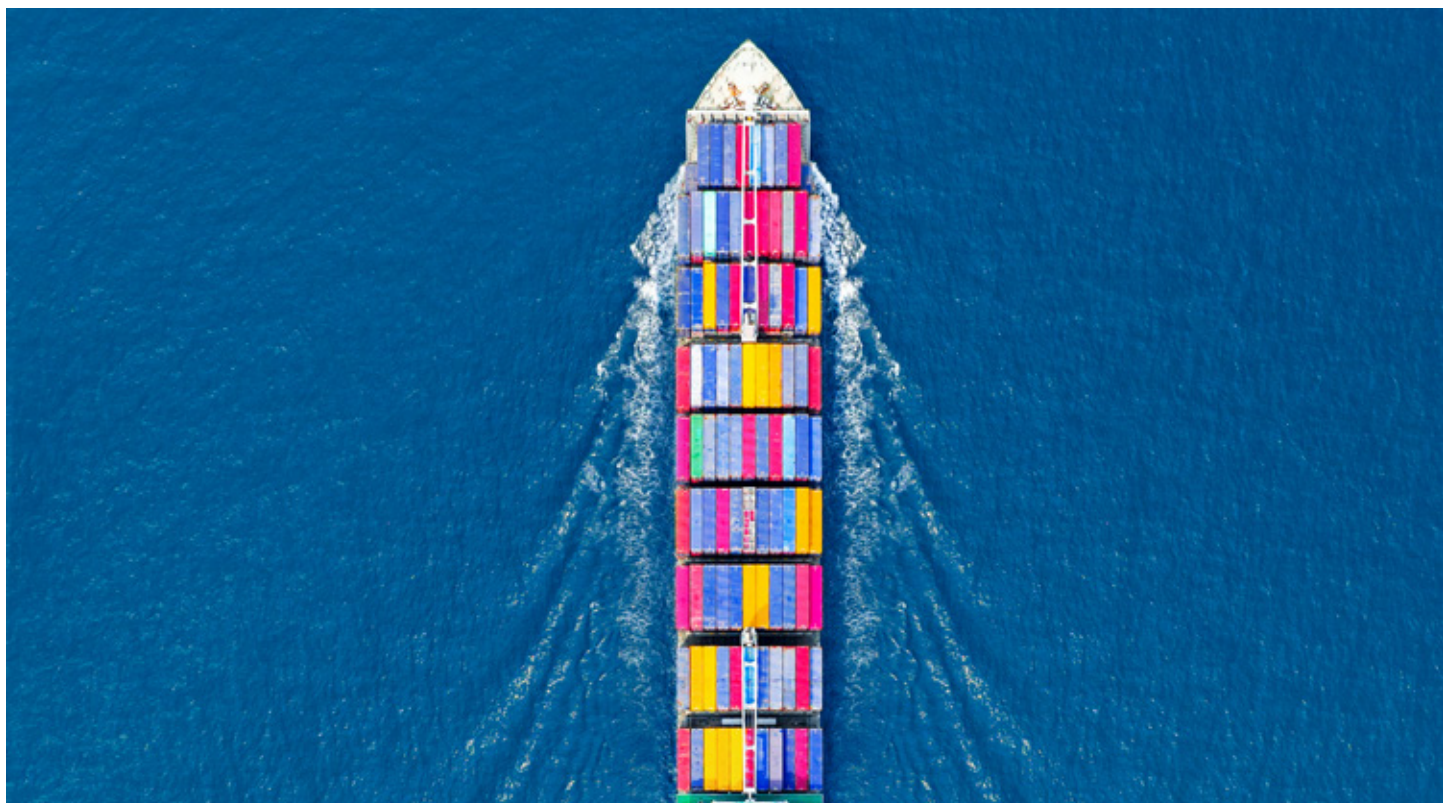
6. Authorized CBAM declarants

Starting 2026 only the authorized CBAM declarants would be permitted to import CBAM goods to the EU. Applications for the “authorized CBAM declarant” status were launched on 31 March 2025. The launch allows importers and indirect customs representatives to apply for the ‘authorized CBAM declarant’ status via the CBAM Registry. Their application will be processed by the National Competent Authority of the EU Member State where they are established. This status will become mandatory as of 1 January 2026 for the import of CBAM goods in the EU customs territory.

Applications must be submitted electronically in the member state where the applicant is established. The assessment of the application might be a lengthy process: the competent authority will have 120 days to assess the application, which might be prolonged. The assessment criteria include whether the

applicant has been involved in infringements of customs and tax legislation in the past and require applicants to demonstrate financial and operational capacity, including sufficient financial standing and an organizational structure to manage the CBAM compliance and obligations. In some cases, applicants might require a guarantee to be recorded in the CBAM registry.

Companies must carefully consider whether to appoint a third-party service provider or a group company as the authorized declarant. This decision will have significant implications for trading structures, including contractual relationships and financing. Management of CBAM certificates purchasing would be an important function, since there would be some flexibility of timing of certificates purchase, while their price would be linked to the volatile EU ETS market.



7.Strategic implications and considerations for EU CBAM compliance

Starting from 1 January 2026, the costs associated with the EU CBAM would not only affect the EU market, but also impact the producers of CBAM-covered goods. Depending on the carbon intensity of these goods, EU CBAM costs could become substantial, potentially comprising a significant portion compared to the export revenue.

Here are some critical considerations for companies aiming to navigate this landscape effectively:

1. EU CBAM methodology

Starting 2025 for the calculation of the emissions for CBAM purposes, only the EU CBAM methodology would be accepted. The methodology is quite specific and could differ from the methodologies used by the producers of the CBAM goods.

Moreover, there should be documentary support aligned with the EU CBAM requirements kept by the producer of CBAM goods for at least four years after the end of the respective year. In case the methodology or documentation would not meet the respective requirements, the default values (default emission intensity) might be used, potentially resulting in significantly higher CBAM costs.

2. IT systems

The integration of fit for purpose IT tools should be considered to streamline compliance and reporting, making it easier to manage the complexities of EU CBAM.

3. Potential market impact

The introduction of EU CBAM is likely to affect market dynamics, influencing the demand and supply of both “regular” and “green” products. Companies must assess how CBAM could potentially impact the competitiveness of their products against major competitors and its potential influence on profit margins.

This assessment should include a consideration of how market positioning may shift as customers and partners increasingly prioritize low-carbon alternatives.

4. Broader decarbonization agenda

EU CBAM costs should not be viewed in isolation but rather as a component of a broader organizational decarbonization strategy. Companies should explore how these costs (or savings on CBAM) align with existing and planned decarbonization measures. Companies that utilize “green” energy sources, such as renewable electricity, “green” hydrogen, or carbon capture and storage (CCS) technologies, need to pay special attention to CBAM’s specific rules in these areas. Ensuring that decarbonization efforts are recognized under CBAM will be essential for minimizing costs and maximizing the environmental benefits of these investments.

5. Proactive engagement with the regulators

EU CBAM serves as a catalyst for local governments worldwide to consider implementing new reporting mechanisms, as well as carbon taxes or emissions trading systems. The producers could proactively engage, sharing their perspectives and offering insights derived from robust economic and market analysis alongside with the global industry best practices. This could help shape policies that are both effective and fair, while also preparing the local businesses for future compliance.

To navigate EU CBAM effectively, companies must align methodologies, adopt robust IT systems, and optimize trading structures. Beyond compliance, integrating CBAM into a broader decarbonization strategy and leveraging green technologies will be key to maintaining competitiveness. Proactive engagement with regulators can help shape fair policies and ensure future readiness.



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The Gulf Petrochemicals and Chemicals Association (GPCA) represents the downstream hydrocarbon industry in the Arabian Gulf. Established in 2006, the association voices the common interests of more than 250 member companies from the chemical and allied industries, accounting for over 95% of chemical output in the Gulf region. The industry makes up the second largest manufacturing sector in the region, producing over USD 108 billion worth of products a year.

The association supports the region's petrochemical and chemical industry through advocacy, networking and thought leadership initiatives that help member companies to connect, to share and advance knowledge, to contribute to international dialogue, and to become prime influencers in shaping the future of the global petrochemicals industry.

Committed to providing a regional platform for stakeholders from across the industry, the GPCA manages six working committees - Plastic, Supply Chain, Fertilizers (now known as Agri-nutrients), International Trade, Research and Innovation, and Responsible Care - and organizes five world-class events each year. The association also publishes an annual report, regular newsletters and reports.

For more information, please visit www.gpca.org.ae

Gulf Petrochemicals and Chemicals Association (GPCA)

P.O. Box 123055

1601, 1602

Vision Tower, Business Bay

Dubai, United Arab Emirates

T +971 4 451 0666

F +971 4 451 0777

Email: info@gpca.org.ae

