

# Introduction of the Carbon Border Adjustment Mechanism – current developments 3/7/25



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In previous MindLink<sup>1</sup> articles, we looked at what the Carbon Border Adjustment Mechanism (CBAM) is, which companies it applies to and how it is implemented in Latvia. In this article, we would like to draw readers' attention to important measures that companies should take in 2025 to continue importing CBAM goods to Latvia. We also explain why it is important to include high-quality data in CBAM reports.

Same as in 2024, this year CBAM subjects must submit quarterly CBAM reports. The last CBAM report will be due for the fourth quarter of 2025, due on 31 January 2026. There are exceptions where the CBAM report does not have to be submitted. For example, if no CBAM goods are imported in a particular quarter or the value of the imported goods does not exceed EUR 150, the CBAM report needs not be submitted. However, the CBAM declarant recognised for 2026 (see below for the registration of this status) must submit the annual CBAM declaration. The first CBAM declaration for 2026 is due by 31 May 2027. The form of the CBAM declaration is not yet available, but it is expected to be similar in content to the quarterly reports - i.e., CN codes, accurate weight and accurate quantity of embedded emissions of the imported goods within the scope of the CBAM.

It should be noted that CBAM declarants will have to purchase CO<sub>2</sub> allowances after 2026, which means that the embedded emissions of the imported goods within the scope of the CBAM must be paid for. The number of CO<sub>2</sub> allowances and thus the company's costs will be based on the information in the CBAM annual declarations. Therefore, the quality of the data (and in particular, accurate information on embedded emissions) may impact the company's costs.

In the meantime, the quality of the data that companies will provide in last year's and this year's quarterly CBAM declarations will affect the company's ability to register as a CBAM declarant. Registration of this status is a new procedure that will be introduced this year - both CBAM declarants and third-country operators and their facilities will be registered. The registration of CBAM declarant status will be carried out by the state tax authority. In order to obtain CBAM declarant status, an application must be submitted to the CBAM registry. The examination of an application and the decision on it takes 120 days. We therefore recommend that you do not postpone registration until the last moment. The competent authority will check whether the criteria set out in Regulation (EU) 2023/95(6) are met and if the decision is favourable, the CBAM status will be approved and the CBAM account registered.

We note that the status of a CBAM declarant should be acquired by 31 December 2025, as from 1 January 2026 only the approved CBAM declarant will be able to import CBAM goods into the EU customs territory. The SRS reports on its website that an implementing regulation with precise rules for the application of Regulation (EU) 2023/95(6) regarding the procedures and conditions for the status of authorised CBAM declarant has not yet been adopted, so it is currently not possible to connect to the CBAM register and apply for the status of recognised CBAM declarant.

## Is there a fine for non-compliance?

The legal framework provides for the application of the penalty. For every tonne of unreported emissions, a fine of between 10 and 50 euros may be imposed on declarants. According to SRS representatives, no fines have yet been imposed. It has become public knowledge that the SRS is of the opinion that no fines will be imposed for the remaining time. However, despite this favourable treatment by the SRS, considering the impact of the above ((1) correct data or high quality CBAM reports on the acquisition of CBAM declarant status and (2) on the planning of potential costs for the company related to the acquisition of CO2 certificates, we recommend to declare the data correctly and correct the reporting gaps in a timely manner, as a correct data declaration enables the correct determination of the required quota, i.e.: CO2 certificate, quantity.

If you need help with CBAM, please contact PwC expert Alina Ruskova ([alina.ruskova@pwc.com](mailto:alina.ruskova@pwc.com))

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<sup>1</sup> What is the carbon offset mechanism and how will it soon work?

Importing companies should assess the impact of the carbon import adjustment mechanism