MSE Market Commentary

April 2026

CBAM at Financial Phase

What Exporters of Steel and Cement Are Actually Facing

The Carbon Border Adjustment Mechanism entered its definitive phase on 1 January 2026. For the three preceding years, CBAM operated as a reporting obligation — importers declared embedded carbon but paid nothing. That period is over. Imports of steel, cement, aluminium, fertilizers, and hydrogen from non-exempt countries now generate an accruing CBAM certificate liability, calculated against EU Emissions Trading System allowance prices. The structure of that liability — its timing, its scale, and how it varies by exporter — is widely misunderstood.

The Timeline: Liability Accrues in 2026, Settlement in 2027

CBAM certificate obligations for 2026 imports do not require cash payment in 2026. Under Regulation (EU) 2025/2083 — the CBAM Omnibus Regulation, which entered into force on 20 October 2025 — certificate sales open from February 2027, with the annual declaration and surrender deadline set at 30 September 2027.

The deferral restructures cash-flow timing, not the underlying obligation. Importers must account for CBAM certificate costs commercially and in financial provisions from the moment goods clear EU customs in 2026. The European Commission published the first official quarterly CBAM certificate price on 7 April 2026: €75.36 per tonne of CO_2 for Q1 2026 imports. From 2027, pricing moves to a weekly cycle based on EU ETS auction averages.

Phase-In Mechanism: Understanding the Cost Trajectory

CBAM is designed to mirror the gradual phase-out of free EU ETS allowances for covered sectors. In 2026, the applicable CBAM phase-in coefficient is 2.5%, rising annually — 5% in 2027, 10% in 2028 — until reaching full application at 100% in 2034.

This phase-in has a direct effect on the scale of certificate obligations in the near term. For 2026 imports, actual payable CBAM certificate requirements are materially lower than the theoretical full-phase exposure. The figures below represent illustrative full-exposure equivalents — the cost trajectory exporters face as the mechanism reaches full implementation — not the actual certificate obligation payable for 2026 imports.

Benchmarks, Default Values, and the Verification Imperative

The Commission finalised production-route emission reference values and country-specific default values in December 2025, legally binding from 1 January 2026. The distinction determines exposure.

For hot-rolled coil, production-route reference values are: 1.370 tCO_2/t for BF/BOF, 0.481 tCO_2/t for DRI/EAF, and 0.072 tCO_2/t for scrap-based EAF. These apply where the importer provides third-party verified actual emissions data. Where actual data is absent, country-specific default values apply — set conservatively at the high end of each country's emission intensity distribution.

The gap is substantial. Country-specific default values for Indian HRC run to approximately 4.27 tCO_2/t; for Chinese steel slab to approximately 3.17 tCO_2/t. At the published Q1 2026 CBAM certificate price of €75.36/t, the theoretical full-phase exposure on Indian HRC calculated using default values reaches approximately €220 per tonne; for Indonesian material, market estimates place the figure above €500 per tonne. While 2026 payable obligations are a fraction of these figures due to the phase-in mechanism, the trajectory is fixed by regulation: it reaches these levels by 2034. Exporters without verified actual emissions documentation are building exposure into every long-term supply agreement signed today.

For cement and clinker, typical embedded emissions for modern kilns run to 0.83–0.89 tCO_2/t for clinker and approximately 0.76 tCO_2/t for Portland cement, reflecting irreducible process CO_2 from limestone calcination plus fuel combustion. None of the principal non-EU cement-supplying jurisdictions — Turkey, Morocco, Egypt, Algeria — currently operates a carbon pricing scheme recognised by the EU for CBAM deduction purposes. Turkey enacted its Climate Law in July 2025 establishing a legal basis for a domestic ETS, but that scheme is not currently recognised by the EU for CBAM offset credit.

What the Omnibus Simplification Actually Does

Regulation (EU) 2025/2083 replaced the former €150 per consignment value-based exemption with a mass-based threshold of 50 tonnes per year per importer. Importers whose total annual net CBAM-covered imports remain below 50 tonnes are fully exempt. Hydrogen and electricity are excluded from this threshold.

The Commission estimates this exempts approximately 90% of all EU importers by number while retaining 99% of embedded emissions within CBAM scope. A single commercial cargo of steel or clinker exceeds the threshold by orders of magnitude. The simplification is material for SMEs. It does not alter the obligations of any party operating at industrial scale.

Three Requirements That Cannot Be Deferred

For exporters shipping at commercial volumes, three operational requirements are structurally non-negotiable regardless of the phase-in schedule.

First, **investment in verified actual emissions data** at installation level, calculated per EU implementing regulation methodology. The gap between default and actual values is the largest single driver of the long-term CBAM cost trajectory. Third-party verification aligned to EU requirements is the qualifying condition — and the documentation infrastructure takes time to build.

Second, **documented carbon cost adjustment** in EU-bound offtake contracts. Long-term supply agreements without CBAM escalation mechanisms transfer the full phase-in cost increase to the exporter. As the phase-in coefficient rises from 2.5% in 2026 toward 100% in 2034, that transfer becomes commercially unsustainable.

Third, **monitoring of the free allocation phase-out schedule**. The effective CBAM cost per tonne increases each year through 2034 as free ETS allocations are eliminated. Supply agreements signed today at current certificate price levels will face a structurally different cost environment by 2030.

MSE’s Role

MSE GmbH supports exporters of steel, cement, and other CBAM-covered commodities with embedded carbon verification structuring, EU regulatory compliance strategy, and commercial offtake coordination with European counterparties — including documentation aligned to CBAM implementing regulations. Engagements are structured under Swiss-law advisory and commission agency frameworks.

Published under the MSE GmbH advisory brand.

Sergey Belskiy
Founder & Managing Director, Metal Supply Experts GmbH
Walchwil / Zug, Switzerland

metalsupplyexperts.com