EFDA
European Fastener Distributor Association

June 2026

Why verifying CBAM emissions data is crucial for suppliers

Key parameters for non-EU suppliers for the verification of actual emissions data under CBAM

1 Why verification is so important

European fastener distributors will be required to pay a levy on the CO2 emissions embedded in the fasteners they import into the EU from 1 January 2026. The amount of the charge depends on the level of embedded emissions: **the higher the C02 emissions, the higher the CBAM costs.**

In order for EU importers to use actual emissions data to pay their CBAM costs, the actual emissions data must be **verified by auditors (verifiers)** which have been **officially accredited with EU authorities.** The verification process places high demands on both auditors and fastener suppliers.

If the actual emission values cannot be successfully verified, EU importers are obliged to use the default values for emissions specified by the EU for each type of fastener and each country of origin. The **use of default values must be strictly avoided** as they are generally significantly – and in some cases even extremely – higher than the actual values and lead thus to a significant increase in the cost of the fasteners.

The provision of verified actual emissions data is therefore an essential prerequisite for non-EU suppliers to **remain competitive**, and is of the utmost importance for EU importers of fasteners when selecting their business partners.

Even though the verification of the actual emissions data of EU imports made in 2026 will essentially only take place in the course of 2027, suppliers must already take **important steps and implement measures today**. The manufacturer of the fasteners supplied to the EU plays a central role in this regard, as emissions from the entire production chain are taken into account.

All of this is outlined in a more detailed form below.

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2 Why actual emissions data is a competitive advantage

To avoid unreasonably high CBAM costs, EU importers require non-EU suppliers of fasteners to provide actual emissions data, which has been verified by accredited auditors at the manufacturer's installation.

This applies to emissions from all relevant **precursor substances** used in the manufacture of fasteners imported into the EU.

For fasteners, it only the **direct emissions**, not the indirect emissions, that must be calculated and verified.

If the supplier is unable to provide the EU importer with verified actual emissions data, the EU importer is obliged to use the Commission's **default values** for emissions, which are often much higher. In some cases, this results in CBAM costs that are **two to three times higher** than they would have been had actual emissions data been used.

The use of default values therefore significantly increases the cost of a supplier's products in the EU, and suppliers outside the EU should avoid this at all costs if they wish to **remain competitive.**

3 How the process of verification works

Verification covers imports into the EU for a **full calendar year** and takes place in the following year. As the EU importer must submit its report containing the emission figures to the EU by 30 September of that following year at the latest, all steps relevant to the verification must be completed beforehand.

This means that the verification of actual emissions data related to **fastener imports in 2026** must take place between early 2027 and September 2027. The EU importers will have to submit to the Commission their reports for imports in 2026 by 30 September 2027 at the latest.

In order for an **auditor (verifier)** to verify the actual emissions data under CBAM, it must have been accredited by the public accreditation bodies of the EU Member States. With regard to fasteners, the auditor must be accredited specifically to iron and steel products. To obtain accreditation, the company must meet stringent legal requirements. It is expected that few companies will be granted the status of accredited verifier at least in the first year.

In order to verify the actual emissions data relating to fasteners imported into the EU in 2026, the auditor must visit the installation of the manufacturing company in question **on site**. In subsequent years, verification may also be carried out without an on-site inspection, subject to certain conditions.

To save time, once a company has been accredited as auditor (verifier), they can begin **preparatory work** at the manufacturer's premises and visit their installations as early as 2026. However, the actual verification of the data cannot take place until 2027, when the complete data for the whole of 2026 is available.

Verification is a **time-consuming** process. Depending on the size of the installation and the complexity of the matter, the scope of the process may vary. According to information provided by potential future auditors and the European Commission, it is estimated that a full audit, including off-site activities, will take between 2 to 4 weeks for small installations and 2 to 3 months for larger installations, with the on-site audit accounting for approximately 4 days to 2 weeks.

The **cost of the audit** ranges from a few thousand to tens of thousands of euros, depending on the scope of the work, and is usually borne by the audited company.

4 What needs to be verified

The purpose of verification is to determine whether the data provided is **reliable**.

To this purpose, the auditor (verifier) checks whether a valid **monitoring plan** exists and has been implemented and whether the emissions data is accurate and complete. Furthermore, they examine the correct application of the calculation method, data flows and internal controls, as well as the risk of material misstatement.

The emissions from **all process steps** relevant to the manufacture of a fastener must be verified. This means that, as a rule, several companies and installations are affected: the manufacturers of the fasteners supplied to the EU, as well as the manufacturers of the precursor substances relevant to the production of these fasteners.

The **relevant production steps for fasteners** are the manufacturers of pig iron/crude steel, the steel billets and the wire. It has not yet been definitively clarified with the European Commission whether also the preparation of the wire is to be considered. As a precaution, these emission figures should also be considered for verification until an official clarification is provided. According to the European Commission, emissions released during the manufacture of the fasteners itself are not relevant and shall therefore not be verified.

In addition to measuring emissions data itself, the verification process also involves checking the **mass balance**, which includes, amongst other things, the quantities and weights of the substances relevant to the fasteners.

Although the emissions generated during the manufacture of the fasteners themselves are not to be included in the calculation of CBAM costs – only the relevant precursors are – **on-site verification at the fastener manufacturer's premises** is nevertheless required. As outlined above, the measurement of emission sources will not be verified here, but other requirements such as the **mass balance**, which contains the quantities and weights of the precursor substances used. The reason for this lies in the unique position of the

manufacturer of the fasteners, as only they have access to all the relevant data relating to the fasteners and their precursors.

In addition to the actual emission figures, the **applicable cumulative benchmark value** – which is calculated by adding together the weighted benchmark values of the relevant precursor substances – must also be verified. The EU importer requires the verified cumulative benchmark value to determine the CBAM costs for the imported fastener.

It is up to the respective manufacturing companies in the production chain to commission and carry out the verification. The manufacturer of the fasteners must ensure that all the precursors used are actually verified. In this context, the **fasteners manufacturers play a key role** in the verification process, as all relevant precursors converge at their company, making them the only party in a position to determine which emissions data is relevant for the calculation of the CBAM costs related to the final product, the fastener.

In order for a manufacturer of fasteners to be successfully verified, it is essential that the **precursor suppliers have, ideally, been verified before the fastener manufacturer** itself is verified, so that verified actual emission values for the precursors (rather than the default values) can be used in the calculation and verification of the fasteners.

Following the assessment, the auditors (verifiers) draw up a **report** and, where necessary, a gap analysis, which enables every manufacturing company concerned to identify which details are incorrect or missing. However, in order to avoid a conflict of interests, the auditor is not allowed to advise the company on the measures it should take.

Any discrepancies found must **not exceed 5%** if they are material. The 5 per cent threshold is not applied across the board to the entire report, but separately for each **CN code** (Combined Nomenclature). Minor misstatements are accepted. However, many small, systematic inaccuracies which individually fall below 5 per cent but which, when added together, exceed the limit, will also result in the test certificate being refused. If the auditor (verifier) cannot verify the data positively, the EU importer must use the significantly higher default values.

The results of the verification will be compiled by the auditor (verifier) in a **verification report**, which the manufacturer needs to convey the data to the customer in the EU.

This verification report contains the **verified data**, i.e. verified emissions per tonne of product, and a description of **production processes**, as well as an **assessment** of the identified risks and weaknesses, recommendations for improvement, and confirmation as to whether the data can be used for CBAM.

Please note that so-called verification certificates which are already in circulation are not CBAM-compliant and therefore not suitable for the required verification.

5 How manufacturers need to prepare now

To enable the data to be verified, the manufacturer must set up a **monitoring system**. To this end, the relevant manufacturers must monitor **inputs, consumption, production, and materials** at the operational level.

Inputs and consumption include fuel consumption (gas, coal, oil, etc.), process emissions (e.g. carbonates, electrodes) and electricity consumption (if indirect emissions apply). **Production and materials** comprise production volumes and the relevant precursors used. The monitoring must cover **the normal operation**, **start-ups and shutdowns**, as well as the **full reporting period** (annual average).

The manufacturer must use an approved **calculation method**. For most manufacturers in the fastener sector, the calculation-based method is sufficient and expected to be used. Alternatively, the measurement-based method may be considered.

For each installation, the manufacturer must provide a **monitoring plan** in **English**. Without monitoring plan, auditors will not start the verification process. The monitoring plan must **describe** the production processes and system boundaries, the goods produced (CN codes), the fuels, materials and precursors, the measurement and calculation methods, the data sources and controls and the responsibilities and internal checks.

To be well prepared for the verification of the actual emissions data, it is essential for manufacturers, among other things, to carry out a preliminary review (pre-verification) and to **contact potential verification providers** who are likely to be accredited as verifiers, and to begin discussions with them as soon as possible.

EFDA will endeavour to provide further information on the monitoring plan and any other necessary preparatory measures as soon as it becomes available. However, it is advisable to seek **expert advice** regardless of this.

Anything that can be done **this year** to prepare the auditors' visits and ensure that, upon their arrival at the facility to review the monitoring methodology and data, they know what to expect will help reassure European customers that their suppliers will provide actual emissions data.

6 Disclaimer

The above analysis is based on the evaluation and assessment of numerous publicly available sources and the legal requirements at the time of publication. Although the analysis has been prepared with great care and the sources used are considered reliable, no guarantee can be given for the accuracy, completeness or appropriateness of the above information and assessments. The analysis represents general developments that can be assumed and is intended to serve as general support for individual business decisions. It cannot replace case-specific advice. If the user bases their own decisions on the information provided, they do so at their own risk.