



# EU CBAM Impact and Implications

LH Bank Business Research  
January 2026

# What is Carbon Border Adjustment Mechanism (CBAM)?



## EU's Carbon Border Adjustment Mechanism

### Purpose:

To impose a carbon tariff on carbon-intensive products imported to the EU to prevent carbon leakage and stimulate decarbonization

### Target Products:

1

#### EU-CBAM Target Industries



Steel



Aluminium



Cement



Fertilizers



Electricity



Hydrogen

2

#### Indirect and Future In-scope EU-CBAM Target Industries

- Petroleum
- Petrochemicals (Polymer)
- Packaging (Plastics, Paper, Glass, Can)
- Construction Materials
- Automotive parts
- Electronics and parts
- Chemical products
- Agriculture & Food

### Implementation Date



**2020**

EU announced to implement CBAM.

**Oct 1, 2023 – Dec 31, 2025**

**The Transitional Period:**

Importers in EU are only required to **submit quarterly reports** on embedded emissions to European Commission (EC).

**Jan 1, 2026 –**

**The full implementation of CBAM:**

Importers in EU are required to:



Register as “Authorized CBAM Declarants”.



Purchase CBAM certificates to offset carbon emissions.



Submit annual reports on embedded emissions to EC.

Exporters of CBAM goods to EU **must provide required data to Importers in EU**:



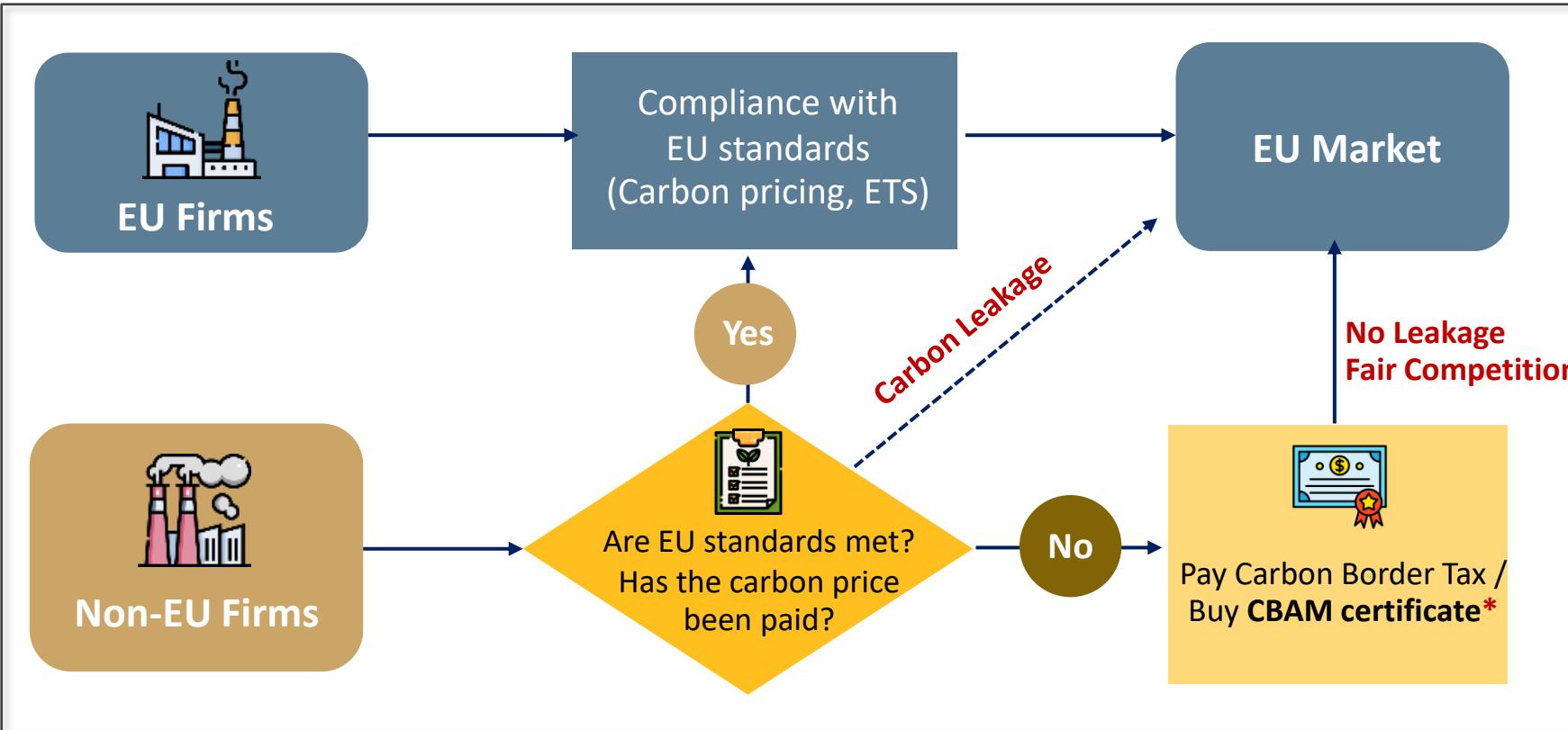
Embedded emissions data, verified by an accredited verifier.



Carbon pricing costs (if any), e.g., purchase of ETS allowances.

The EU CBAM mechanism was designed to address the price difference between EU and non-EU products. It requires EU importers to purchase CBAM certificates equivalent to the carbon costs paid by EU manufacturers. This is in place for goods with embedded emissions that exceed the EU's standard threshold.

## CBAM's Key Mechanisms

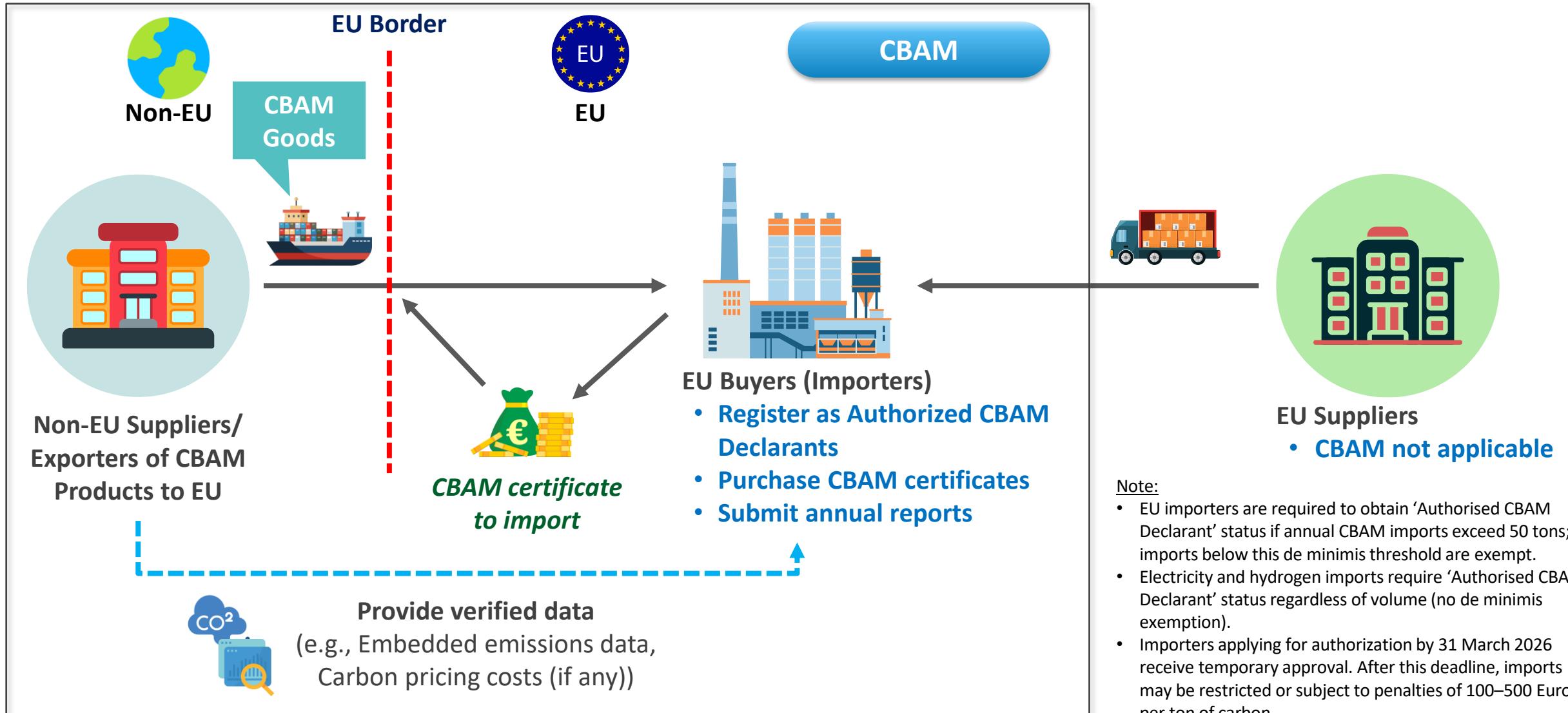


To prevent carbon leakage, which occurs when:

- ✓ EU producers may relocate their production facilities to countries with less stringent environmental regulations to avoid carbon cost burdens.
- ✓ Imported goods from abroad have lower price than EU-produced goods because foreign producers do not bear the same carbon costs as EU manufacturers.

Note: \* The price of CBAM certificates will be based on the weekly average price of greenhouse gas emission allowances in the EU carbon market (weekly average auction price of EU ETS allowances), if the importer can prove that the imported products have paid a carbon price in the production process. This cost can be deducted from the CBAM certificate to be purchased.

While EU importers are required to purchase CBAM certificates to offset the embedded emissions of imported goods, EU suppliers remain exempt from CBAM.



**The EU CBAM primarily affects Thailand's steel and aluminum industries, which account for relatively moderate export values to the EU. Meanwhile, the cement, fertilizer, electricity, and hydrogen will face limited effects due to minimal export volumes to the EU.**

1 Products	HS Code	2024 Trade Value (Mn USD)		
		Thai Exports to World	Thai Exports to EU (% of total Exports)	
	Steel	72*, 260112, 7301, 7302, 730300, 7304, 7305, 7306, 7307, 7308, 730900, 7310, 731100, 7318, 7326	5,255.873	277.818 (5.3%)
	Aluminum	7601, 7603, 7604, 7605, 7606, 7607, 7608, 760900, 7610, 761100, 7612, 7613, 7614, 7616	2,507.690	67.556 (2.7%)
	Cement	250700, 252310, 252321, 252329, 252330, 252390	295.825	0.005 (0.002%)
	Fossil Electricity Generation	271600	256.166	No exports to the EU
	Fertilizer	280800, 2814, 283421, 3102, 3105**	241.578	0 (<0.001%)
	Hydrogen	280410	0.322	No exports to the EU

Note : \* exclude 7202, 7204   \*\* exclude 310560

Source: Based on data from ITC Trade Map

### CBAM-Exempt Products

1. Imported goods with a customs value not exceeding EUR 150.
2. Goods contained in the personal luggage of travelers arriving from non-EU countries, provided that their total value does not exceed EUR 150.
3. Goods that are required to be transported or utilized for military purposes.

EU CBAM's indirect impact is felt by related industries, particularly downstream sectors, through higher costs from upstream industries. Moreover, EU is expected to progressively expand CBAM coverage to additional goods such as petrochemicals, plastics, chemicals, ceramics, glass and paper packaging, etc.

## CBAM Target Industries



Steel



Aluminium



Cement



Fertilizers



Electricity



Hydrogen

## 2 Key Downstream Industries likely affected by EU CBAM

### Manufacturing (Use high volumes of steel/aluminum)

- Automotive Parts
- Electrical Appliances & Electronics
- Can Packaging



### Construction & Infrastructure

- Concrete Products
- Construction Materials
- Construction Services



### Agriculture & Food Processing

- Crop Cultivation
- Food Processed and Canned Food



### Transmission Mechanisms

*Cost pass-through occurs when upstream producers increase prices in response to regulatory changes. Downstream firms typically absorb a portion of these costs before passing the residual burden on to consumers.*

### Future In-scope EU-CBAM Target Industries\*



Petroleum



Petrochemicals



Plastics



Glass



Pulp and Paper

*\* The industries listed here are based on projections and have not yet been officially confirmed by the European Commission.*

Thailand's preparation for the EU CBAM includes the integration of mandatory carbon policies, industrial decarbonization, and green financing support from financial institutions.



## Government



**Urgently enforce the Climate Change Act** and mandatory carbon pricing.



**Build verification infrastructure**, e.g., centralized database for carbon intensity tracking.



**Expand the pool of EU-recognized verifiers**, and support Thai organizations to become EU-recognized verifiers.



**Proactively educate businesses** and support them in calculating carbon intensity to meet international standards.



## Industry



**Accelerate transition to green energy**, e.g., solar roof installations, secure direct renewable energy agreements (PPAs).



**Shift to low-carbon inputs/raw materials** (e.g., scrap metal over virgin ore).



**Invest in Low-Carbon cost-effective technologies** (e.g., waterless dyeing) and prepare for long-term solutions like Green Hydrogen, and Carbon Capture, Utilization, and Storage (CCUS).



**Implement real-time carbon accounting**, GHG monitoring systems, Carbon Data within ERP, and blockchain technologies for supply chain traceability.



## Financial Institutions



**Launch Green Loans** for machinery upgrades and promote capital raising via Green/Sustainability-Linked Bonds.



**Provide low-interest liquidity to SME suppliers**, supporting their transition and data preparation costs.



**Assist clients in assessing CBAM financial impacts** and analyzing the costs of reducing greenhouse gas emissions to enable clients to select the most cost-effective technology investments.



**Support voluntary GHG reduction projects** to prepare clients for future mandatory carbon taxation.

# End of Presentation

---

## Disclaimer

The information, analysis and opinions contained in this report have been prepared based on information obtained from reliable sources. It is intended for use in analyzing economic and industrial conditions and is an internal document of Land and Houses Bank Public Company Limited. The Bank will not be responsible for any loss. Anyone wishing to use the information, analysis, forecasts and various opinions contained in this report must accept the risk of any loss or damage that may arise.

# LH BANK BUSINESS RESEARCH



**Thanapol Srithanpong, Ph.D.**  
Head of Business Research



**Nuttachat Viroonhausava**  
Senior Industrial Specialist



**Cheawchan Srichaiya**  
Senior Industrial Specialist



**Watcharapan Niyom**  
Senior Industrial Specialist



**Sri-Ampai Ingkhakitti**  
Senior Industrial Specialist



**Taratnon Sritongterm**  
Senior Economist



**Wilanda Disorntetiwat**  
Senior Economist



**Nawatch Hansuvech**  
Senior Thematic Specialist



Scan Here

For More Articles

<https://www.lhbank.co.th/economic-analysis/>

**ACTIVE**

**INCLUSIVE**

**DECISIVE**