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CBAM! A game-changer for climate actions

BY SPIROS PAVLIDIS & FABIAN BERGMAN (JUNE 2023)

The CBAM legislation is set to transform global climate actions. By imposing emissions costs on imported goods, this innovative legislation aims to level the playing field and encourage global decarbonization efforts.

Have you ever wondered how the European Union (EU) will mitigate the embedded emissions in imported goods to the Union? If so, look here as we unravel the phenomenon of CBAM, the global extension of the current EU emissions trading system (EU ETS).

Governances around the world are becoming increasingly stringent regarding carbon policies forcing companies to seek new strategies to become truly sustainable. At the forefront of this shift towards greener productions is the EU. They have proposed several carbon policies in their “Fit for 55” package with the aim to meet the targets of the Paris Agreement. The Carbon Border Adjustment Mechanism (CBAM) is part of the package, and its purpose is to prevent carbon leakage, a consequence from EU ETS, and level out the playing field for producers within the EU.

While many are investigating the “hows” and “whys” of the legislation, not many are actually researching the effect this legislation will have in a practical setting. Questions such as “*What will the monetary impact be?*” and “*How will the operational complexity change?*”, are not being answered even though the CBAM will enter into force already in 2023!

The purpose of the study was to investigate the impact of CBAM will have on Atlas Copco Industrial Technique’s (ACIT)

upstream supply chain in China. By thoroughly examining their supply chain management, including the embedded emissions in the components sourced from China, we shed light on the practicalities of CBAM as well as provide helpful information for companies seeking to understand the opportunities and challenges that follows with it.

The result indicated that ACIT, as of now, is not in the scope of CBAM and will therefore not be impacted by the legislation. However, it is important to have in mind that the legislation might expand to additional industrial sectors and additional emissions scopes, thus, inclusion in the legislation can become a reality for ACIT in the future.

The insights garnered in the thesis contributes to a deep knowledge of the legislation, and answered the question on how companies in this industrial sector can proactively adapt new strategies and optimize their supply chain to align with the directives set in the CBAM legislation.

This popular scientific article is derived from the master thesis: *The Carbon Impact of Component Production in China: Investigating the Impact of Carbon Border Adjustment Policies for a Global Manufacturing Company*, written by Spiros Pavlidis and Fabian Bergman at Division of Engineering Logistics, Lund University (2023).