



EU Carbon Border Adjustment Mechanism

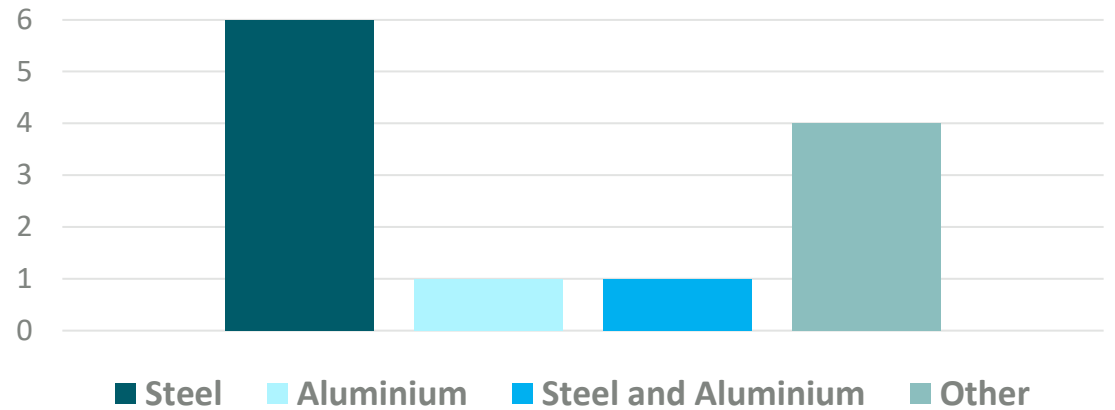
Survey report – May 2024

CBAM Survey

Purpose and respondents

- The Carbon Border Adjustment Mechanism (CBAM) is a tariff on carbon intensive products, such as steel, aluminium and others, imported to the European Union – SA is mostly affected in the Iron & Steel and Aluminium sectors
- CBAM takes full effect in 2026 after a two-year transitional period, with measurement and reporting requirements starting from Q4 2023 and the first reporting deadline set on 31 January 2024 and later extended to end February
- The purpose of this survey was to gather feedback from affected companies in South Africa on this first reporting process, challenges they have faced, and readiness moving forward

- 12 companies responded to the survey



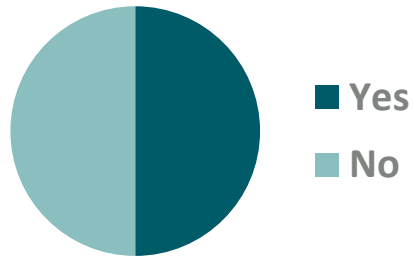
- Other includes Nickel Magnesium alloy, Glass manufacturing, Bearings, Brass finished products

It is encouraging to note that companies are aware that the initial CBAM products list will most probably be expanded to adjacent sectors and downstream products

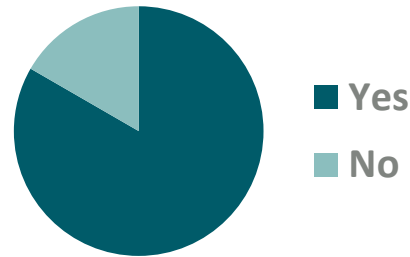
CBAM Readiness

Respondents awareness is good, but familiarity is very variable

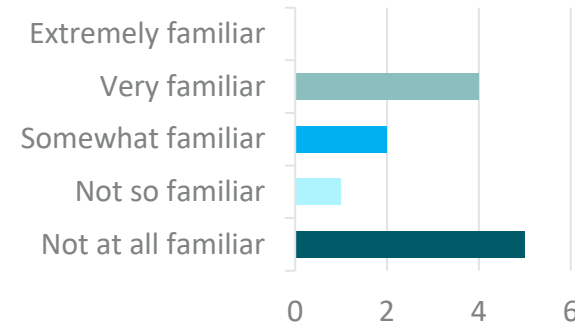
Do you export to the EU?



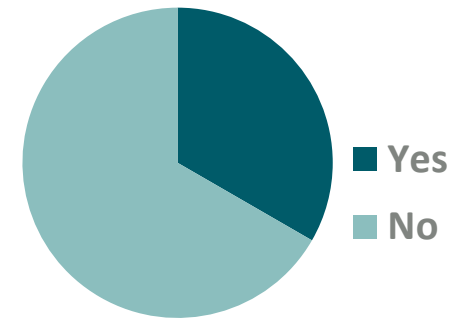
Are you aware of CBAM?



How familiar are you?



Have you reported?



- Although only half of the respondents are currently exporting impacted products to the EU, the large majority is aware of CBAM – including the fact that the EU CBAM is only the start
- Familiarity with CBAM regulations and reporting requirements is very variable – opportunity to learn from organisations that are successfully tackling the challenges
- Companies are not always sure about impacted products – need to improve communication with industry
- Only four respondents have reported for the first period – the other two exporters were not aware/not sure but did not need to respond

CBAM Reporting

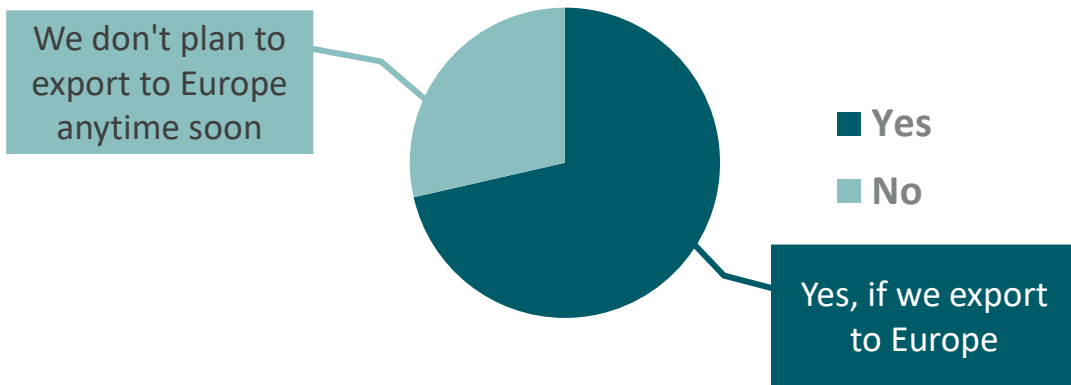
Key insights from reporting companies

- SA companies received specific reporting requests from the importers – generally in the form of the CBAM template spreadsheet for Operators of Installations published by the EU
- Not all companies were able to use the EU spreadsheet, which caused delays in submission
- Two companies were able to report actual values, but one had to use default values for precursor materials and is unsure about accuracy of calculation for specific products
- A key challenge relates to reporting per product group as opposed to plant-wide reporting for local carbon tax and ISO14064, and converting existing measurements into a suitable format for input into the standard CBAM template while still accounting for the total carbon balance and energy consumption of the installation
- Companies also need to align CBAM reporting requirements with existing submissions on other portals, e.g. GHG reporting to the DFFE, annual EcoVadis sustainability reporting, etc.
- Better understanding can be achieved through repeated reading of regulations and guidelines, as well as webinars and feedback sessions hosted by industry bodies (generally in EU / UK)
- EU expectation that default value reporting will stop in July 2024 is unrealistic as most companies will not be able to comply fully

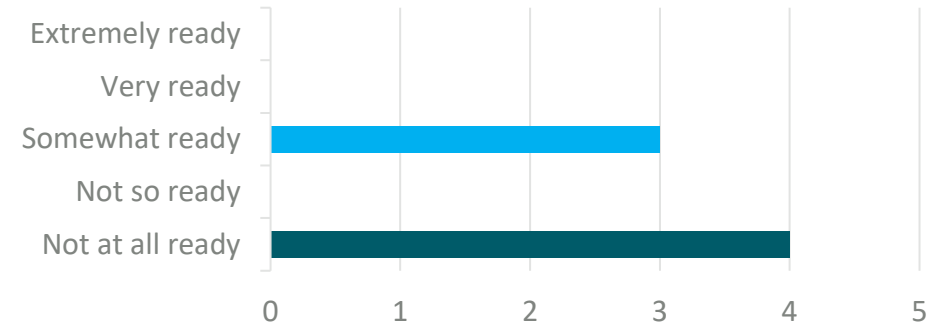
CBAM Reporting

Key insights from non-reporting companies

Will you have to report in future?



How ready are you?



- **We do not know what will be requested** – we assume it will be reported in the format of either carbon equivalence or in the same format as required for the **SA Carbon Tax Act 2019**, so no double reporting is required, as these acts and CBAM initiatives should speak to each other as **they need to offset each other**.
- **I do not know what needs to be reported** – carbon equivalence, actual fuel consumption or precisely what. Further how will CBAM work together with a USA BCA as we sell on through the USA (probably the clean competition act) and also with the **SA carbon tax act? These should offset each other at the end.**

CBAM Survey

Conclusions and way forward

Key Insights

- There is an overall good degree of awareness about CBAM now and in future, although familiarity with requirements is sketchy
- Some companies seem to be much readier than others – opportunity to share learnings
- Alignment with other carbon related reporting requirements is critical to make process easier
- Offsetting of CBAM and other foreign carbon taxes against local taxes is another critical topic
- Almost all respondents expressed interest in participating in an industry working group

Proposed Way Forward

- Organise workshop for establishment of industry working group to define:
 - Key topics to be addressed
 - Objectives and deliverables for each topic
 - Key activities / project plan
 - Participants / roles & responsibilities
 - Ways of working
- Potential topics include
 - Reporting alignment and best practices
 - Value chain integration e.g. precursors
 - Offsetting vs local taxes
 - Decarbonisation initiatives
 - Strategies to mitigate impact of implementation