Simplifying CBAM: What It Means for Non-EU Businesses in Europe (and Beyond)?

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The European Union's Carbon Border Adjustment Mechanism (CBAM) is undergoing a major simplification – and it's big news for businesses in the Western Balkans and around the world. CBAM, a cornerstone of the EU's Green Deal, is designed to put a carbon price on imports of carbon-intensive goods. This helps prevent "carbon leakage" – the shift of production (and emissions) to countries with looser climate rules – and protects EU industries from unfair competition. But while the environmental goal is clear, CBAM's complex rules raised concerns for businesses both inside and outside the EU. Now, recent moves to simplify CBAM's design could significantly ease the burden on companies, especially in regions like the Western Balkans that export to the EU.

In this article, we break down what CBAM is, why it's being simplified, and how these changes impact businesses in the Western Balkans and beyond. We'll keep things clear and concise, so whether you're a policy expert or just tuning in, you'll grasp the key points and takeaways.

What is CBAM & Why Does It Matter?

CBAM stands for Carbon Border Adjustment Mechanism. In simple terms, it's a carbon tax on certain imports into the EU. Starting with a few heavy-industry products – cement, iron and steel, aluminum, fertilizers, electricity and hydrogen – importers must report (and eventually pay for) the embedded carbon emissions of these goods. The policy's purpose is to level the playing field: if EU companies have to pay for their carbon emissions under the EU Emissions Trading System (ETS), foreign exporters should face a similar cost when selling into the EU. This prevents firms from relocating production to bypass climate rules and urges EU trading partners to adopt cleaner practices.

For businesses worldwide, the Carbon Border Adjustment Mechanism signals that carbon costs are becoming a trade factor. Exporters to Europe, from steel mills in Serbia to aluminum producers in Asia, need to track and eventually price the CO_2 emitted in making their products. Initially, 2023–2025 is a transition phase (reporting only), with actual fees planned to kick in gradually from 2026 onward. By 2034, CBAM charges would fully apply, matching the phase-out of free carbon allowances for EU industries. In short, CBAM is shaping up to be a new reality of global trade – one that ties market access to climate impact.

Why the EU Is Simplifying CBAM?

Despite its goal, CBAM, in practice, brought complex bureaucracy. Companies large and small across Europe suddenly faced detailed carbon reporting on imports – a daunting task, especially for smaller firms with limited resources. Consider this: an estimated 200,000 EU importers (including 20,000 in Germany) would fall under CBAM's reporting rules. For many, complying with these new rules meant significant paperwork, compliance costs, and uncertainty.

Enter Wopke Hoekstra, the EU's new climate policy chief. In early 2024, Hoekstra vowed to drastically simplify CBAM by applying a "de minimis" rule – essentially exempting the vast majority of companies from CBAM requirements. Over 80% of companies that would have had to comply may soon be off the hook. The logic is straightforward: these smaller importers only account for roughly 3% of the emissions covered by CBAM, while the largest 20% of importers account for 97% of the relevant greenhouse gases. In Hoekstra's words, "if you're not part of that big 20%, there's little point in having you fill out a lot of paperwork" (see here).

This de minimis approach means CBAM will focus on the big players – the major importers and polluters – and relieve the administrative burden on countless small and medium businesses. It's a common-sense cut in red tape: make life easier for ~80% of companies without undermining the climate goal (since the bulk of emissions are still covered by targeting the top 20%.

What CBAM Simplification Entails?

- Fewer Companies Affected: By raising the threshold, only large importers (those responsible for most carbon emissions) would need to report and pay CBAM. Smaller import volumes would be below the CBAM compliance threshold and exempt from the paperwork
- Reduced Red Tape: Companies outside the scope save time and money by avoiding complex carbon reporting. As Hoekstra noted, it's pointless to have thousands of small firms filing reports that contribute negligible emissions
- Same Climate Impact: Because the exempted firms account for just ~3% of emissions, the simplified CBAM still covers the vast majority of imported emissions. The EU would still capture nearly all the carbon it intended to price, focusing on big polluters.
- Timeline and Phase-in: The simplification doesn't mean CBAM is delayed indefinitely (though some politicians have called for a pause. Reporting requirements started in late 2023, and actual carbon fees are set to phase in from 2026, ramping up to full force by 2034. The potential tweak is mainly about who has to participate, not when it starts.

For the EU, these changes aim to streamline climate policy without sacrificing ambition. They also address industry concerns, hoping to maintain support for climate measures by not overburdening business. But what do these changes mean for the EU's trading partners – especially the Western Balkans, a region closely tied to EU markets?

Impact of CBAM on Western Balkan Businesses

The Western Balkans – jurisdictions like Serbia, Bosnia and Herzegovina, North Macedonia, Montenegro, Albania, and Kosovo* – have been eyeing CBAM nervously. Many of these economies rely on exporting steel, cement, electricity, and other carbon-intensive goods to the EU.

Unlike EU members, however, most Western Balkan states currently have no carbon tax or emissions trading in place. This gap means exports from the region would be hit with CBAM fees, effectively raising their costs in the EU market. EU officials bluntly noted that most CBAM costs would fall on companies in "third countries" like the Western Balkans and Turkey, making their goods much less competitive.

Challenges for Competitiveness

For a Western Balkan aluminum plant or cement facility, CBAM poses a direct challenge: either clean up production (and/or start pricing carbon) or pay the price at the EU border. Key challenges and implications include:

- Higher Export Costs: Without domestic carbon pricing, exporters must pay the EU's carbon levy, increasing the cost of their goods. For example, according to public sources, if CBAM had fully applied in 2023, Serbia's electricity exports would have faced an estimated €1.07 billion in carbon costs.
- Administrative Burden: CBAM also requires tracking and reporting emissions per shipment. Many companies in the region lack experience with carbon accounting, so compliance could be cumbersome (especially for smaller firms). While the new de minimis rule will exempt many small exporters from reporting, larger exporters in the Balkans will still need to navigate this new bureaucracy to continue accessing EU markets.
- Investments and Upgrades: The prospect of CBAM charges puts pressure on companies to invest in cleaner technologies. Steelmakers might consider electric arc furnaces or recycled scrap; cement producers might seek alternative fuels or clinker substitutes – all to lower the carbon footprint of their goods and thus the CBAM cost.
- Market Shifts: If exporting to the EU becomes too costly, some Balkan businesses might shift focus to other markets with no carbon fees. However, the EU is often the biggest buyer for these countries, and global trends are moving toward carbon pricing (with discussions of similar mechanisms in the UK, Canada, and even at the WTO level). Rerouting trade may not be a long-term solution if climate policies spread.

A (Partial) Reprieve: Why Simplification Helps

The EU's simplification plans come as a welcome relief to many in the Western Balkans. Here's why:

- Small Exporters Spared: Many Balkan companies are small or medium-sized exporters. With an 80% exemption by number of importers, it's likely that a good share of smaller exporters from the region will avoid CBAM paperwork and fees, at least initially. For instance, a small metalworks shop in Bosnia that occasionally ships steel parts to the EU might now stay below the threshold – meaning one less regulatory hurdle to worry about.

- More Time to Adapt: There have been calls within the EU to delay CBAM's full implementation by two years. While not finalized, any delay or gradual phase-in is valuable time for Western Balkan governments and industries. The region, along with other EU neighbors, would welcome an extra grace period to develop carbon pricing or secure special arrangements for sectors like electricity. (To exempt electricity exports from CBAM, Western Balkan countries need to couple their power markets with an EU country's grid, a complex task that none have completed yet.) Extra time could allow for interim solutions and prevent a sudden shock to the power trade.
- Focus on the Big Polluters: With the CBAM burden concentrating on the biggest emitters, Western Balkan governments can prioritize help for their major industries (e.g., large steel or cement plants). Instead of a broad swath of companies, all scrambling, efforts can target the few heavy hitters that will still be under CBAM. Those firms might receive technical aid or investment to cut emissions, potentially turning a looming cost into an opportunity to modernize.
- Psychological Boost: Importantly, the very signal that the EU is listening to concerns and adjusting CBAM has eased anxieties. The narrative is shifting from "Brussels is punishing our businesses" to "Brussels is open to practical solutions." That improved tone can foster a more cooperative approach – EU and Western Balkans working together on climate alignment, rather than a strict punitive dynamic.

The Need to Catch Up

Relief aside, Western Balkan leaders know that simplification is not a free pass. Eventually, carbon pricing will likely become a fact of life if they want seamless access to the EU market. Recognizing this, some countries are (slowly) taking steps:

- Serbia's Carbon Tax Plan: Serbia, the region's largest economy, has announced plans for a national carbon tax starting in 2027. According to public sources, The tax would start at a modest €4 per ton of CO_2 and ramp up to €40 per ton by 2030 – still lower than current EU carbon prices, but a significant move toward alignment. The long-term plan is to keep increasing it to eventually match the EU's carbon price by 2045. This gradual approach aims to prepare the Serbian industry for a carbon-priced future, mitigating CBAM's impact by keeping the revenue at home (in Serbia's budget) rather than paying Brussels.
- Montenegro's Head Start: Montenegro already operates a small emissions trading system (ETS) since 2020 for its power sector (see here). It's not yet fully aligned with the EU's system, but it gives Montenegrin companies a head start in measuring and pricing emissions. Efforts are underway to expand and align this carbon market with EU rules as part of Montenegro's EU accession ambitions.
- Regional Cooperation: All six Western Balkan countries have pledged under the 2020 Sofia Declaration to implement a Green Agenda, including carbon pricing mechanisms (see here and here). Progress is uneven, but there's talk of a regional carbon market or coordinated carbon tax to simplify things and ensure no country is left behind. A coordinated approach could also strengthen their hand in negotiating CBAM exemptions or equivalency for a whole region rather than country by country.

The bottom line is that Western Balkan businesses and governments are starting to treat carbon costs as a real factor in economic planning. CBAM's simplification may give them a bit more breathing room, but the direction is set: to stay competitive, they'll need to cut emissions or pay the price.

Beyond the Balkans: A New Era of Carbon-Conscious Trade

The Western Balkans are not alone. Other non-EU exporters – from Turkey (a major steel and cement exporter to the EU) to Ukraine, Russia, China, and the US – are also watching CBAM closely. The EU's move to simplify CBAM is as much about internal politics as it is about sending a message externally. Here are broader ripples to consider:

- EU Importers Benefit: First and foremost, the 80% exemption will help a lot of EU-based importers (buyers). Many European SMEs that rely on imported materials will avoid new paperwork and costs. This keeps supply chains smoother and businesses happier within the EU. Indirectly, that's good for their foreign suppliers, too – if your EU customer isn't bogged down in carbon reports, they're more likely to keep buying from you.
- Pressure on Big Exporting Nations: Countries like Turkey (called out alongside the Western Balkans in EU analyses, see here), Russia, and China export significant volumes of CBAM-covered goods to Europe. They now face a choice: absorb the CBAM costs, pass them to consumers, or green their production. The simplification doesn't remove CBAM for them, since the biggest exporters will still be in scope. If anything, it highlights that "only major polluters need to worry" – and many major polluters are outside the EU. This could motivate foreign industries to lobby their governments for carbon pricing or cleaner energy, to avoid paying the EU or losing market share.
- Copycat Policies: The EU may be leading, but others could follow. The UK is considering its own CBAM, and the concept of carbon border taxes has been floated in the United States and Canada. As climate concerns grow, trade measures like CBAM might become standard for big markets. Businesses globally should be prepared for a future where carbon footprint is as important as cost when exporting.
- Global Climate Diplomacy: CBAM has also become a talking point in international diplomacy. Some countries see it as a protectionist move, others as a legitimate environmental measure. The EU simplifying CBAM could be seen as making a concession to ease international tension – showing it's not trying to punish small players or poorer nations. This diplomatic goodwill may make it easier to push for broader agreements on carbon pricing or sector-specific decarbonization deals (like on steel or fertilizers) in forums like the G20 or COP climate conferences.

Key Takeaways For Businesses

The saga of CBAM – from concept to implementation to recent simplification – reflects a new reality: climate policy is reshaping the business landscape. Companies in the Western Balkans and beyond should view the CBAM adjustments not as a reason to become complacent, but as an opportunity to prepare for a low-carbon future with slightly less short-term pressure. Here are the key takeaways:

1. EU Eases the Burden But Keeps the Goal: The EU is simplifying CBAM by exempting ~80% of importers to cut red tape. However, this doesn't dilute the climate goal – the remaining 20% of importers still cover ~97% of targeted emissions, so big emitters will still pay.
2. Western Balkans Get More Time (and Less Paperwork): Many exporters from the Western Balkans (and other small players) will initially avoid CBAM costs and reporting thanks to the de minimis rule. Calls for a two-year implementation delay may further cushion the blow
3. Competitiveness at Stake: Without changes, CBAM would make Balkan exports more expensive and less competitive in the EU. This is a chance for the region to catch up on carbon pricing and cleaner production before full CBAM kicks in.
4. Carbon Pricing is Coming: To truly neutralize CBAM, Western Balkan countries are starting to consider domestic carbon pricing (tax or trading). Plans like Serbia's announced 2027 carbon tax are early signs.

4. Prepare for a Carbon-Conscious Market (Everywhere): CBAM is part of a larger trend – sustainability is now a trade issue. From Europe to North America to Asia, big markets are increasingly factoring carbon into trade policy. Businesses should embed carbon management into their operations – measure your footprint, explore cleaner alternatives, and stay informed on policy shifts. Those who adapt early will have a competitive edge as the world moves toward carbon-neutral targets.

In summary, the simplification of CBAM is good news for business, especially in regions like the Western Balkans that need more time to adjust. It shows policymakers can be flexible in implementation. But the writing on the wall remains the same: carbon-heavy operations face an uncertain future. Smart companies and forward-looking governments will use this reprieve to innovate, invest, and align with the green transition. The EU's carbon border policy is evolving – and so must the strategies of anyone who wants to do business in the EU marketplace for years to come.

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Bogdan Gecić is the founding partner at Gecić Law in Belgrade. His practice focuses on Competition/State Aid, European Law, Trade & Enlargement, and Administrative & Regulatory. Other areas of expertise include ESG, FDI, Government Affairs, Corporate/M&A, and Constitutional Litigation. With extensive experience across various industries, Bogdan stands out as an innovator and pioneer in emerging legal fields, such as artificial intelligence and ESG.

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Bogdan graduated from the University of Belgrade with a degree in Law (Top 1% of class) and earned his LL.M. from Harvard Law School (with Honors and the Dean's Scholar Prize in "Leadership in Law Firms").

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Local, regional, and international media frequently feature and quote Bogdan. Forbes quoted him in numerous articles on entrepreneurship and client relations in professional services. Bogdan also writes extensively. He is a frequent guest lecturer at the University of Florence and the University of Belgrade's Faculty of Law.