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To the Business Partners  
of Würth Industrie Service GmbH & Co. KG

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## **Information on the Status and Implementation of the CBAM Basic Directive (EU) 2023/956 of the European Union**

**Current Status: January 16, 2026**

Dear Sir or Madam,

The Carbon Border Adjustment Mechanism (CBAM) in accordance with the CBAM Directive (EU) 2023/956, the CBAM Implementing Regulation (EU) 2023/1773, and the implementation-relevant Omnibus I Package of May 2025 is a climate policy instrument of the European Union aimed at reducing EU greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels. Specifically, it seeks to compensate for the competitive disadvantage of intra-EU production, which arises from the fact that certain products manufactured within the EU (e.g., steel) are subject to pricing under the EU Emissions Trading System (EU ETS), in place since 2005.

The ETS-induced cost increases will become more noticeable from 2026 onwards, as the total number of available emission allowances and free allocations will gradually be reduced starting that year. This will lead to a shortage of ETS certificates and, consequently, to higher costs for products whose emissions-intensive production requires the purchase of such certificates. In the further course of the value chain, all subsequent products (e.g., fasteners) are also affected.

To counteract the potential relocation of CO<sub>2</sub> emissions to countries with lower environmental standards for these products, CBAM requires importing companies to purchase CBAM certificates to account for the greenhouse gas emissions generated during the production of goods in third countries. Affected are EU-based companies importing iron, steel, cement, aluminum, electricity, and fertilizers or products manufactured from these materials from non-EU countries. Exempt from CBAM are goods originating in the EU as well as products from EFTA countries (CH, NO, LI, IS).

The CBAM-induced additional costs, which will first materialize in 2026, will gradually build up over a period until 2034 due to the transitional effect of the applied CBAM factor. Since this factor only applies to the portion of CO<sub>2</sub> emissions that exceeds the "EU Benchmark Values" to be determined by the EU, its exact damping effect depends on how these values are defined. This gradual introduction of CBAM is intended to enable third-country manufacturers, traders, and importers to familiarize themselves with the changed framework conditions of emissions pricing for imported goods. Furthermore, this phased model is harmonized with the upcoming reduction of the free quotas available under ETS certificate trading, so that the CBAM-initiated increase in prices for imported goods from third countries - in our case, particularly steel fasteners - corresponds to the foreseeable increase in prices for EU steel products as a result of the EU ETS. Detailed information on the calculation model for CBAM costs can be found on our homepage via the link provided below.

We have been intensively involved with the CBAM Regulation from the very beginning to identify the resulting need for action and initiate all necessary measures at an early stage. For this purpose, we are also involved in in-house working groups within the Würth Group as well as in external task forces and coordinate all activities via a central internal office. A particular challenge in this context has been the unclear regulatory framework and division of responsibilities, which were additionally subject to continuous changes and revealed significant gaps in specificity. These gaps could not be fully closed even through consultations with the various authorities. To this day, certain procedural details have not been defined, making early and targeted implementation planning at the corporate level difficult.

After Würth Industrie Service had already informed all sub-suppliers in third countries during 2023, we established the required reporting system in the fourth quarter of 2023 in order to prepare the quarterly CBAM report documenting the CO<sub>2</sub> emissions generated for all relevant imports. Since 1 July 2024, real emission values ("Real Values") collected systematically from our upstream suppliers have mostly been used instead of the "EU Default Values". However, as the European Commission has made the use of these Real Values conditional upon prior validation by an accredited external verifier, the applicable EU Default Values must be used instead for the calculation of CBAM costs for the time being. The verification by an external body - yet to be designated - is scheduled to begin only in the third quarter of 2026, with no clear timeline defined. As a result, it is currently not possible to foresee when the Real Values collected by us will become eligible for use.

Regardless of this, the cost-effective implementation phase of CBAM will begin on 1 January 2026. Although the earliest date for purchasing CBAM certificates has been postponed to February 2027 under the Omnibus I package adopted by the EU during 2025, these certificates must then be purchased retroactively for all imports made in 2026. This obliges Würth Industrie Service to create financial provisions from the sales revenues of the affected products already in 2026 in order to cover the costs of the subsequent, retrospective procurement of CBAM certificates.

Since mid-December 2025, we have been officially approved as a CBAM declarant by the competent German Environment Agency, allowing us to start the first year of implementation as an importer of CBAM-relevant goods. After the European Commission published the new EU Default Values and EU Benchmark Values shortly before Christmas 2025, the prerequisites are now in place to make a reliable, forward-looking estimate of the additional costs caused by CBAM. With regard to the calculation models to be applied, the only remaining uncertainty concerns the development of the CBAM certificate price during 2026. However, this can be approximated by referencing the price trend of EU ETS carbon certificates and used as an underlying assumption for the calculations.

Based on our recently conducted calculations, the price-increasing cost impact is stronger than originally expected, since the EU Default Values for individual countries (especially China, India, and Turkey as important sourcing regions for C-parts) have been set unexpectedly high. At the same time, the EU Benchmark Values were defined comparatively low, which means that the cost-mitigating effect of the CBAM factor applies to a smaller share of emissions. And since we have to apply the EU Default Values for CBAM cost calculation until our reported Real Values are accredited, a noticeable price increase for the affected goods will already occur in the first year of implementation. Products with a high proportion of material value are particularly affected. This includes simple steel fasteners which, due to their low manufacturing complexity, involve only minimal production and testing costs, meaning their overall value is driven primarily by the cost of the raw material.

Against this background, we will proceed as follows over the coming weeks: In addition to revising our list prices, we will enter into price negotiations with all our customers in order to adjust prices to the changed cost situation. For this purpose, we are analyzing the CBAM-related additional costs for our entire procurement volume down to individual supply portfolios, enabling us to approach you with a solid basis for corresponding price increases. Looking forward, for all future price agreements, we will calculate the corresponding CBAM costs and incorporate them into our offer prices.

For all price recalculations and new calculations related to CBAM, we will apply the calculation model based on the affected items and quantities in accordance with Section 123 of the EU publication: *"Carbon Border Adjustment Mechanism (CBAM) – Questions and Answers"* (as of 8 August 2024). Further information can be found on our website at the following link:

[https://www.wuerth-industrie.com/web/en/wuerthindustrie/ueberuns/aktuelle\\_informationen.php](https://www.wuerth-industrie.com/web/en/wuerthindustrie/ueberuns/aktuelle_informationen.php)

If incorporating the CBAM costs into the product price should not be compatible with your business processes, we can agree on alternative arrangements for pricing and the allocation of CBAM costs for the year 2026 on a case-by-case basis. After all, it is in our mutual interest to find practical solutions that enable reliable and predictable cooperation, especially in light of the increasingly complex - and still not fully clarified - regulatory framework.

For this purpose, we will continue working over the coming months - by involvement of significant programming resources - on implementing an IT system solution that will allow us to process the collected or EU-determined CO<sub>2</sub> data within our ERP-system (SAP). The overall goal is to present CBAM emission values and associated CBAM price components in a transparent manner on our sales documents.

Finally, we would like to point out that you can always inform yourself via our homepage under: "Current Information" to find out about any new developments on the subject of CBAM. Independently of this, we recommend the publications and training materials provided by the European Commission (e.g., webinars, see above) as well as the regulations, directives, and implementing provisions issued, which you can find on the homepages of the European institutions (e.g., <https://eur-lex.europa.eu>).

Best regards,  
Würth Industrie Service GmbH & Co. KG

A handwritten signature in blue ink, appearing to read 'M. Jauss'.

Martin Jauss