

EU ETS system not created for SMEs

- EU ETS system was only created for a certain number of installations.
- According to ETS P4 these are only 11,350 active installations.
 - Source: https://climate.ec.europa.eu/system/files/2022-04/operators_ets_p4_en.xlsx
- It is possible that the operators of these installations are prepared to provide the required data, SMEs are not.
- Gro of importers and declarants will have to rely on fallback data.
- Unjustified burden for the 23 million SMEs in the EU.
- *"The reporting requirements should be limited to what is necessary to minimise the burden on importers in the transitional period and facilitate the smooth roll-out of the CBAM declaration requirements after the transitional period."*
 - Source: [https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=PI_COM:Ares\(2023\)4079551](https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=PI_COM:Ares(2023)4079551)
- *"Table 6-3 summarises the costs for the import certificates design. Basing the CBAM entirely on default emission values results in yearly estimated costs of EUR 5 440 to EUR 6 900. If the CBAM allows the claiming of actual emission values, the estimated costs range from EUR 30 840 to 45 300 per year."*
 - Source: https://eur-lex.europa.eu/resource.html?uri=cellar:be5a8c64-e558-11eb-a1a5-01aa75ed71a1.0001.02/DOC_2&format=PDF
- *"The national compliance costs study of EU ETS implementation in the UK confirms these results (Talbot, 2016). Small emitters (< 25 000 tonnes per year) in the EU ETS face more than 8 times higher compliance costs than emitters of 50 000–500 000 tonnes."*
 - Source: https://eur-lex.europa.eu/resource.html?uri=cellar:be5a8c64-e558-11eb-a1a5-01aa75ed71a1.0001.02/DOC_2&format=PDF
- *Table 6-1: Number of estimated cases for third-country installations, importers and import transactions.*
 - *Number of third-country installations 510*
 - *Number of Importers 1 000*

- Number of import transactions per year 239 000
- Source: https://eur-lex.europa.eu/resource.html?uri=cellar:be5a8c64-e558-11eb-a1a5-01aa75ed71a1.0001.02/DOC_2&format=PDF
- Table 6-1 is based on data obtained from the Authorised Economic Operators (AEOs) registered in the EU. This database cannot be considered representative and is not suitable for extrapolation to the EU as a whole.
 - It can be assumed that the number of importers is significantly higher.
 - According to EUROSTAT, the share of SMEs among EU companies that import was 98.9% in 2020.
 - Based on the highly simplified assumption of 550,000 trading companies in Germany alone (Statista, 2021), and assuming that 35.2% of them imported (Eurostat, 2020) and only 1% of them traded in steel products and 98.9% of them were importing SMEs, that would be more than 1,900 companies. Only in Germany. In addition, there are all the companies that are not classified as traders and were not taken into account in this calculation.
 - The figures in Table 6-1 thus paint a completely distorted picture of reality and show that a significantly higher number of importers and CBAM operators are approaching the EU and the CBAM system than previously assumed.

Therefore, the assumption for costs, personnel, and technical equipment of the CBAM authority is also likely to be erroneous.
 - Sources:
 - https://ec.europa.eu/eurostat/statistics-explained/index.php?title=International_trade_in_goods_by_enterprise_size
 - https://ec.europa.eu/eurostat/statistics-explained/index.php?title=International_trade_in_goods_by_economic_sector
 - <https://de.statista.com/statistik/daten/studie/1931/umfrage/unternehmen-nach-wirtschaftszweigen/>

Reduced to the most important figures

- On average 2018 to 2022 steel related CBAM HS codes 47 million MT imports pa.
- Average CBAM affected HS codes (assuming 60 metric tonnes per import) 47m MT should result in approx. 783,000 CBAM reports per annum for steel only - starting October 2023.
- This would be approx. 8,700 CBAM reports pa per employee under full cruising speed (90).
- For the months from October to December 23 (Q4) this would be (16) even more than 12,200 reports per CBAM staff. With an untested system. Reporting must be done by declarants and importers until End of January 2024. Next Reporting is already in April 2024.
 - *Source Imports:* <https://trade.ec.europa.eu/access-to-markets/en/statistics>
 - *Source Staff:* <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52023DC0150>
- With an average import of only 5 MT, there would even be almost 150,000 CBAM reports per CBAM Staff Member (16) per anno.
- And all this ONLY for steel (aluminium, fertilizer, hydrogen, cement not taken into account)!
- The cost of queries and appeals from possible miscalculated CBAM reports alone would probably run into tens of thousands, if not hundreds of thousands. Cases would have to be clarified before Curia(?), which is already working at its limit.
- The system must be introduced on a manageable scale, if only to prevent a collapse of the European economy, while preserving traditional flows of goods (see Safeguard). For importers and companies, but also for the CBAM authority, DG TAX UD and the customs authorities of the member states.
- Only German Customs with approx. 48,000 employees had to process 149 million imports for free circulation into Germany in 2022 - approx. 3,000 imports per MA, with an established system with existing IT infrastructure that has been in use for years.

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- Source:
<https://de.statista.com/statistik/daten/studie/1271014/umfrage/bedienstete-des-deutschen-zolls/>
- To date, there is no uniform EU customs infrastructure; digitalisation in particular is lagging behind and should have been completed by 2020. It is not yet clear whether 2025 will be possible.
 - Source: <https://www.dihk.de/de/aktuelles-und-presse/tdw/reform-des-eu-zollrechts-entlastung-erforderlich--87150>
- The time required to prepare 783,000 CBAM CO2 declarations and report them to the CBAM authority alone, assuming only 4 working hours per declaration, amounts to approx. 3.132 million working hours. Assuming average labour costs of about 20 euros/hour, this is an additional financial burden of almost 141 million euros, especially for SMEs in the first 27 months. Just for steel and just for working hours. Necessary investments into hardware, software, training, are not included.
- From 2026 onwards, there will then be an additional cost of almost 7.8 billion euros for CBAM certificates per anno.
 - EU Emissions Allowance: 92.15 EUR/tCO2eq X 1.8 tCO2eq/ton Steel X 47,000,000 tons of steel imports per anno.
 - Source: <https://ember-climate.org/data/data-tools/carbon-price-viewer/>
- CBAM must be standardised and simplified as much as possible. Otherwise, it is not implementable and will damage the EU industry, especially Small and Medium Enterprises.

Further points:

Impact of scrap on CO2 calculation

- In the EU, according to a number of EU regulations (EU ETS, BAT, EU Sustainable Finance), production of steel and high alloy steel/stainless steel in the Electric Arc Furnace (EAF) is CO2 FREE above a certain scrap input (in %). How is it ensured that this scrap factor is considered in the calculation of CO2 emissions for imports?

Default values in the calculation of CO2 values

- In the meeting with DG-TAXUD we were told that from mid-2024 no default values may be applied in the calculation of CO2 emissions. Neither in the CBAM draft ref. Ares (2023)4079551 - 13/06/2023 nor in the corresponding ANNEXES 1 to 9 is there any reference to this.
- Only information on calculation methods with a reference to 2024 can be found. Moreover, it is unrealistic to assume that real data from all installations will be available by mid-2024. For SMEs, this is likely to represent an almost insurmountable hurdle and thus a considerable distortion of competition.

Note: We could have provided this information earlier if importers had been welcomed in the informal expert group on CBAM. To our great regret, this offer on the part of the importers was turned down several times by the EC.

Proposal:

- The CBAM authority provides pre-calculated standard data per HS code group and country of origin. These can be selected via dropdown in the data entry. An individual calculation does not take place until 2026, as no one can obtain the real data anyway. Melted and poured data that are to be included in the calculation as precursor material can also be obtained, as this is already required by the United States for imports and the international manufacturers are already prepared for this requirement.
- This minimises, standardises, and simplifies the administrative effort, especially for SMEs, but also for the CBAM authority. The overall economic damage will be limited.
- Until 2026, the average imports will remain CBAM-free; from 2026 onwards, a part of the imports will be subject to CBAM each year, according to the reverse principle of the Safeguard Quotas.
- The average CBAM-free imports into the EU will be reduced in line with the phasing-out of the free allocation of ETS allowances.
- Free CBAM quotas can be reported via default values until 2033.
- CBAM-obligated quotas can be reported via default values and offset with CBAM allowances accordingly. As default values are often higher than actual values and adjustment for international producers, individual values based on real data can be reported.
- Manufacturers can create profiles in CBAM and provide general emission data, CBAM authority can verify, certify, and make this data available to all EU importers. This drastically reduces the administrative burden. Competitiveness increased through transparent data from manufacturers, importers, and consumers.
- Manufacturers will be able to increase their competitiveness by reducing CO2 emissions and thereby attract more customers.
- Companies in the EU will be provided with reliable and adaptive data. There is no need to make millions of calculations per year, which would otherwise cause immense overall economic damage.

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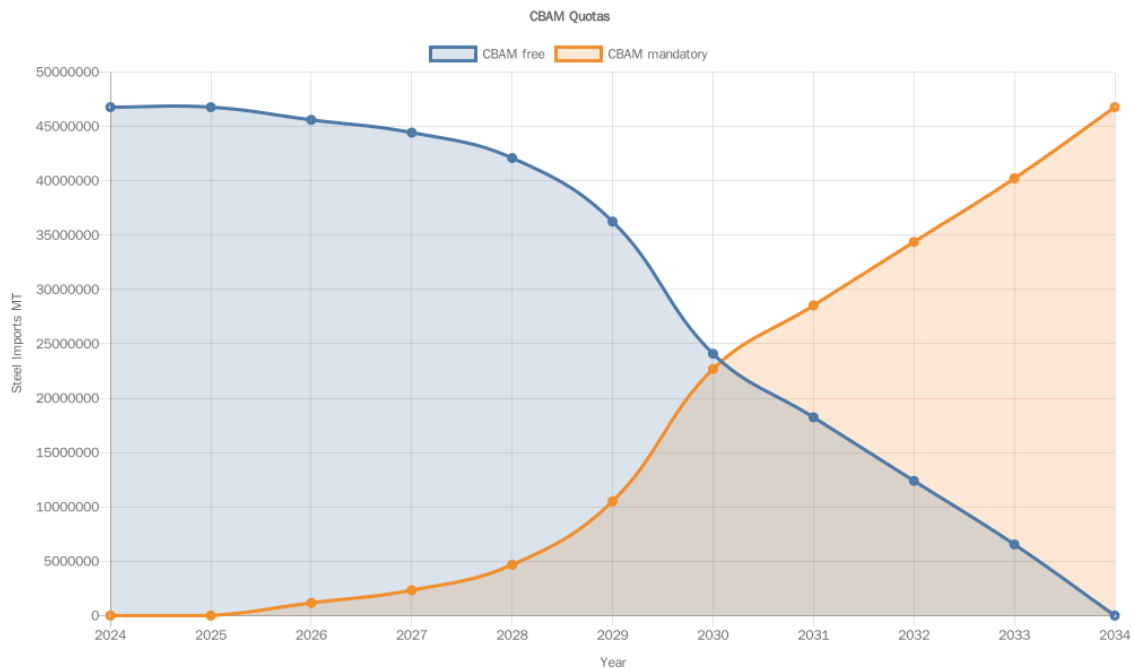
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- A reliable calculation system is created either with standard data and/or with manufacturer data. This can be filled with existing data with minimal effort by importers via dropdown or drag and drop. This not only reduces the effort for the CBAM authority, but also for the importers. Standard data via Dropdown: Manufacturer X, CoO Y, HS Code XXXXXXXXX, Precursor Material CoO Z.
- The standardised selection fields could be integrated in the existing systems of the national customs authorities and transferred to the CBAM authority.

Advantages:

- Traditional trade flows are preserved.
- Level Playing Field is kept for SMEs and international manufacturers.
- LPF is kept for EU manufacturers.
- CBAM authority is not overburdened and can build up its system over a period of 10 years.
- Reliable data is provided by the CBAM authority.
- Calculation scheme and input mask fit together. Data does not have to be adapted to each individual case by manufacturers and importers.

CBAM Steel Import Quota – CBAM free vs. CBAM mandatory, 2024 to 2034



CBAM Workflow Example Oct 23 to Jan 24

Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24	Dec 24	Jan 24
Data Collection Q4	Data Collection Q4	Data Collection Q4	Data Collection Q4												
65.200	65.200	65.200	195.600												
			Data Collection Q1	Data Collection Q1	Data Collection Q1	Data Collection Q1									
			65.200	65.200	65.200	195.600									
			Reporting Q4 by declarant	Q4 Control by CBAM authority	Q4 Control by CBAM authority	Data Collection Q2	Data Collection Q2	Data Collection Q2	Data Collection Q2						
						65.200	65.200	65.200	195.600						
						Reporting Q1 by declarant	Q1 Control by CBAM authority	Q1 Control by CBAM authority	Data Collection Q3	Data Collection Q3	Data Collection Q3	Data Collection Q3			
									65.200	65.200	65.200	195.600			
									Reporting Q2 by declarant	Q2 Control by CBAM authority	Q2 Control by CBAM authority	Data Collection Q4	Data Collection Q4	Data Collection Q4	Data Collection Q4
												65.200	65.200	65.200	195.600
												Reporting Q3 by declarant	Q3 Control by CBAM authority	Q3 Control by CBAM authority	Data Collection Q1
															65.200
															Reporting Q4 by declarant

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