

European fastener distribution in difficult CBAM waters

Complex and incomplete regulations have left European fastener distributors facing high costs and major uncertainties. A recent webinar from the European Fastener Distributor Association (EFDA) revealed most importers will be forced to rely on disproportionately high standard values, which will significantly increase their costs in 2026. In this article, EFDA warns that these issues risk undermining the Carbon Border Adjustment Mechanism (CBAM) regulation's climate goals, whilst also placing heavy financial and administrative burdens on the fastener industry.

CBAM costs pose massive problems for EU fastener importers. Fears at the end of last year that complex and immature regulations would complicate rather than simplify the implementation of CBAM, in the full implementation phase, have become a certainty in the new year. With its demand for complexity, the European Commission has shot itself in the foot. Important prerequisites for EU importers to be able to use actual emission values for calculating CBAM costs have been created far too late and, in some cases, are still missing.

This means that EU importers of fasteners, from today's perspective, are reliant on using absurdly high default values for their cost calculations – at least for imports in 2026. As a result of these shortcomings, the EU is failing to achieve the climate policy goal pursued by CBAM, which is to strengthen demand for low emission fasteners by creating incentives. Instead, CBAM is effectively degenerating into a punitive tariff on fastener imports.

Despite everything, European fastener distributors must do everything in their power to navigate the maze of CBAM regulations that were imposed on them shortly before the end of last year and take the necessary measures to emerge from this dilemma as unscathed as possible. EFDA wants to support them in this endeavour.

Even during the CBAM transition phase, our initial fears were confirmed that the complexity of CBAM and the immaturity of the mechanism, especially for downstream products such as fasteners, would mean CBAM would not work in practice. This is now being dramatically confirmed in the full implementation phase, which obliges European fastener distributors to make compensation payments for CO₂ emissions embedded in fasteners imported into the EU from 1st January 2026.

With that in mind, over 200 participants from all over Europe took part in a webinar on 29th January held together with carboneer, a company that advises on topics such as CBAM, emissions trading, and climate neutrality, as well as providing companies with tailor-made solutions to help meet compliance requirements and manage CO₂-related risks.

Participants of the webinar received useful information about what to expect in the full implementation phase of CBAM, as well as useful information on how to calculate costs and emission



European fastener distributors must do everything in their power to navigate the maze of CBAM... and take the necessary measures to emerge from this dilemma as unscathed as possible.”

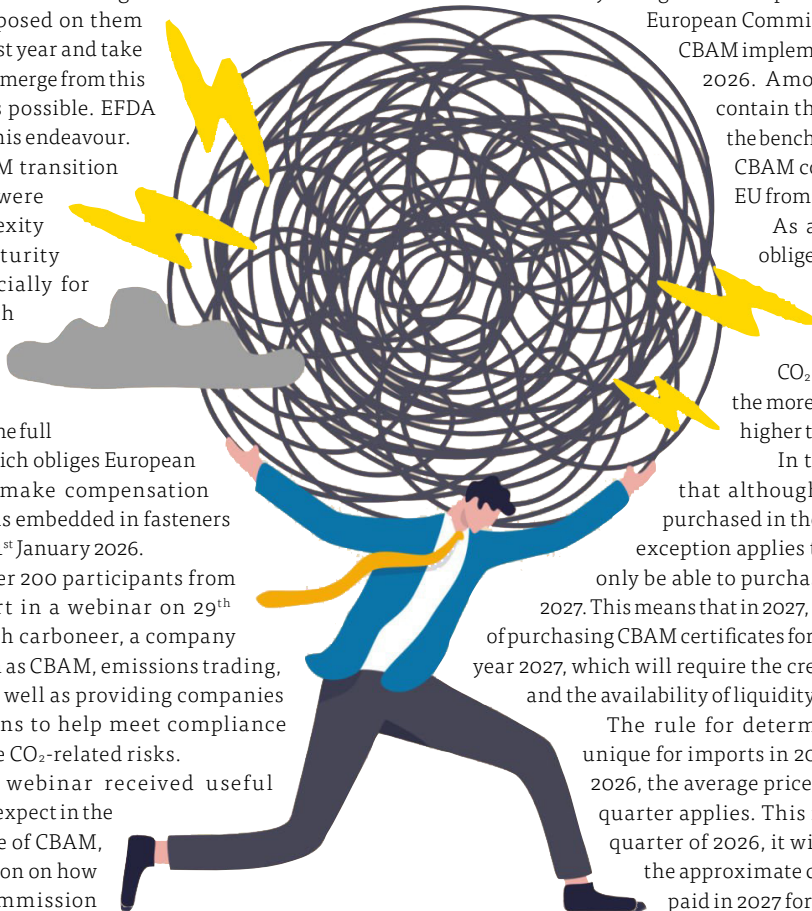
verification from Hendrik Schuldt of carboneer. EFDA has been working with carboneer for some time, previously developing a template for suppliers, as well as creating guidance documents for its members.

Right at the outset, Hendrik highlighted the scale of the task at hand by listing the nine implementing regulations published by the European Commission just two weeks before the full CBAM implementation phase began on 1st January 2026. Among other things, the provisions contain the default values for emissions and the benchmark values relevant for calculating CBAM costs for fasteners imported into the EU from 2026 onwards.

As a general rule, EU importers are obliged to make compensation payments for the emissions embedded in the imported fasteners by purchasing CBAM certificates. The higher the CO₂ content per tonne of imported goods, the more certificates must be purchased, the higher the CBAM costs are.

In this context, Hendrik pointed out that although certificates must generally be purchased in the year of the respective imports, an exception applies to imports in 2026. Importers will only be able to purchase certificates for 2026 imports in 2027. This means that in 2027, importers will have to bear the costs of purchasing CBAM certificates for imports in 2026 and for the current year 2027, which will require the creation of corresponding provisions and the availability of liquidity.

The rule for determining certificate prices is also unique for imports in 2026. For imports in each quarter of 2026, the average price of certificates over the respective quarter applies. This means that at the end of the first quarter of 2026, it will already be possible to estimate the approximate certificate price that will have to be paid in 2027 for imports made in that quarter. ➤



» For imports from 2027 onwards, the normal rule will then apply, whereby certificates are purchased during the year at the average weekly price.

The core of the webinar was certainly the presentation of the two options provided for in the CBAM regulation regarding how the emissions embedded in fasteners can be included in the cost calculation. The first is the method generally provided for, whereby the actual emissions reported by the supplier are used. This requires the actual emissions of all production processes relevant to fasteners to be determined and verified.

In addition, specific benchmark values must be determined for each production process, e.g. of the various precursor materials used in the manufacture of a screw. The benchmark value ensures that importers only have to pay for the CO₂ emissions of their goods that exceed the emissions of the most efficient EU producers. They are listed for all relevant products and precursors, sorted by CN code, in the annex to the Commission's implementing regulation.

Once all the values are available, the supplier must aggregate them and weight them according to the ratio of the quantities of the individual precursor materials in the final product, the fastener.

Hendrik presented in detail how the benchmark values in the Commission Implementing Regulation can be determined and what needs to be considered in each case, using the example of hexagon head screws (7318 1588) from Vietnam. All this has to be done by the manufacturer and it is clear to all participants that this is a rather complex undertaking overall.

Hendrik emphasised once again that the actual emission values can only be used if they have been verified. If verification is not successful, the actual emissions cannot be used to determine the certificate prices. In this case, the EU importer is referred to the use of so-called default values.

Alexander Kolodzik, secretary general of EFDA, pointed out in the webinar that as a general rule only the emissions from those production processes that are also relevant in the European Trading System (EU ETS) must be used. For this reason, EFDA was convinced that emissions released during the manufacture of the fasteners themselves must not be considered and therefore not be included when calculating CBAM costs for fasteners.



Regardless of the efforts of importers and manufacturers to use the lowest possible emission values, there are external factors beyond the control of EU importers of fasteners that will continue to drive up the cost of importing fasteners in the coming years.”

For years, EFDA has criticised the Commission for imposing CBAM requirements on importers of fasteners that go beyond those applicable to manufacturers under the ETS, arguing that CBAM unfairly disadvantages importers of fasteners. EFDA had succeeded in getting the EU legislator to explicitly stipulate in the 'so called' simplification regulation that the system boundary in the CBAM must be aligned with those of the EU ETS.

The system boundaries define which production processes are relevant for calculating emissions. Only emissions from production processes included in the system boundary for iron and steel products are to be used to calculate CBAM costs for fasteners. Unfortunately, Alexander continued, in its implementing regulation, which was published shortly before the turn of the year, the Commission defined the system boundary in such a way that it does not apply correctly to fasteners. EFDA is therefore pushing for an urgent correction.

An immediate clarification of this issue is important for the use of actual emissions data as EU importers, manufacturers and verifiers need to know without delay which emissions need to be determined and verified.



Default values: Driving up CBAM costs

Compared to determining actual emissions, calculating CBAM costs using standard values is much simpler. In the webinar, Hendrik guided participants through the tables with default values that the Commission has set for each country of origin and CN code. In this context, it is important to know that a single default value is used for each CBAM relevant imported product and country of origin. For example, there is only one specific default value that applies to hexagon head screws (7318 15 88) from Vietnam. This value is final, meaning it does not need to be added to other default values.

According to Hendrik, it should be noted that the default values will be increased by a certain mark-up in the first three years of the full CBAM implementation phase in order to encourage importers to use the lower actual values. For imports in 2026, the mark up will be 10%, for imports in 2027 20%, and for imports in 2028 and all subsequent years 30%. The final default values, including the relevant mark up, can be taken directly from the Commission's table.

If default values are used for emissions, a benchmark for a specific production route applies, which can be taken from a separate table. Here, too, there is no summation with other benchmark values. The list of default values specifies which specific benchmark value is to be taken from the table with benchmark values.

Hendrik's example of hexagon head screws from Vietnam clearly shows how big the difference in CBAM costs is depending on whether actual emission values or default values are used in the calculation. If we look at the values for other countries of origin, such as China, India or Türkiye, the difference is even more significant. For example, India's default value is around 100% higher than Vietnam's, while China's is as much as 130% higher. Based on a certificate price of €80, this ultimately leads to CBAM costs that >>



» are 190% and 230% higher than Vietnam, i.e. €394 and €449 compared to €136 per tonne of imported goods.

Hendrik also discussed the challenges of verifying actual emissions data. After all, 'real' data can only be used if it has been successfully verified. Verification requires the manufacturer to set-up a monitoring system. For this reason, it is imperative that EU importers inform suppliers about the importance and scope of this aspect.

However, according to Hendrik, it is not certain to what extent verification will take place in practice as a bottleneck in the verification of import data for 2026 is to be expected. This is partly due to the fact that the accreditation of verifiers by the national accreditation bodies in the EU Member States is still pending and is not expected to take place until the summer. It can also be assumed that there will initially be only a limited number of accredited auditors.

In addition, many manufacturers are not yet prepared to correctly determine 'real' emissions data. For example, if errors or omissions exceed 5% of the reported emissions, verifications will not be successful, with the result that the high default values must be used.

Finally, only a total of nine months will be available for the verification of data relevant to imports in 2026, namely the period from January to the end of September. Verification can only take place from the beginning of 2027, when the complete data for 2026 is available, and EU importers must submit their annual CBAM declaration for imports made in 2026 by 30th September at the latest. In addition, verification in 2027 must be carried out on site at the manufacturer's premises. Later, virtual verifications will also be possible.

At the end of his presentation, Hendrik gave an outlook on the development of costs and challenges in the coming years. He outlined several factors that will lead to an increase in CBAM costs over the years. Firstly, the value of the certificate price, which is expected to increase from year to year and, in a few years, will be significantly higher than the current certificate price. In addition, as already explained, the default values will be increased by a further 10% each year over the next few years.

Finally, the 'so called' CBAM factor will decrease year-on-year until 2034. This factor is part of the cost formula and ensures CBAM importers only pay for the CO₂ share for which EU manufacturers no longer receive free certificates under the EU ETS. The lower the CBAM factor, the higher the costs. Regardless of the efforts of importers and manufacturers to use the lowest possible emission values, there are external factors beyond the control of EU importers of fasteners that will continue to drive up the cost of importing fasteners in the coming years.

According to Hendrik, importers of fasteners need to be aware of the extent and consequences of the financial and administrative burden caused by CBAM. They must establish clear cost management strategies within their companies. Provisions must be made, in particular for the purchase of certificates in 2027, and sufficient liquidity must be ensured. Companies should pay very close attention to the quality of the data they receive from their suppliers. Cost drivers should be individualised and, if necessary, replaced by alternatives. Overall, honest risk management is required within the company.

These comprehensive explanations in connection with cost calculation, and the verification of emissions data in the webinar

with carboneer, once again clearly demonstrated to many European fastener distributors how complex the subject matter is and how great the challenges are.

EFDA knows from its members how seriously European fastener distributors are taking the situation and how determined they are to face the challenges posed by CBAM. However, two months after the webinar, we can only note with even greater bitterness that, despite all the efforts our companies are making to master the situation, it is unlikely the actual emission values will be seriously used for cost calculation, at least for imports in 2026. And this is not the fault of the importers.

Rather, the fears expressed by Hendrik in the webinar that there will be an enormous bottleneck in the verification of 'real' data are becoming increasingly certain. From today's perspective, it is simply completely unrealistic that the presumably limited number of auditors still to be accredited by the summer of this year will be able to visit the thousands upon thousands of manufacturers around the world in just nine months to verify actual emissions. As a result, EU importers of fasteners have virtually no choice but to base their cost calculations on the actual emission values due to a lack of requirements, which is attributable to the failure of the legislator. Instead, they are de facto forced to use the very high default values.

In addition, many manufacturers, especially small and medium sized ones, continue to be completely overwhelmed by the complexity of CBAM and will not be able to take the extensive steps necessary to ensure that EU importers use verified 'real' data. The many small and medium sized enterprises around the world can hardly be blamed for this. How can they be expected to perform miracles when the Commission has failed to create the conditions for a successful start to the full implementation phase in time during the CBAM transition phase?

The consequences are dramatic for our companies and for the European economy as a whole. This is because the default values provided by the Commission are unreasonably high and lead to CBAM costs that are much higher than expected. Even without taking into account the mark-ups that have been added, the values bear no relation to the emission values collected by European fastener importers during the CBAM transition period. The Commission has not provided any explanation of its calculation methods. As a result, the inevitable use of default values will lead to drastic cost increases for fasteners in the first year of the full implementation phase, which in some cases can reach 30% to 50%. This will not only cause massive financial problems for many distributors but will also lead to price increases for goods 'Made in the EU' that are manufactured with imported fasteners, thereby negatively impacting the competitiveness of European industry on global markets.

For these reasons, EFDA is strongly advocating to the EU that the requirements for the use of actual emission values be eased and the absurdly high default values be corrected. The system boundary in CBAM must also be immediately corrected so that importers of fasteners are no longer disadvantaged compared to domestic manufacturers. Creating a level playing field is the very reason why CBAM exists in the first place. If discrimination against importers is not eliminated, the only alternative to creating a level playing field is to include European fastener manufacturers in the EU Emissions Trading System. +

www.efda-fastenerdistributors.org



EFDA is strongly advocating to the EU that the requirements for the use of actual emission values be eased and the absurdly high default values be corrected."