

# The Carbon Border Adjustment Mechanism eLearning module

## CBAM in the fertilisers sector

### Course takeaways

This eLearning course on CBAM in the fertilisers sector offers a comprehensive exploration of the Carbon Border Adjustment Mechanism (CBAM) specifically within the context of the fertilisers industry.

By the end of this course, the learner will understand CBAM's general aspects, the criteria specific to the fertilisers sector, emissions measurement and reporting requirements, and the IT system. They will be well-equipped to navigate the challenges and opportunities presented by CBAM in the fertilisers industry and comply with the legal obligations.

**This is a quick and handy summary of the most relevant module information:**

## 1. Introduction

### 1.1 Did you know?

The Carbon Border Adjustment Mechanism (CBAM) is an instrument implemented by the European Union to address carbon leakage. The EU's ambition is to become climate neutral by 2050, and CBAM will aim to ensure that imported goods are subject to a carbon price equivalent to the carbon price of domestic production in the EU.

CBAM affects the fertilisers sector by putting a price on emissions associated with fertilisers produced in countries outside the EU and **imported into the EU**. It aims to encourage sustainable practices and reduce carbon footprint.

For fertilisers importers, compliance with CBAM initially involves reporting direct and indirect emissions associated with fertilisers production in imported goods from third countries on a quarterly basis, relying on supplier information. However, from 1 January 2026, importers of fertilisers will have to buy CBAM certificates for emissions in imported fertilisers, just like in the Emissions Trading System in the EU.

Nevertheless, these costs can be minimized by choosing suppliers who have implemented sustainable practices and reduced their carbon emissions.

Overall, CBAM provides an opportunity for the fertilisers sector to embrace sustainability and contribute to environmental protection by positioning businesses as socially responsible and environmentally conscious players in the market.

### 1.2 Learning objectives

This course is addressed to any person who operates or controls production installations in third countries, importers, indirect customs representatives (acting as reporting declarants), trade partners and competent authorities or anyone who needs to understand and work with CBAM obligations in the fertilisers sector.

At the end of this course, you will have achieved the following learning objectives:

- Understand the general aspects of CBAM and rules for reporting declarants.
- Understand the main criteria for CBAM in the fertilisers sector, including relevant emissions and the formula to calculate specific embedded emissions.
- Be able to calculate the formula for specific embedded emissions in the transitional period.



- Understand reporting requirements and how they are applied in the IT system (CBAM Transitional Registry).
- Demonstrate confidence and competence in the use of the CBAM Transitional Registry.

## 2 General aspects of CBAM

### 2.1 Overview

The European Union has adopted the Carbon Border Adjustment Mechanism (CBAM) to support the goal of achieving climate neutrality by 2050. CBAM will work alongside other measures in the 'Fit for 55' package and will reduce the risk of carbon leakage as the EU moves towards achieving its climate targets.

#### **Carbon leakage**

Carbon leakage occurs when companies move carbon-intensive production from the EU to countries where less stringent climate policies are in place than in the EU, or when EU products get replaced by more carbon-intensive imports. CBAM aims to gradually replace existing measures designed to prevent carbon leakage, particularly the allocation of free emission allowances under the EU Emissions Trading System (ETS). It seeks to establish an equivalent carbon price for both domestic and imported production of specific goods.

#### **Sectors**

CBAM will apply to the following sectors: aluminium, cement, electricity, fertilisers, hydrogen, iron and steel. During the transitional period, the reporting for these sectors includes both direct and indirect emissions, except for electricity, which only includes direct emissions.

#### **Certificates**

Each year, from 1 January 2026, authorised CBAM declarants (importers or indirect customs representatives) will have to buy and surrender CBAM certificates that correspond to the embedded emissions in the imported goods. The European Commission will calculate the price of CBAM certificates based on the average weekly price of ETS auctions. This ensures that CBAM certificates remain closely aligned with the price of ETS allowances. Additionally, this approach maintains a manageable system for administrative authorities overseeing the process. But for now – you only need to provide information on the emissions.

### 2.2 Timeline

#### **Transitional phase: October 2023 - December 2025**

CBAM focuses on monitoring and reporting only. It does not involve any financial adjustments or the need to purchase certificates. The goal is to ensure a seamless and uninterrupted rollout of the mechanism. Importers of CBAM goods, or their appointed customs representatives, will need to submit a quarterly CBAM report outlining the embedded emissions associated with goods imported, as well as any carbon pricing due. To prepare for the post transitional phase, it is possible to apply to

become an authorized CBAM declarant from 1 January 2025. Applications must be submitted in the Member State of establishment.

### **Review and scope extension: 2025**

The European Commission will use the reported information for general analysis and review of the CBAM. The conclusions will be presented in reports to the European Parliament and the Council before the end of the transitional period. Those reports will look into different topics on the implications, implementation and functioning of the CBAM. This includes the possibility for extension of the scope to other goods, specifying the methodology and progress made in the international discussions.

### **Post transitional phase: 2026 - 2034**

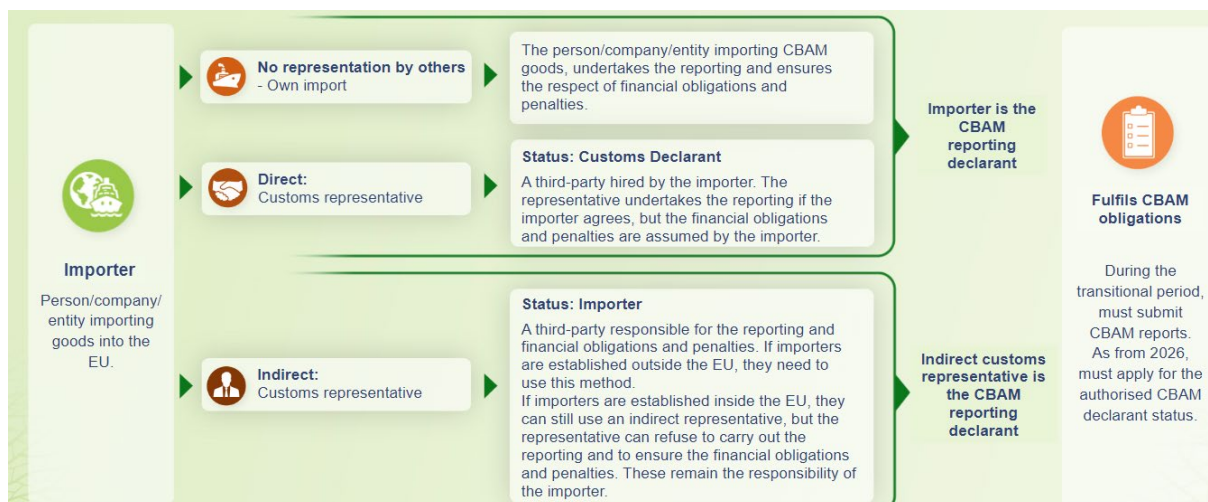
From 1 January 2026, only authorised CBAM declarants will be able to import CBAM goods into the European Union. Authorised CBAM declarants will have to buy CBAM certificates that correspond to the emissions in the goods imported. To ensure coherence with ETS, the CBAM certificates are phased in gradually and in line with the phase out of free allowances in the ETS.

## **2.3 Rules for representatives**

How do importers know who the person responsible for the reporting obligations is?

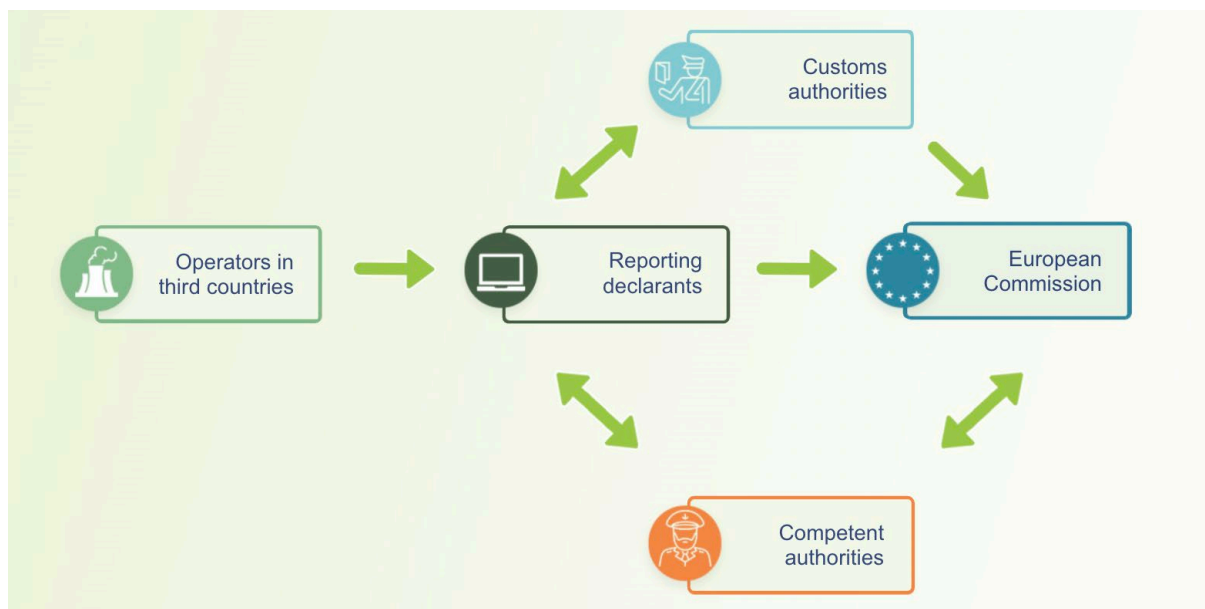
When importers import on their own, that is, with no representation by others, or use a direct representative, then the importer must be the reporting declarant. Note that direct customs representation is not possible if the importer is located outside the EU.

When the importer uses an indirect customs representative, then this representative is the one responsible for the reporting obligations. In this case the indirect customs representative is the reporting declarant.



## 2.4 Interactions between the reporting declarants and officials

During the transitional phase of CBAM, there is no specific authorisation process in place. Instead, a simplified procedure is applied to facilitate the initial stages of CBAM implementation. This transitional phase is designed to provide time for stakeholders to adjust and prepare for full compliance with CBAM requirements.



### **Operators in third countries**

Operators gather and provide the necessary data related to the direct and indirect emissions associated with the imported goods. This data includes information on the production processes, specific embedded emissions, and other relevant factors.

### **Reporting declarants**

Reporting declarants are responsible for compiling and submitting CBAM reports. They may receive the data from the operators. They analyse and process the data to ensure its accuracy and compliance with CBAM requirements. They then submit the CBAM reports to the European Commission.

### **Customs authorities**

Custom authorities will automatically provide information to the reporting declarants to ensure that these have a clear understanding of their obligations. Additionally, customs authorities collaborate with the European Commission by sharing accurate and detailed information on imports, including customs declarations and associated CBAM-related data.

### **European Commission**

Once the European Commission receives and reviews the CBAM reports submitted by the reporting declarants, a communication process takes place with competent authorities. This process during the transitional period will help improve the implementation of CBAM in the definitive period. Also, data exchanges with customs authorities allows the European Commission to monitor the implementation of CBAM, verify compliance, and assess the effectiveness of CBAM.

### **Competent authorities**

During the transitional period, competent authorities carry out verifications and give feedback to the declarants about the CBAM reports. This serves to clarify any issues, address discrepancies, and ensure

compliance with CBAM requirements. As from 2025 they will deliver the authorisation to become authorised CBAM declarants.

## 3 CBAM methodology in the fertilisers sector

### 3.1 Calculating embedded emissions in the fertilisers sector

#### 3.1.1 What types of fertilisers will be included in CBAM

The different CBAM goods in the fertilisers sector can be aggregated in goods categories and have specific greenhouse gases (GHG) associated. The fertilisers sector in CBAM covers nitrogen-containing fertilisers. In the case of mixed fertilisers containing also phosphorus and/or potassium, any emissions from the production of phosphorus or potassium are considered to be zero for the purposes of the CBAM. In addition to the nitrogen fertilisers themselves, the sector also covers the nitrogen-containing inorganic chemicals needed to produce them (e.g. ammonia, nitric acid, urea).

**Aggregated goods categories** refer to goods that are grouped based on their similar characteristics. These categories are created to simplify the administration and implementation of CBAM. Instead of assessing and monitoring goods individually by their CN codes, goods within the same aggregated goods category are treated and evaluated collectively.

This approach helps to streamline the process while ensuring effective implementation of reporting of embedded emissions for imported goods. However, the emissions of goods falling under the same aggregated goods category shall be calculated separately if different production routes are applied. Production route means a specific technology used in a production process. Moreover, operators may voluntarily split the aggregated goods category further, for example if this is required by their national system.

The **greenhouse gases** that need to be monitored have been defined according to the activities and emissions of the greenhouse gases listed in Annex I of Directive 2003/87/EC.

In the fertilisers sector, Carbon dioxide (CO<sub>2</sub>) and, only in case of nitric acid production, nitrous oxide (N<sub>2</sub>O) needs to be monitored as they are the primary greenhouse gases emitted during the production process.

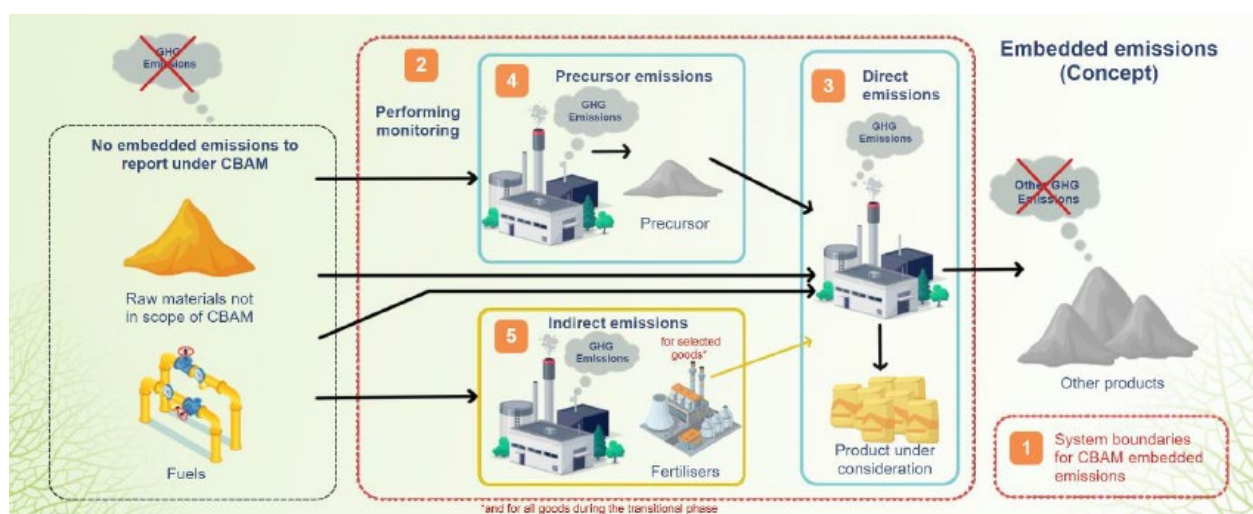
The **Combined Nomenclature** (CN) is presented in the form of an organized catalogue that codifies goods which are the subject of trade and takes account on the specific characteristics of the good in question, particularly: the type of product, what is it made of, its function and how it is presented or packaged.



CN Code	Aggregated goods category	Greenhouse gas
<b>Fertilisers</b>		
2808 00 00 - Nitric acid; sulfponitric acids	<b>Nitric acid</b>	Carbon dioxide and nitrous oxide
3102 10 - Urea, whether or not in aqueous solution	<b>Urea</b>	Carbon dioxide
2814 - Ammonia, anhydrous or in aqueous solution	<b>Ammonia</b>	Carbon dioxide
2834 21 00 - Nitrates of potassium 3102 - Mineral or chemical fertilisers, nitrogenous except 3102 10(Urea) 3105 - Mineral or chemical fertilisers containing two or three of the fertilisers elements nitrogen, phosphorus and potassium; other fertilisers - Except: 3105 60 00 – Mineral or chemical fertilisers containing the two fertilising elements phosphorus and potassium	<b>Mixed fertilisers</b>	Carbon dioxide and nitrous oxide

### 3.1.2 Steps to determine actual specific embedded emissions for the aggregated goods category 'mixed fertilisers'

Here is an overview of the emissions to monitor and report under CBAM in the case of the aggregated goods category 'mixed fertilisers'. Emissions to report include the indirect emissions linked to the electricity used in the production process, the direct and indirect emissions for the production of precursors used for the production of fertilisers, such as ammonia and nitric acid, and the direct emissions for the production of the mixed fertilisers. Emissions generated by the production of fuel and of raw materials that are not in the scope of CBAM should not be reported.



## 1 Establishing System Boundaries

As a first step, declarants need to define the system boundaries, the production processes and routes, which means that there is a need to identify the goods under CBAM scope.

The system boundaries encompass all processes directly or indirectly linked to the production process. The system boundaries depend on the aggregated goods category. The system boundaries depend on the aggregated goods category. As an example, the system boundaries for the aggregated goods category 'mixed fertilisers' may include processes such as the mixing, neutralisation, granulation and prilling of raw materials, the drying and heating of input materials, and materials used for flue gas

cleaning. Emissions related to mining of raw materials and transport activities are outside the system boundaries.

The production route refers to the specific technological option used to produce particular goods under an aggregated goods category.

## 2 Performing monitoring

Performing monitoring in the case of mixed fertilisers means:

- monitoring direct emissions at installation level, from all fuels directly or indirectly linked to fertilisers production, such as fuels used in driers and for heating input materials, and from materials used for flue gas cleaning;
- monitoring flows of net measurable heat;
- monitoring electricity consumption;
- monitoring the consumption of precursors, such as ammonia, nitric acid, urea, and mixed fertilisers such as salts containing ammonium or nitrate.

## 3 Attributing emissions to production processes, then to goods

This involves allocating emissions to the production processes responsible for generating them and subsequently attributing those emissions to the specific goods produced within those processes. Emissions from heat consumption/production are considered by multiplying the net measurable heat with the relevant emission factor.

## 4 Embedded emissions of precursors

There are two types of CBAM goods, simple and complex ones. Simple goods are produced from input materials that are considered to have zero embedded emissions under the CBAM. Therefore, the embedded emissions of simple CBAM goods are based entirely on the emissions occurring during their production. In the fertilisers sector, only ammonia is considered a simple goods provided that the required hydrogen is produced within the system boundaries.

For complex goods, it is necessary to include the embedded emissions of relevant precursors used in the production process, that is precursors that are themselves under the scope of CBAM.

In the fertilisers sector, the aggregated goods category 'mixed fertilisers' refers to complex goods. To determine their embedded emissions requires including the embedded emissions of the precursors ammonia, nitric acid, urea, and mixed fertilizers such as salts containing ammonium or nitrate, if used in the process.

## 5 Indirect emissions

Monitoring and reporting of indirect emissions in the fertilisers sector requires multiplying the electricity consumption with the relevant emission factor. During the transitional period, these emission factors are generally:



- a) The average emission factor of the country of origin of the electricity grid, based on data from the International Energy Agency (IEA) provided by the Commissions or
- b) Any other emissions factor of the country of origin of the electricity grid based on publicly available data representing either the average emission factor or the CO<sub>2</sub> emission factor as referred to in Section 4.3 of Annex IV to Regulation (EU) 2023/956.

Actual emission factors for electricity may be used if it can be demonstrated that:

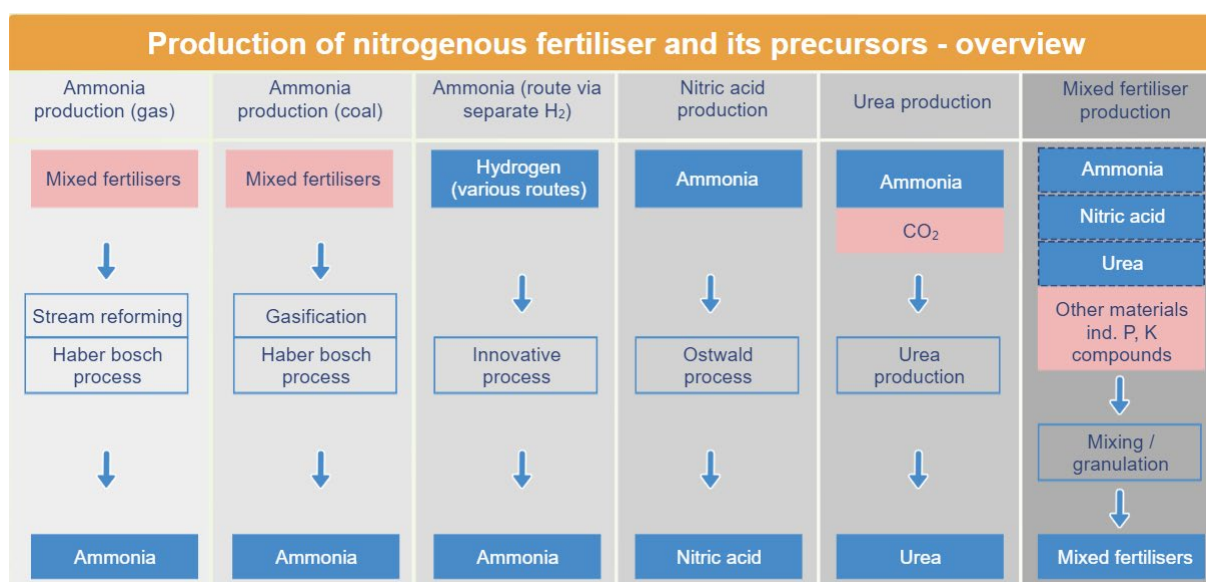
- a) A direct technical link exists between the installation in which the imported good is produced and the electricity generation source or
- b) The installation has concluded a power purchase agreement with a producer of electricity located in a third country for an amount of electricity that is equivalent to the amount for which the use of a specific factor is claimed.

### 3.1.3 System boundaries embedded emissions of fertilisers sector

#### System boundaries and value chain for the production of nitrogenous fertilizer and its precursors – overview

In the context of the CBAM, mixed fertilisers are defined as complex goods as they are produced from precursors such as urea and ammonia, which are goods categories in the scope of the CBAM.

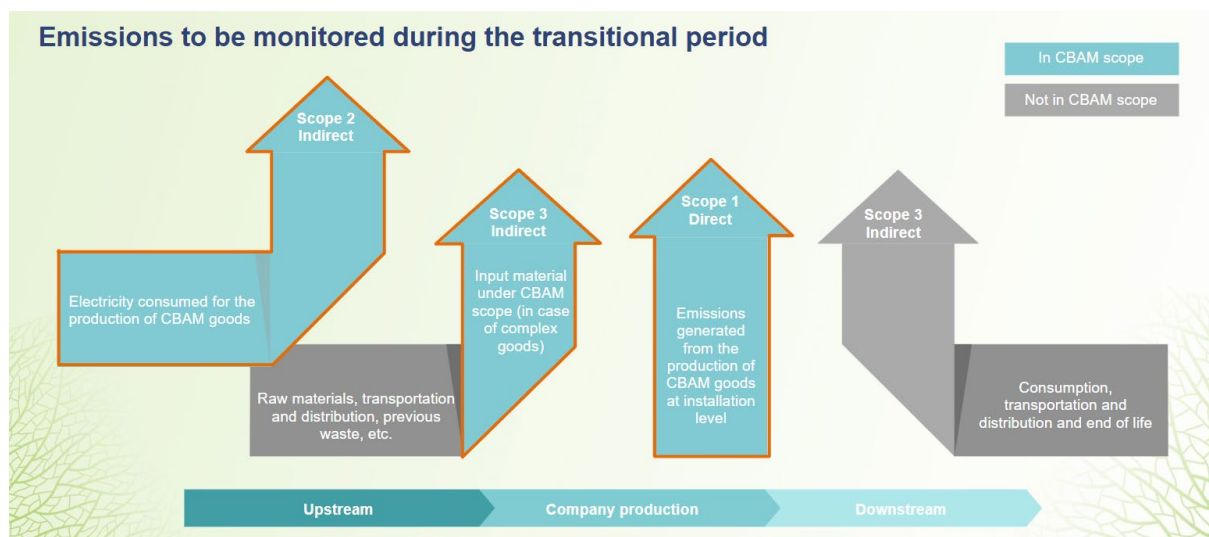
The following diagram provides an overview of the different processes and process routes for the production of nitrogenous fertilizer and its relevant precursors.



## 3.2 Collecting data

### 3.2.1 Emissions to be monitored during the transitional period

The EU importer or its representative is obliged to report the embedded greenhouse gas emissions of the imported goods. They get the data from the third-country installation, which does the monitoring and calculations in a primary report.



#### **Scope 1 - Direct emissions:**

Direct emissions refer to the greenhouse gas emissions released directly during the production at the installation level. The focus is on carbon dioxide (CO<sub>2</sub>) and nitrous oxide (N<sub>2</sub>O), the most significant greenhouse gases in fertilisers manufacturing. Carbon dioxide can be produced from the combustion of fuels and from the conversion of methane to hydrogen. Nitrous oxide is an unwanted side product of the conversion of ammonia to nitric acid. Under greenhouse gas accounting standards such as the GHG protocol, direct emission of CO<sub>2</sub> would fall under the category of scope 1 emissions.

Under CBAM, direct emissions also include emissions from the production of heating and cooling irrespective of the location where they are produced. For example, emissions related to steam produced in another installation that is then delivered to a fertilisers plant qualify as direct emissions. Under greenhouse gas accounting standards such as the GHG protocol, emissions from heating and cooling produced outside the installation boundaries would fall under the category of scope 2 emissions.

#### **Scope 2 - Indirect emissions due to electricity consumption:**

CBAM requires the emissions resulting from the electricity consumed during the manufacturing process to be monitored and accounted for. This includes CO<sub>2</sub> emissions associated with the production of electricity, either purchased or produced at the installation. Under greenhouse gas accounting standards such as the GHG protocol, indirect emissions due to electricity consumption would fall under the category of scope 2 emissions.

#### **Scope 3 - Indirect emissions due to the use of precursors:**

Precursor materials refer to those raw materials used in the production of complex CBAM goods that are CBAM goods themselves. As precursors might be produced by another installation, their embedded emissions are considered for determining the embedded emissions of complex CBAM goods produced

in the installation. The embedded emissions of precursors include both direct and indirect emissions. In the fertilisers sector, a typical example for a precursor is urea, which may be one of the main constituents of nitrogen-based fertilisers.

The determination of the overall embedded emissions of fertilisers thus requires the quantity (in tonnes) of precursor materials used (e.g., ammonia, nitric acid and urea, if used in the process) and their respective embedded emissions. If the operator does not have data on the embedded emissions of precursors, default values may be used until 31 July 2024, including default values made available and published by the Commission for the transitional period.

During the transitional period, importers or indirect customs representatives are to report on the quantity of imported goods, direct and indirect emissions embedded in them, and any carbon price due for those emissions, including carbon prices due for emissions embedded in relevant precursor materials.

### 3.2.2 Methodologies for monitoring and quantifying direct emissions

There are several methods for monitoring and quantifying direct emissions.

#### **Calculation-based methodology**

- The **standard method** involves determining quantities of all the fuels and input materials consumed, and multiplying those with calculation factors such as the net calorific value and emission factor. These calculation factors are typically determined either based on sampling and analysis or by the use of standard factors.
- The **mass balance method** is typically relevant where carbon remains in the goods produced (e.g. steel). In this case, the carbon quantities of all fuels, input materials as well as output materials are determined. This mass balance will result in a difference between the amount of carbon entering and leaving the installation. This difference will be considered to be converted into CO<sub>2</sub> equivalent emissions.

Contrary to what the name suggests, the calculation-based methodology also relies on measurements. However, the emissions are not directly measured. Instead, parameters such as the consumption of fuels and materials as well as the carbon contents of fuels and materials are measured. The emissions are calculated from this data.

#### **Measurement-based methodology**

This methodology focuses on continuous measurements of emissions from emission sources at the installation level. Emissions may be measured directly in the stack or using extractive procedures with a measurement instrument located close to the stack. These measurements provide direct data on the amount of greenhouse gases emitted. The determination of nitrous oxide emissions requires a measurement-based methodology.

#### **Other monitoring systems**

The transitional phase allows for some temporary flexibility in using other monitoring, reporting and verification system that are already applied in the installation.

Until 31 December 2024 other monitoring and reporting methods can be used if they lead to similar coverage and accuracy of emissions data.



How can you find out if your installation is covered by an eligible monitoring and reporting system, so you can use its methods during start-up of the CBAM? This is the case if either of the following applies:

- The installation is participating in a 'carbon pricing scheme'
- The installation is participating in a compulsory GHG reporting scheme
- The installation participates in an emission monitoring scheme at the installation (non-mandatory), which can include verification by an accredited verifier

Besides, for the whole reporting period, up to 20% of the total embedded emissions of complex goods may be based on estimations."

### 3.3 Calculating the specific embedded emissions in the fertilisers sector

The formula for calculating specific embedded emissions in the fertilisers sector is as follows:

**Specific embedded emissions = (Total CO<sub>2</sub> Emissions from Fertilisers Production) / (Total Fertilisers Production)**

- The numerator, "Total CO<sub>2</sub> Emissions from fertilisers production", represents the sum of carbon dioxide (CO<sub>2</sub>) emissions released during the entire fertilisers production process in tonnes. It encompasses both direct and indirect emissions. Remember that greenhouse gas (GHG) emissions are expressed as CO<sub>2</sub> equivalent because, for the fertilisers sector, they also include nitrous oxide emissions from nitric acid production. In the case of nitric acid production, emissions include CO<sub>2</sub> plus the CO<sub>2</sub> equivalent of N<sub>2</sub>O.
- The denominator, "Total Fertilisers production", refers to the overall amount of fertilisers produced within a specific timeframe. It is usually measured in tonnes and represents the total quantity of fertilisers manufactured during that period usually measured in tonnes.

By dividing the total CO<sub>2</sub> emissions from fertilisers production by the total fertilisers production, the formula provides a measure of specific embedded emissions, which represents the amount of CO<sub>2</sub> emitted per unit of fertilisers produced.

It's important to note that the specific calculation of specific embedded emissions may require more comprehensive methodologies that explained in more details in the guidance documentation and communication template.

## 4 Reporting in the CBAM Transitional Registry

### 4.1 Relevant reporting requirements during the transitional phase

Information requirements regarding the fertilisers imported into the EU:

- quantity of imported fertilisers
- country of origin
- direct and indirect emissions

Reporting timetable:

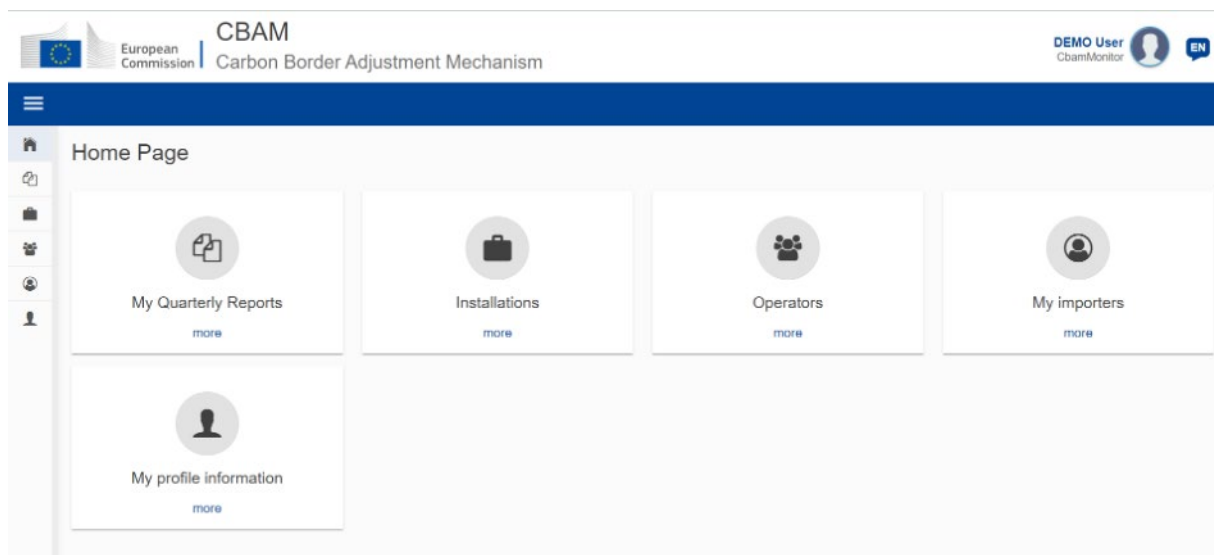
- From October 2023 to December 2025, submit reports quarterly
- First CBAM report is due by 31 January 2024
- First two reports may be modified and corrected until July 2024

Benefits of data collection:

1. helps refine the methodology for reporting and for calculating the default values,
2. integrates the carbon pricing mechanisms being applied in third countries,
3. addresses any difficulty faced by reporting declarants,
4. ensures that the system is as user-friendly as possible.

## 4.2 Introducing the CBAM Transitional Registry

Please note: to understand how to access the CBAM Transitional Registry, please see course [Uniform User Management and Digital Signatures \(UUM&DS\)](#)



### **My quarterly reports**

All open and closed reports will be displayed on this screen. Here, you can also create new reports or rectify past reports.

### **Installations**

The “Installation” is the physical facility or industrial plant that carries out specific production processes. It can be a manufacturing plant, a power station, or any facility involved in activities covered by CBAM. For example, in the fertilisers sector, an installation would be a fertilisers production facility. On this screen you can create a registry of the Installations you import your goods from, so you can easily look them up when submitting a new report. That way you will save time as most of the information will automatically fill in.

### **Operators**

The “Operator” or “Installation operator” is the entity responsible for operating the installation and carrying out the production processes. They are accountable for complying with emissions monitoring and reporting and other CBAM requirements associated with the production of goods within that installation. In the fertilisers sector, the installation operator would be the company managing the fertilisers production facility. On this screen you can create a registry of the Operators associated with the Installations you import your goods from, so you can easily look them up when submitting a new report. That way you will save time as most of the information will automatically fill in.

### **My importers**

On this screen you can see the list of your importers and access their profiles.

### **My profile information**

On this screen you can see your profile details but cannot edit the information.

## **4.3 Reporting in the CBAM Transitional Registry**

Please refer to the course to see the demo.

*Remember, this is a quick and handy summary of the most relevant course information. Only the European Union legislation published in the Official Journal of the European Union is deemed authentic. The Commission accepts no responsibility or liability whatsoever with regard to the training.*

