

EU Customs Reform

CBAM (Carbon Border Adjustment Mechanism) and Digital Product Passport initiatives and the implications for EaP countries.

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The EU Carbon Border Adjustment Mechanism (CBAM)



Global Context

- **Paris Agreement (2015):** worldwide effort to limit global warming below 2°C.
- **EU:** first climate-neutral continent by 2050.
- **CBAM:** part of the European Green Deal and the Fit for 55 package.

What is CBAM?

CBAM (Carbon Border Adjustment Mechanism) is a **carbon tax** introduced by the EU to combat climate change and **reduce greenhouse gas emissions globally**. It entered into force on October 2023 – **Regulation (EU) 2023/956**

Inspired by the principle of 'the polluters pay', targeting **carbon-intensive goods imported into the EU**

Why CBAM?

- To prevent carbon leakage – industries moving production to weaker climate law regions.
- To ensure imported goods face same carbon cost as EU-made.
- To reinforce global responsibility.

How CBAM Works

- Importers buy CBAM certificates reflecting CO₂ embedded in goods.
- Applies to sectors: cement, iron & steel, aluminium, fertilizers, electricity, hydrogen.
- Deductions for carbon price already paid abroad.

Carbon-Intensive Goods Covered:

goods that contribute the most, along their production process, to the increase of greenhouse gases in the atmosphere

Sectors covered in the first phase of the CBAM - our environmental policy tool to help maximise the European and global impact of our fight against climate change.

CEMENT	IRON & STEEL	ALUMINIUM
FERTILISERS	ELECTRICITY	HYDROGEN

#EUGreenDeal

European Commission

Global Trade Implications

- **CBAM affects EU relations with emerging markets**
- **Trade adjustments and reorientation**
- **New alliances via 'Climate Club'.**

Impact on Partner Countries

- **Developing economies most exposed**
- **BRICS nations criticize CBAM as discriminatory**
- **Risk of reduced exports for carbon-intensive sectors.**

Trade EaP countries and the EU

Country	Share of trade with the EU	Year	Notes
Ukraine	55%	2024	EU is Ukraine's main trading partner [11]; 59.5% of UA exports go to the EU, 50.4% of imports come from the EU. [12]
Moldova	54%	2024	EU is Moldova's biggest trade partner. 65.6% of Moldovan exports are destined for the EU market [13].
Georgia	22.1%	2024	The EU is the main trade partner of Georgia. 22.1% of its trade takes place with the EU [14]
Azerbaijan	41.2%	2024	The EU is Azerbaijan's main trading partner, accounting for around 41.2% of Azerbaijan's total trade. The EU continues to be Azerbaijan's biggest export market, with a 63.3% share of Azerbaijan's exports and a 13.2% share of Azerbaijan's imports [15].
Armenia	7.5%	2024	The EU is Armenia's fourth-biggest trading partner, representing 7.5% of Armenia's total trade in 2024. The EU is Armenia's fifth-biggest export market, with a 4.7% share of Armenia's total exports in 2024. 9.7% of imports come from the EU [16].

Eastern Partnership Perspective

- Armenia, Moldova, Georgia: growing trade with EU
- EU = key export market (up to 13% for Armenia)
- CBAM exposure: metals, fertilizers
- EU4Climate supports adaptation.

Conclusions

- **CBAM = key pillar of EU's green transition**
- **Balances climate integrity and fair trade**
- **Success depends on cooperation and transparency.**

Digital Product Passport (DPP)



Digital Product Passport (DPP)

Let's test it !



Digital Product Passport (DPP)



What it is DPP?

A digital document that contains detailed information about a product's lifecycle, including:

- **Where and how it was made**
- **What materials were used**
- **Its environmental impact**
- **How it can be recycled or disposed of**

Why the DPP Matters

- Mandated by the European Union under the ESPR framework.
- Creates product traceability and transparency across the entire lifecycle.
- Enables circular economy and sustainable manufacturing.
- Builds consumer trust through verified environmental data.

What is the ESPR?

The Ecodesign for Sustainable Products Regulation (ESPR) – Regulation (EU) 2024/1781 – is the European Union’s new legal framework for making all products placed on the EU market more durable, reusable, repairable, recyclable, and energy-efficient.

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Product Categories Covered First

- Batteries and accumulators.
- Textiles and apparel.
- Electronics and electrical equipment.
- Construction materials.
- Furniture and automotive components.
- * High risk of sanctions violation

What Data the DPP Contains

- **Material composition.**
- **Energy efficiency and repairability data.**
- **Recycled content and environmental footprint.**
- **Supply chain traceability.**
- **Product lifespan and end-of-life instructions.**

How DPP Works

- **Each product receives a unique digital passport.**
- **Data is stored in the EU Digital Product Passport Registry.**
- **Accessible via QR code, NFC or RFID tag.**
- **Data shared securely with regulators, consumers, and recyclers.**

Strategic Benefits for Companies

- **Strengthens brand reputation and consumer trust.**
- **Reduces compliance risk.**
- **Enables data-driven circular business models.**
- **Facilitates recycling, re-use, and repair services.**
- **Improves supply chain visibility and reporting efficiency.**

Conclusions and Next Steps

- **ESPR is already in force**
- **DPP will reshape how companies manage product data.**
- **Early compliance means efficiency and competitive advantage.**
- **Businesses should establish digital traceability and sustainability systems.**