CBAM Audit Report – HEL Performance

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Introduction

On Friday 15/11/2024, the Carbon Border Adjustment Mechanism (CBAM Audit took place. During my visit, data was collated to complete the Installation Data spreadsheet required by EU Importers to fulfil their duties for CBAM reporting. Manufacturing processes were taken into account, and by the end of the visit we were left with sufficient data to submit the Installation data spreadsheet to HEL Performance customers.

This report follows the visit on Friday, and will detail the data collected on the day, alongside confirmation of the rules of origin for the products affected by the scope of the CBAM. The report will also cover how to complete the Installation spreadsheet so that amendments can be made as necessary.

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Scope of products affected

HEL Performance manufacture a variety of brake lines and braking accessories for the automotive industry. Whilst products under chapter 87 are currently not affected by the scope of the CBAM, several of their products are classified under chapter 73 (Stainless Steel) and 76 (Aluminium) meaning that CBAM reporting must be undertaken to continue exporting these products to the European Union.

Three varieties of product have been affected by the introduction of the CBAM:

- 73072980 – Stainless Steel Brake Fittings
- 73072210 – Stainless Steel Braided Brake Hose
- 76090000 – Aluminium parts for use with Disc Brake System

Rules of origin for goods for goods in scope

In each scenario, where the product has just been exported on its own, then commodity codes 73072980, 73072210 and 76090000 are all correct. Each commodity code relates to the material in which it has been manufactured from, and as such these commodity codes should still be used for the export of certain HEL Performance parts.

This ruling is enforced by the UK Online Tariff, and within the section notes of chapter 87 for vehicles and parts, the following is noted.

2. The expressions 'parts' and 'parts and accessories' do not apply to the following articles, whether or not they are identifiable as for the goods of this section:

a. joints, washers and the like of any material (classified according to their constituent material or in heading 8484) or other articles of vulcanised rubber other than hard rubber (heading 4016);

b. parts of general use, as defined in Note 2 to Section XV, of base metal (Section XV), or similar goods of plastics (Chapter 39);

Figure 1 - Confirmation of certain commodity codes which cannot be classified as vehicle parts according to the UK Online Tariff

Section XV covers all base metals, including Aluminium and Steel, meaning that the classifications of these goods should remain the same

There is a caveat for sets, in which there is likely to be more than one set of material used for the parts which make up that set (ie. Plastics of chapter 39 alongside Stainless-Steel brake parts of 73072980 / 73072210) so for products such as an ABS Brake kit, HEL Performance may wish to re-classify these sets depending on the mode of transport they are designed for.

For cars, there are three potential options according to the braking system for that vehicle. Commodity 8708 3099 90 would probably be the best fit-all code for braking sets, and currently carry a 4.5% third country duty rate, should the customer not be able to apply preference within the EU.

For motorbikes and similar vehicles, the ruling is a bit more straightforward, and only commodity code 8714 1010 00 can be used for brakes and parts thereof. These goods attract 3.7% duties, but EU customers should similarly be able to claim preference for the part sets.

Currently, automotive parts are not covered by the scope of CBAM products, so at present HEL Performance would not be liable for producing CBAM data for these parts.

The CBAM is currently in a transitional phase, and other commodities can be included within the scope over time, so there may be some likelihood of the sets also being included in the future.

Installation Data Spreadsheet

With commodity codes confirmed, the next step would be to collate the data needed to complete the Installation Data Spreadsheet. This data is then used by your EU customers to fulfil their quarterly reporting obligations.

The Installation Data Spreadsheet covers the Direct & Indirect Emissions which have been output by the company over a calendar year. Companies can choose a different range of dates under supervision from EU authorities, but the expectation is the data would be from the previous calendar year.

The following covers the data and details required by each section of the spreadsheet.

Section A

Within this section, you need to list general details about your company.

The first step would be to confirm the reporting year (for any reports issued in 2024, this should be data for the 2023 calendar year.)

The details fo the exporting business, including name and address should be included. Co-ordinates and UNLocode should also be filled in for this section. Currently a contact both for the exporter as well as the verifier (third-party) are not required but may be requested over time.

The next section of the first tab declares what types of products within the scope of the CBAM are being exported from HEL Performance. In this case, both Iron and Steel products, as well as Aluminium, have been selected.

It is also important to declare what type of processing is done on site for these CBAM products. For HEL, "Milling and Shaping" has been declared for the two products, but if there are different processing techniques introduced over time, it is important to include these within the data spreadsheet as well.

Finally, the precursors used to make the products affected by the CBAM must be declared. The precursors must also generate CBAM data and will be used later on within the spreadsheet to accurately report the final Direct and Indirect

Emission output by the company, however for this section you just state the relevant industry and country of export.

Section B

This section focuses attention to the Direct emissions which happen at the site. For exporters of products downstream in the production process, measured direct emissions will need to be recorded here.

For manufacturers who use processed materials, you will need to record what material has been imported into the business over the calendar year.

These figures will then be carried over to the next tab for you to accurate work out direct emission which happen on-site.

For HEL, only the steel and aluminium imported will be recorded here. Each figure will be shown as a minus, and effectively report there are no direct emissions on-site.

Section C

This section draws data from the previous tab, and allows companies to enter any manual adjustments to work out the final Direct emissions which occur on-site.

Fuel used in the manufacture of the products, as well as Greenhouse Gases, can be recorded here if they were missing from the previous tab.

Finally, on this page the quality of the data must be declared. If using purely default figures, there may be some push-back from European customs, so it is important to try and obtain accurate data where possible.

HEL produce no direct emissions on site, so no Direct emission get reported as part of the Installation spreadsheet. There are some Indirect Emissions which I factored in as part of the processing.

Section D

The Processes section takes the total tonnage of products produced by the exporter, and attributes the direct and indirect emissions for each of these products.

Where there are direct emissions, the measured direct emissions from tab B, alongside the waste gases need to be declared.

Indirect emissions also need to be declared in this section, reporting the amount of MWh used to produce the product over the calendar year, and applying the national emission factor. For the year of 2023 of for the UK, this is 0.42 tCO2/MWh.

This is one of the main sections for HEL to report, so any electricity which has not been generated on site will need to be recorded in this section, and then applied to each material stream. For the CBAM report conducted, this was split 2/3 for Stainless Steel, and 1/3 for Aluminium.

Section E

This section is where you report the emissions from any purchased pre-cursor materials used to manufacture your products.

Where possible, these suppliers will need to provide direct and indirect emissions data, allowing you to accurately complete any CBAM installation data sheet. Default figures should only be used whereby you do not have any precursor data present from the supplier.

Even during the transitional period, EU Customs are pushing for accurate data for this section, so you need to show you have requested these details where possible. A letterhead to send to your customers has been provided as part of the audit.

HEL will need to push for data from both Olarra and Bikar. Once data from either company is in hand it is recommended you update this section accordingly.

Section F

The tools section is used to work out the Carbon Price payable for each product exported. Currently as the EU are in the transitional phase of the CBAM, the Carbon Price will not be applied, however the monetary aspect CBAM will be in place from 2026.

Section G – Further Guidance is there in case you have any queries about the spreadsheet up until that point.

The **Summary Processes** Tab is also there to review input information up until that point.

Summary Products

The summary products tab is used to list each of the commodity codes that you export. Every commodity code at export level must be declared on this section.

Alongside the commodity code, it is important for the company to list the name of the products as states on their customs declarations, as this will allow customs to easily link the product to the import declarations from the customer in the EU.

Dependant on the industry, you may be asked for certain information about the type of steel / aluminium or other product should you have the information to hand. This concerns the amount of scrap produced as well as certain chemical compositions, but you need only fill this in if you have the information to hand.

The final tab is the **Summary Communication** tab, and provides the EU importer with all of the information necessary for them to file their quarterly CBAM report.