



April 1, 2024

Important Statement on Huyett's Compliance with the EU Carbon Border Adjustment Mechanism (CBAM)

The EU's Carbon Border Adjustment Mechanism (CBAM) is the EU's tool to put a fair price on the carbon emitted during the production of carbon intensive goods that are entering the EU, and to encourage cleaner industrial production in non-EU countries. By confirming that a price has been paid for the embedded carbon emissions generated in the production of certain goods imported into the EU, the CBAM will ensure the carbon price of imports is equivalent to the carbon price of domestic production, and that the EU's climate objectives are not undermined. The CBAM is designed to be compatible with WTO-rules. CBAM will roll out starting with a transitional phase from 2023 to 2026. This gradual introduction of the CBAM is aligned with the phase-out of the allocation of free allowances under the EU Emissions Trading System (ETS) to support the decarbonization of EU industry.

Huyett is researching carefully these developments, with an eye on compliance. Huyett's products and compliance spectrum fall under the "Iron and Steel" classification. Compliance with CBAM requires Huyett to calculate the amount of carbon emissions created in manufacturing of fasteners. Both direct and indirect emissions must be calculated. Direct emissions in the standard are defined as, "Heat consumption (both heat produced in the installation or received from a separate installation) needs to be attributed to each production process, and emissions related to heat exported from production processes need to be deducted from the attributed emissions of each production process from where the heat is produced or recovered".¹ Indirect emissions are "emissions occurring during the production of the electricity your installation consumes for its production processes, irrespective of whether this electricity was produced within the installation or imported from outside. You need to monitor the quantities of electricity consumed in each production process and multiply it by the relevant emission factor of electricity".¹

To make these calculations, Huyett must not only have the ability through its suppliers to calculate these values, but there must also be a control process to verify and validate the accuracy of the calculations. In reality these resources do not exist and so for the time being, Huyett will monitor the capability and capacity of its suppliers to provide these calculations, and Huyett will validate its own ability to verify and validate the accuracy.

We will continue to monitor the processes and as we are able, will work to conform with the intent and outcome of the standard.

Sincerely,

The Management of Huyett

¹[Guidance Document on CBAM Implementation for Installation Operators Outside the EU, published by the European Commission Directorate-General Taxation and Customs Union, Brussels, December 8, 2023, page 14](#)