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IMPACT OF EU CARBON BORDER ADJUSTMENT MECHANISM (CBAM) ON GEORGIAN ECONOMY AND SPECIFIC COMMODITY GROUPS

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EXECUTIVE SUMMARY

This document assesses the impact of the European Union's Carbon Border Adjustment Mechanism (CBAM) on Georgia's economy and specific commodity groups. The study was commissioned to support evidence-based policymaking and to assist public and private sector stakeholders in preparing for the implementation of CBAM and the broader transition toward low-carbon production and trade.

The primary aim is to assess the direct and indirect economic implications of CBAM for Georgia, identify the sectors and products most exposed to the mechanism, evaluate potential mitigation and adaptation measures, and develop policy recommendations and response options for public institutions and private sector stakeholders. The assessment examines the short-, medium-, and long-term impacts of CBAM on trade, economic activity, competitiveness, employment, and sectoral development.

The study combines quantitative and qualitative research methods. The analysis includes a review of the CBAM regulatory framework and international experience, an examination of Georgian trade and production statistics, a recalculation of relevant international competitiveness and exposure indicators, and extensive stakeholder consultations through interviews and focus groups involving private sector representatives, business and sectoral associations, experts, and public institutions. To estimate the potential economic effects of CBAM, the study applied econometric modelling, including a Gravity Model and a Dynamic Input-Output Model.

The assessment identifies four CBAM-covered product groups for Georgia: iron and steel, aluminium, fertilizers, and cement. However, because Georgia exports almost no cement to the European Union and does not export hydrogen or electricity to the EU market, the quantitative impact assessment focuses primarily on fertilizers, iron and steel, and aluminium.

The analysis demonstrates that fertilizers represent Georgia's strongest comparative advantage among CBAM-covered sectors and are the most exposed to the new mechanism because of their significant export orientation toward the EU. Iron and steel also show growing exposure due to the increasing share of exports directed to EU markets. Aluminium exports to the EU remain limited and therefore face comparatively lower impacts .

Econometric modelling indicates that the aggregate macroeconomic impact of CBAM on Georgia will remain limited in the short term. The estimated negative export shock amounts to approximately USD 10 million in 2026, while the effect on GDP is projected to remain below 0.02% over the period of 2026-2035. Nevertheless, impacts will be concentrated in specific industries, particularly fertilizers, iron, and steel, where the additional compliance costs associated with CBAM certificates may create challenges making the products less price competitive due to the CBAM compliancy associated costs.

The findings suggest that CBAM has implications beyond its immediate economic effects. The mechanism signals a broader transformation in international trade, in which emissions performance increasingly influences market access and competitiveness. As similar instruments are being considered by other trading partners, the need for timely adaptation by Georgian producers and policymakers will grow.

To strengthen Georgia's readiness and reduce future risks, the report recommends establishing a national Monitoring, Reporting and Verification (MRV) system for greenhouse gas emissions, supporting investments in low-carbon and energy-efficient technologies. It also calls for enhancing awareness and technical capacity among affected businesses and assessing the feasibility of introducing domestic carbon pricing instruments and other regulatory mechanisms aligned with international climate and trade developments.

INTRODUCTION

The European Union's Carbon Border Adjustment Mechanism (CBAM) represents one of the most significant recent developments in international climate and trade policy. Introduced as part of the European Green Deal and the EU's broader climate agenda, CBAM aims to prevent carbon leakage, ensure fair competition between domestic and foreign producers, and support the achievement of the European Union's climate neutrality objectives. Under the mechanism, importers of selected carbon-intensive products will be required to account for the greenhouse gas emissions embedded in imported goods and, from January 2026 onwards, purchase CBAM certificates reflecting the applicable carbon cost.

Initially, CBAM applies to several emission-intensive sectors, including iron and steel, aluminium, cement, fertilizers, hydrogen, and electricity. At the same time, ongoing policy discussions within the EU indicate that the scope of the mechanism may gradually expand to additional products and downstream industries. As a result, CBAM is expected to become an increasingly crucial factor shaping international trade flows, industrial competitiveness, and investment decisions.

For Georgia, the introduction of CBAM has particular relevance given the importance of the European Union as a trading partner and the country's commitments under the EU Association Agreement and the Deep and Comprehensive Free Trade Area (DCFTA). Although the share of exports affected by CBAM remains limited within Georgia's overall trade structure, several sectors maintain significant commercial links with EU markets and may face additional compliance costs and reporting requirements. Consequently, understanding the scale of these impacts and identifying appropriate policy responses has become an important priority for both public authorities and private sector stakeholders.

Against this background, the present study assesses the potential implications of CBAM for the Georgian economy and relevant commodity groups. The assessment examines trade patterns, sectoral exposure, competitiveness indicators, production structures, and the greenhouse gas emission characteristics of affected sectors. It also evaluates the potential economic consequences of CBAM under different scenarios and identifies practical measures that could facilitate adaptation and strengthen long-term competitiveness.

The study focuses on product groups currently covered by the CBAM Regulation that are relevant to Georgia's export structure, namely fertilizers, iron and steel, aluminium, and cement. Particular attention is given to those sectors that demonstrate both significant export potential and high exposure to CBAM-related costs.

The report is structured as follows: Chapter 1 provides an overview of the CBAM framework and examines its application to Georgia. Chapter 2 analyses Georgia's exposure to CBAM through international competitiveness indicators and econometric modelling. Chapter 3 summarizes the key findings and discusses potential mitigation measures. Chapter 4 presents policy recommendations to support the effective adaptation of the Georgian economy and affected industries to the evolving international trade and climate policy environment.

1

CBAM AND GEORGIAN ECONOMY

1.1. OVERVIEW OF THE CBAM

The Carbon Border Adjustment Mechanism (CBAM)[1] is a system introduced by the EU to ensure fair pricing of greenhouse gas emissions generated during production processes. This is achieved by equalizing the carbon costs of exports from non-EU and non-European Free Trade Association (EFTA) countries with those of domestic production within the EU and EFTA member states, ultimately promoting the adoption of cleaner production globally, including in non-EU countries.

CBAM and the EU Emissions Trading System (EU ETS) share the same objective: imposing a price on greenhouse gas emissions in carbon-intensive sectors. Both systems support the EU's climate targets of reducing greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels and achieving climate neutrality by 2050.

The implementation of CBAM is planned in two stages. The first stage is the 'transitional phase,' which runs from October 1, 2023, to December 31, 2025. During this period, companies are only required to submit reports, without any payments or taxes. Specifically, importers must provide quarterly reports on the volume of emissions embedded in the products imported during the previous quarter. These reports must include both direct and indirect emissions, as well as information regarding the payment of any carbon taxes (if applicable). The final report of this stage, covering the fourth quarter of 2025, was due to be submitted by January 31, 2026.

Starting in January 2026, CBAM is fully implemented. At this stage, in addition to submitting reports, importers into the European Union will be required to pay a carbon levy — representing the difference between any carbon tax already paid in the exporting country and the carbon price determined by the EU Emissions Trading System (EU ETS) — which will be settled through the purchase of certificates.

The CBAM regulatory package consists of the following legislative acts:

- Regulation (EU) 2023/956 of the European Parliament and of the Council of 10 May 2023 establishing a carbon border adjustment mechanism (hereinafter 'the CBAM Regulation');
- Commission Implementing Regulation **(EU) 2023/1773 of 17 August 2023** laying down the

1 Detailed information about the CBAM is available at this link: https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en#where-to-report

rules for the application of Regulation (EU) 2023/956 of the European Parliament and of the Council as regards reporting obligations during the transitional period for the purposes of the CBAM;

- Commission Implementing Regulation **(EU) 2024/3210 of 18 December 2024** laying down the rules for the application of Regulation (EU) 2023/956 of the European Parliament and of the Council as regards the functioning of the CBAM registry;
- Commission Implementing Regulation **(EU) 2025/486 of 17 March 2025** laying down the rules for the application of Regulation (EU) 2023/956 of the European Parliament and of the Council as regards the conditions and procedures relating to authorized CBAM declarants.

Among the legislative acts presented, the principal instrument is the CBAM Regulation, which establishes the core procedures, principles, and requirements governing the operation of the mechanism.

According to this Regulation, the objectives of CBAM are to reduce global carbon emissions, prevent carbon leakage, ensure a level playing field in terms of competition, and incentivize producers in third countries (i.e. non-EU countries) to adopt more climate-efficient technologies and to reduce their carbon emissions.

For the purposes of the Regulation, greenhouse gas emissions are those defined in Annex I to Directive 2003/87/EC, namely carbon dioxide (CO_2), nitrous oxide (N_2O), and perfluorinated compounds (PFCs).

The list of commodity codes covered by the Regulation is set out in Annex 1 to the Regulation,[2] while Annex 2 specifies the product codes for which only direct emissions are considered (namely, iron and steel, aluminium, and hydrogen).

Under the Regulation, EU importers are required to register in a dedicated registry established within the European Union and to purchase CBAM certificates. The price of these certificates is based on the weekly average auction price of EU ETS allowances in EUR per tonne of CO_2 equivalent. As of June 2025, this average price amounts to EUR 72.6 per tonne of CO_2 equivalent.[3] For those weeks in which no action takes place, the price is set at the average price of the preceding week. The prices are published on a single platform established by the European Commission.[4]

Importers undergo a specific authorization procedure, and applications have been accepted since 31 March 2025. Authorized importers are entered into the EU's dedicated CBAM registry.[5] This registry allows producer companies to register and provide information on their production processes and related emissions. This information is shared with authorized importers, thereby facilitating the declaration procedure.

Pursuant to the Regulation, each authorized CBAM declarant must, through the CBAM Registry, submit

2 Annex 1 also specifies certain product codes that are excluded from the scope of the CBAM Regulation, such as, for example, ferro silicomanganese, ferro silicon chromium, and others.

3 Source: https://www.eex.com/en/market-data/market-data-hub/environmentals/eu-ets-auctions

4 According to the European Commission, 28 countries (25 EU Member States together with Iceland, Liechtenstein, and Norway) use a common platform for auctions - the European Energy Exchange (EEX) in Leipzig, Germany. https://www.eex.com/en/market-data/market-data-hub/environmentals/eu-ets-auctions

5 https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism/cbam-registry-and-reporting_en. Access to this registry is granted through the competent national authorities (list - https://taxation-customs.ec.europa.eu/document/download/5595ce5b-9fd2-42f6-9908-ed6325338ffa_en?filename=20250428%20Updated%20provisional%20list%20of%20NCAs%20for%20CBAM.pdf)

a CBAM declaration for the preceding year by 31 May of each year (starting in 2027). This declaration must include the following:

- The quantity of each product code imported during the previous year, expressed in megawatt-hours for electricity, and in tonnes for other products;
- The quantity of emissions embedded in these products, expressed in tonnes of CO_2 equivalent per megawatt-hour for electricity and in tonnes of CO_2 equivalent per tonne of product for other goods;
- The number of CBAM certificates surrendered, corresponding to the declared emissions, minus any carbon price effectively paid in the exporting country (where applicable);
- Verification reports, prepared by persons accredited under Regulation (EU) 2018/2067, confirming the declared emissions.

As noted above, under Article 8 of the CBAM Regulation, an authorized CBAM declarant is required to ensure that the embedded emissions reported in the declaration are verified by an accredited verifier, in accordance with Article 18 of the Regulation and Annex VI.

For the purposes of the CBAM Regulation, an accredited person is any person who has obtained accreditation in accordance with Commission Implementing Regulation (EU) 2018/2067. In addition, the European Commission has the authority to adopt further acts specifying categories of activities according to which qualified persons will be considered accredited for the purposes of the CBAM Regulation.

Until the adoption of further acts, Commission Implementing Regulation (EU) 2018/2067 serves as the guiding framework for data verification and the accreditation of relevant persons under Directive 2003/87/EC. The latter Directive establishes the EU Emissions Trading System (EU ETS). Accordingly, until additional acts are adopted, persons accredited for the purposes of the EU ETS shall also be considered accredited for the purposes of CBAM. Examples of accredited organizations include Bureau Veritas, SGS, TÜV, Ernst & Young, and others.[6]

A challenge arises because, under Article 3, point 32 of the CBAM Regulation, 'national accreditation bodies' are defined exclusively as the national accreditation bodies of EU Member States. Consequently, for the purposes of the CBAM Regulation, only persons accredited by the national accreditation bodies of EU Member States may prepare verification reports.

Under the Regulation, an authorized importer must, no later than one month after the end of each quarter, submit a CBAM report for the preceding quarter, which shall include the following:

- the volume of imported products, broken down by producer;
- the quantity of emissions;
- the quantity of indirect emissions;

6 https://european-accreditation.org/wp-content/uploads/2018/10/eu-mrv-list-nab-2.pdf

- any carbon tax paid in the country of origin/production (if applicable).

As noted, the CBAM Regulation contains several annexes, among which Annex IV is notable, establishing the methods for calculating embedded emissions (pursuant to Article 7 of the Regulation). Embedded emissions cover both direct emissions resulting from the production of the goods and indirect emissions arising from the consumption of electricity used in their production.

According to Annex IV, specific embedded emissions represent the emissions associated with producing one tonne of goods, expressed in tonnes of CO_2 equivalent per tonne of goods.

In line with this annex, the formula for calculating specific embedded emissions for products takes the following form:

$$SEEg = \frac{(AttrEmg + EEInpMat)}{ALg}$$

Where:

- SEE_g is the specific embedded emissions of good g, expressed in tonnes of CO_2 equivalent.
- $AttrEm_g$ is the total of direct and indirect emissions resulting from the production of good g;
- EE_{InpMat} is the emissions released from the production of input materials used in the manufacture of the good, calculated according to the following formula: EEInpMat= ∑Mi*SEEi, where Mi is the mass of input material i used in production, and SEEi is the specific embedded emissions resulting from the production of input material i;
- ALg is the production volume of good g.

In simple terms, the specific embedded emissions, expressed in tonnes of CO_2 equivalent per tonne of produced goods, are obtained by dividing the total emissions from producing the good (including all direct and indirect emissions, such as those from electricity consumed and from the production of input materials) by the quantity of goods produced.

If embedded emissions cannot be calculated using the above method, default values are applied. These default values are determined on the basis of the average emission intensity of each exporting country and each exported product. Where calculation is also impossible, the default values are set by reference to the average emission intensity of the worst-performing X% of installations participating in the EU ETS. The value of X is defined by separate acts of the European Commission.

As part of the legislative Omnibus Package of 26 February 2025, the European Commission presented proposals for the simplification of CBAM. According to these proposals, CBAM would be simplified for small importers through the introduction of a de minimis rule, under which CBAM requirements would not apply to annual imports of up to 50 tonnes. This threshold corresponds to approximately 80 tonnes of CO_2 equivalent per importer and would effectively exclude about 90% of importers from CBAM obligations, while 99% of emissions would remain covered under the Regulation through the obligations

of larger importers[7].

In addition, the proposals provide for simplification of the authorization process, emission calculation, and the financial obligations required under the CBAM Regulation. At this stage, these simplification measures remain legislative initiatives and have not yet been adopted.

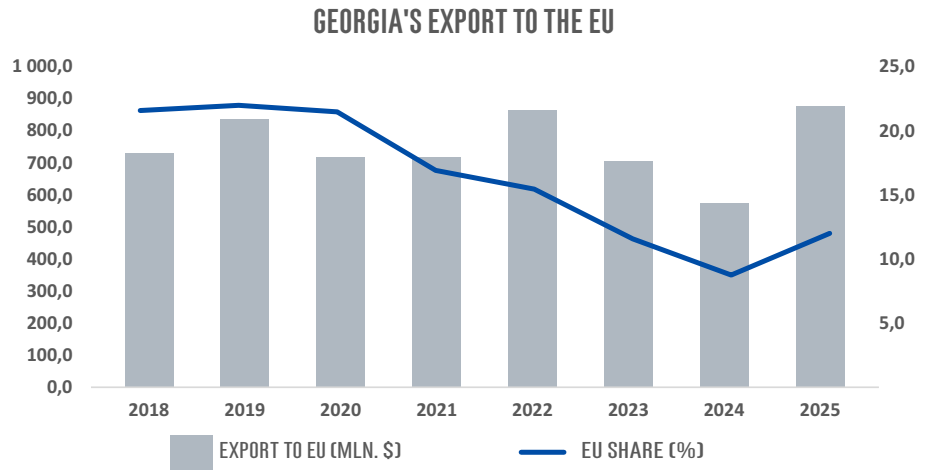
The European Commission will collect information during the implementation of CBAM, which will be used in the future to expand the list of products covered by the Regulation (likely to include additional product codes falling under the EU ETS), and to extend the obligation to account for indirect emissions to products currently listed in Annex II. This process has already begun. In particular, discussions are ongoing on the possible extension of the Regulation to 'downstream products' that form part of the value chain — in particular, secondary products of iron and aluminium — and consultations are under way on this matter.

1.2. CBAM APPLICATION TO GEORGIA

As noted above, the CBAM Regulation applies to six categories of goods: aluminium, iron and steel, fertilizers, cement, electricity, and hydrogen.

According to data from the National Statistics Office of Georgia (GeoStat), Georgia's exports to the European Union have shown fluctuating trends over the past years. However, the share of the EU in Georgia's total exports has declined from **21.6% in 2018** to **12% in 2025**.

Chart 1. Georgia's Exports to the European Union



Source: Geostat

With regard to the product groups covered by the CBAM Regulation, an analysis of data from past years shows that the main categories of goods exported by Georgia to the European Union are iron and steel, aluminium, and fertilizers. Cement exports are virtually zero, Georgia has not yet begun exporting electricity to the EU, and the country has not traditionally exported hydrogen.

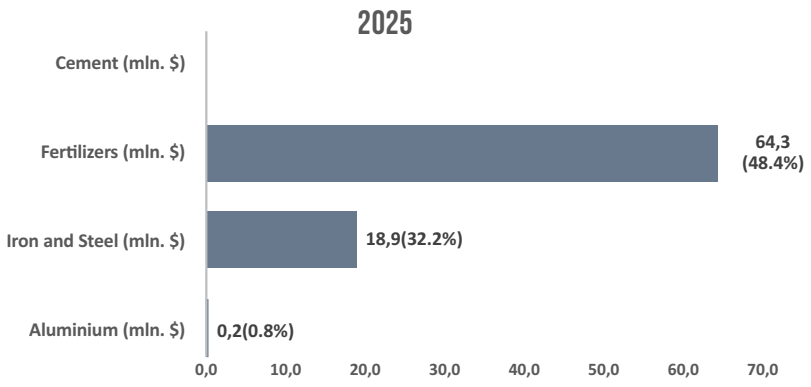
7 European Commission, CBAM: New Commission Proposal Will Simplify and Strengthen, Directorate-General for Taxation and Customs Union, 26 February 2025, available at: European Commission webpage: https://taxation-customs.ec.europa.eu/news/cbam-new-commission-proposal-will-simplify-and-strengthen-2025-02-26_en

Table 1. Georgian Exports of Product Categories Covered by the CBAM Regulation to the European Union

	2018	2019	2020	2021	2022	2023	2024	2025
Aluminium (USD million)	2.6	1.9	0.08	0.1	0.1	0.1	0.3	0.2
Share in total export (%)	16.5	14.3	0.7	0.5	0.5	0.5	1.3	0.8
Iron and Steel (USD million)	11.2	3.8	2.2	3.6	6.9	5.8	20.3	18.9
Share in total export (%)	13.1	5.2	6.5	5.8	10.7	15.6	33.9	32.2
Fertilizers (USD million)	42.8	32.5	24.4	47.3	18.6	36.3	28.8	64.3
Share in total export (%)	46.1	33.9	33.7	39.4	6.6	22.8	24.1	48.4
Cement (USD million)	0	0	0	0.0004	0.0002	0	0	0.0007
Share in total export (%)	0	0	0	4	0.01	0	0	0.4

Source: Geostat

Chart 2. Exports of CBAM Products from Georgia to the European Union in 2025 (USD million and % share in total exports of the respective categories)



Source: Geostat

As shown in **Table 1** and **Figure 2**, the main export categories subject to CBAM for Georgia are **iron and steel** and **fertilizers**.

With regard to the specific CN codes covered by the CBAM Regulation, the situation is as follows:

1. ALUMINIUM

Within the **aluminium** category there are 14 CN codes. Among them:

- Over the past years, exports to the EU have taken place under 12 of these codes. However, three codes account for the largest volumes: 7601 — Unwrought aluminium; 7610 — Struc-

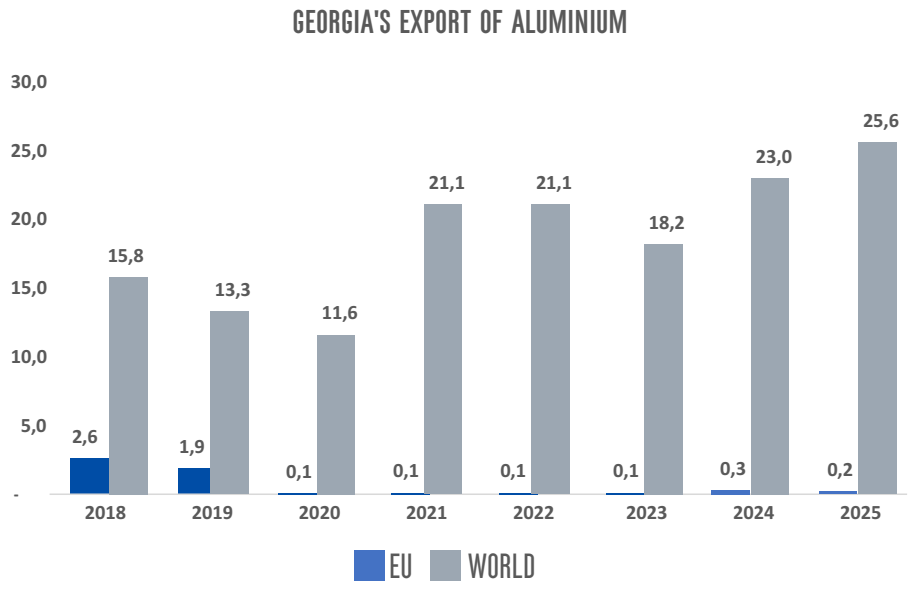
tures and parts of structures of aluminium, and 76130000 — Aluminium containers for compressed or liquefied gas;

- At the global level, exports from Georgia are carried out under all 14 codes. The largest global export categories are: 7601 — Unwrought aluminium; 7604 — aluminium bars, rods and profiles; and 7607 — aluminium foil;
- Under CN code 7601, the main export destinations are Türkiye and China, while the EU's share is small (0.5% in 2025).
- Under CN code 7604, exports to the EU are virtually zero, with the main destinations being CIS countries.
- Under CN code 7607, exports to the EU are negligible, with CIS countries representing the primary export markets.

Table 2. Georgia's Export of Aluminium, USD million (only CBAM codes where exports are recorded)

CN	Product Category		2018	2019	2020	2021	2022	2023	2024	2025
Aluminium Total (all CBAM codes)		EU	2.6	1.9	0.1	0.1	0.1	0.1	0.3	0.2
		World	15.8	13.3	11.6	21.1	21.1	18.2	23.0	25.6
7601	Unwrought aluminium	EU	2.6	1.9	0.1	0.1	0.1	0.1	0.1	0.1
		World	13.6	10.2	8.0	16.0	14.2	6.7	9.7	11.2
7604	Aluminium bars, rods and profiles	EU	-	-	-	-	-	-	-	-
		World	0.4	0.9	1.8	2.4	3.5	7.2	8.0	8.5
7605	Aluminium wire	EU	-	-	-	-	-	-	-	-
		World	0.1	-	0.0	-	-	-	0.0	-
7606	Aluminium plates, sheets and strip, of a thickness exceeding 0.2 mm	EU	-	-	-	-	-	-	-	-
		World	0.1	0.3	0.5	0.3	0.5	0.5	0.8	0.5
7607	Aluminium foil	EU	-	-	-	-	-	-	-	-
		World	0.0	0.7	0.6	1.1	1.3	1.4	2.2	1.9
7608	Aluminium tubes and pipes	EU	-	-	-	-	-	-	-	-
		World	0.2	0.0	-	-	-	0.1	0.1	0.1
76090000	Aluminium tube or pipe fittings (for example, couplings, elbows, sleeves)	EU	-	-	-	-	-	-	-	-
		World	-	0.0	-	0.0	0.1	0.1	0.0	0.1
7610	Aluminium structures	EU	-	-	-	-	0.0	0.0	0.1	-
		World	0.5	0.7	0.3	0.9	1.2	1.8	2.4	2.0
76130000	Aluminium containers for compressed or liquefied gas	EU	-	-	-	-	-	-	0.0	-
		World	-	-	-	-	-	-	0.0	0.1
7614	Stranded wire, cables, plaited bands and the like, of aluminium, not electrically insulated	EU	-	-	-	-	-	-	-	-
		World	0.5	0.1	0.0	0.1	-	-	0.1	0.1
7616	Other articles of aluminium	EU	-	0.0	-	0.0	0.0	0.0	-	-
		World	0.1	0.1	0.2	0.1	0.2	0.3	0.4	1.0

Chart 3. Georgia's Export of Aluminium, (USD million)



Source: Geostat

2. IRON AND STEEL

The **iron and steel** category includes 46 CN codes, of which:

- Over the past years, exports to the EU have taken place under 31 codes. The largest export volumes were under 720241 — ferro-chromium, containing by weight more than 4% carbon — and 7304 — tubes, pipes and hollow profiles, seamless, of iron or steel. One of Georgia's major export codes, 720230 — ferro silicomanganese — is listed among the exemptions under the CBAM Regulation.
- At the global level, Georgia exports under 40 of the 46 codes. The largest categories are 720241— ferro-chromium, containing by weight more than 4% carbon; 7214— other bars and rods of iron or non-alloy steel, not further worked; and 7304 — seamless tubes, pipes and hollow profiles, of iron or steel.
- For CN code 720241, the EU share in 2025 was 49%.
- For CN code 7214, the EU share in total exports is zero, with all exports going to CIS countries, mainly Armenia.
- For CN code 7304, the EU share in total exports is 48%, with other major markets including the United States, Türkiye, Ukraine, Iran and others.

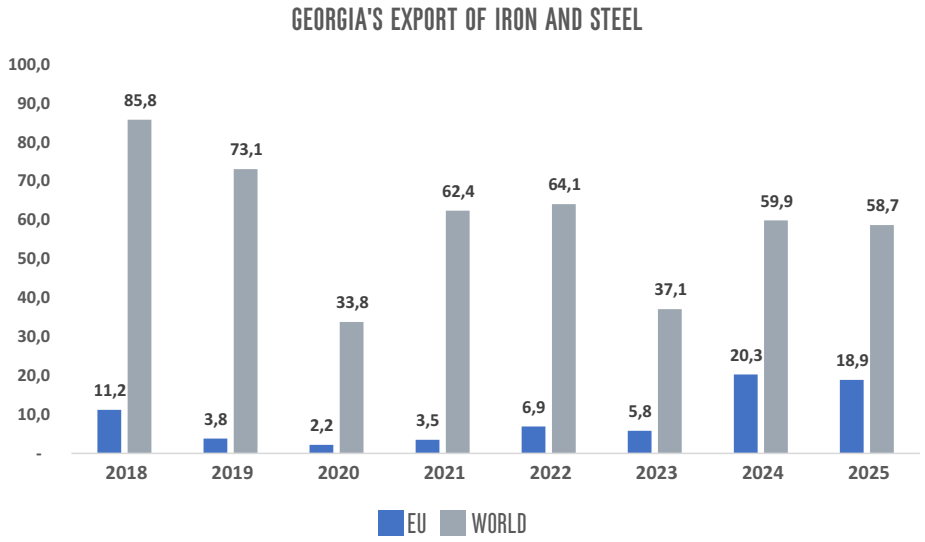
Table 3. Georgia's Export of Iron and Steel, USD million (only CBAM codes where exports are recorded)

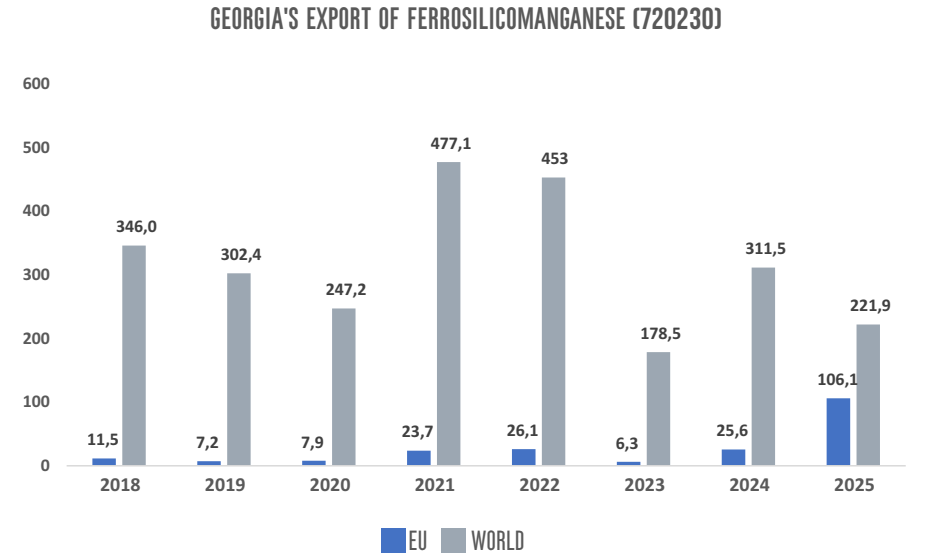
CN	Product Category		2018	2019	2020	2021	2022	2023	2024	2025
Iron and Steel (all CBAM codes		EU	11.2	3.8	2.2	3.5	6.9	5.8	20.3	18.9
		World	85.8	73.1	33.8	62.4	64.1	37.1	59.9	58.7
720211	Ferromanganese containing, by weight, more than 2% of carbon	EU	-	-	-	0.1	-	-	-	-
		World	0.1	-	-	0.2	0.2	-	-	-
720219	Ferromanganese, containing by weight 2% or less of carbon	EU	2.7	-	-	-	-	-	-	-
		World	5.1	0.4	-	-	-	0.3	-	-
720241	Ferrochromium, containing by weight > 4% carbon	EU	-	-	-	-	-	0.3	3.4	1.3
		World	-	-	-	-	-	1.8	10.0	2.7
720260	Ferronickel	EU	-	-	-	-	-	-	-	-
		World	-	-	-	-	0.9	-	-	-
7203	Ferrous products obtained by direct reduction of iron ore and other spongy ferrous products	EU	-	-	-	-	-	-	-	-
		World	-	-	-	0.1	-	-	-	-
7207	Semi-finished products of iron or non-alloy steel	EU	-	-	-	-	-	-	-	-
		World	22.6	31.0	13.5	27.1	18.1	0.6	0.5	-
7218	Stainless steel in ingots or other primary forms; semi-finished products of stainless steel	EU	-	-	-	-	-	-	0.1	-
		World	-	-	-	-	-	-	0.1	-
7208	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated	EU	-	-	-	-	-	0.1	-	-
		World	-	-	-	-	-	4.6	-	-
7209	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, cold-rolled (cold-reduced), not clad, plated or coated	EU	-	-	-	-	-	-	-	-
		World	-	0.1	-	0.1	0.1	0.1	-	0.1
7210	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, clad, plated or coated	EU	-	-	-	-	-	-	-	-
		World	3.0	1.3	0.4	-	0.5	0.8	0.6	1.0
7211	Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, not clad, plated or coated	EU	-	-	-	-	-	-	-	-
		World	-	-	-	0.1	0.2	0.1	0.1	0.1
7212	Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, clad, plated or coated	EU	-	-	-	-	-	-	-	-
		World	0.1	0.2	-	-	-	0.1	0.1	4.0
7214	Other bars and rods of iron or non-alloy steel, not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling	EU	-	-	-	-	2.1	-	-	-
		World	18.5	9.0	5.3	7.7	17.0	1.3	8.3	0.1
7215	Other bars and rods of iron or non-alloy steel	EU	-	-	-	-	-	-	-	-
		World	-	-	-	-	0.1	-	-	-
7216	Angles, shapes and sections of iron or non-alloy steel	EU	-	-	-	-	-	-	-	-
		World	3.8	2.8	2.4	2.5	2.3	2.1	2.1	2.5
7217	Wire of iron or non-alloy steel	EU	-	-	-	-	0.1	-	-	-
		World	0.1	0.1	0.3	0.1	0.2	0.6	0.4	1.4

CN	Product Category		2018	2019	2020	2021	2022	2023	2024	2025
Iron and Steel (all CBAM codes		EU	11.2	3.8	2.2	3.5	6.9	5.8	20.3	18.9
		World	85.8	73.1	33.8	62.4	64.1	37.1	59.9	58.7
7219	Flat-rolled products of stainless steel, of a width of 600 mm or more	EU	-	-	-	-	-	-	-	-
		World	-	-	-	-	0.1	-	-	-
7222	Other bars and rods of stainless steel; angles, shapes and sections of stainless steel	EU	-	-	-	-	-	-	-	-
		World	0.1	-	-	-	-	-	-	-
7225	Flat-rolled products of other alloy steel, of a width of 600 mm or more	EU	-	-	-	-	-	-	-	-
		World	-	-	-	-	-	0.2	0.2	0.6
7226	Flat-rolled products of other alloy steel, of a width of less than 600 mm	EU	-	-	-	-	-	-	-	-
		World	-	-	-	0.1	-	-	-	-
7228	Other bars and rods of other alloy steel; angles, shapes and sections, of other alloy steel; hollow drill bars and rods, of alloy or non-alloy steel	EU	-	-	-	-	-	-	-	-
		World	0.2	-	-	-	0.5	0.2	0.1	-
7229	Wire of other alloy steel	EU	-	-	-	-	-	-	-	-
		World	-	0.1	-	-	-	0.1	0.2	0.1
7301	Sheet piling of iron or steel, whether or not drilled, punched or made from assembled elements; welded angles, shapes and sections, of iron or steel	EU	-	-	-	-	-	-	-	-
		World	-	-	-	-	0.1	-	-	0.2
7302	Railway or tramway track construction material of iron or steel	EU	-	-	-	-	-	-	-	-
		World	0.1	-	0.3	2.5	0.1	-	-	0.1
7303	Tubes, pipes and hollow profiles, of cast iron	EU	-	-	-	-	-	-	-	-
		World	0.1	-	-	-	0.1	0.1	-	-
7304	Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel	EU	6.8	3.5	1.4	3.0	4.1	5.0	16.2	16.4
		World	14.6	13.1	5.0	6.8	13.0	13.2	29.5	34.1
7306	Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel	EU	-	-	-	-	0.1	-	-	-
		World	1.3	1.8	0.2	0.7	0.3	0.2	0.2	0.5
7307	Tube or pipe fittings (for example, couplings, elbows, sleeves), of iron or steel	EU	0.1	0.1	0.5	-	-	-	-	-
		World	1.1	1.1	0.5	0.1	0.7	0.1	0.3	0.3
7308	Structures and parts of structures of iron or steel	EU	1.0	0.1	0.1	0.2	0.0	0.1	-	-
		World	7.7	5.4	3.0	11.9	5.4	6.2	4.1	6.2
7309	Reservoirs, tanks, vats and similar containers for any material of iron or steel, of a capacity exceeding 300 l	EU	-	-	-	-	-	-	-	-
		World	2.9	1.9	0.5	0.7	1.5	1.0	0.1	0.5
7310	Tanks, casks, drums, cans, boxes and similar containers of iron or steel, of a capacity not exceeding 300 l	EU	-	-	-	-	-	-	0.1	0.8
		World	0.1	0.2	-	0.1	0.1	0.1	0.2	0.9
7311	Containers for compressed or liquefied gas, of iron or steel	EU	-	-	-	-	-	-	-	-
		World	0.2	0.3	0.1	0.1	0.3	0.1	0.1	0.4

CN	Product Category		2018	2019	2020	2021	2022	2023	2024	2025
Iron and Steel (all CBAM codes		EU	11.2	3.8	2.2	3.5	6.9	5.8	20.3	18.9
		World	85.8	73.1	33.8	62.4	64.1	37.1	59.9	58.7
7318	Screws, bolts, nuts, coach screws, screw hooks, rivets, cotters, cotter pins, washers (including spring washers) and similar articles, of iron or steel	EU	-	0.1	0.1	0.1	0.1	0.2	0.1	-
		World	1.0	0.6	1.0	0.6	0.7	1.0	1.0	1.0
7326	Other articles of iron or steel	EU	0.5	0.1	0.1	0.1	0.2	0.1	0.1	0.1
		World	3.0	3.6	0.8	0.8	1.4	1.7	1.4	1.4

Chart 4. Georgia's Export of Iron and Steel, USD million (only CBAM codes where exports are recorded) and Georgia's Export of Ferro silicomanganese, USD million (exempted from CBAM)





Source: Geostat

3. FERTILIZERS

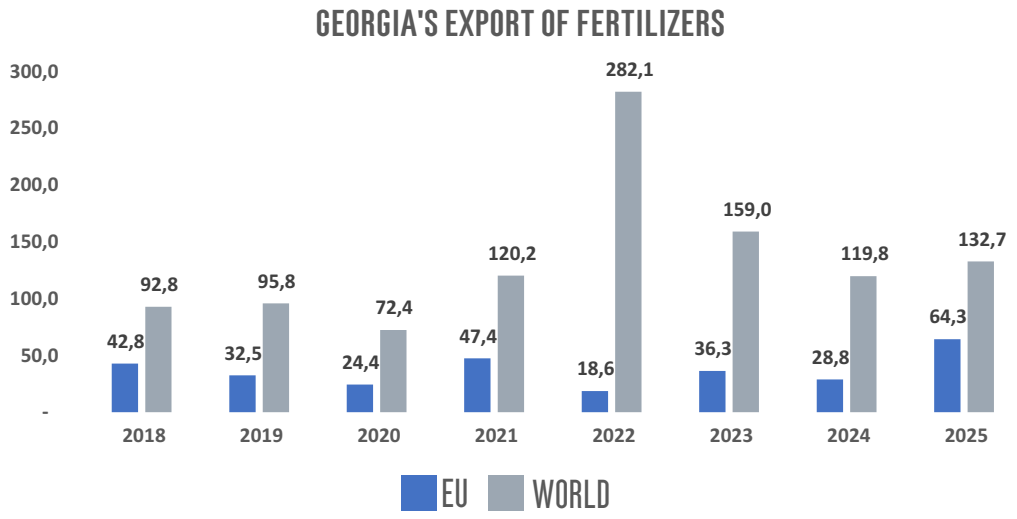
The **fertilizer** category includes five CN codes, of which:

- Over the past years, exports to the EU have been recorded under two codes, with the largest volumes under CN code 3102 — mineral or chemical fertilizers, nitrogenous.
- Globally, Georgia exports, at varying levels, under all CBAM codes. Here too, the largest category is CN code 3102, where the EU's share in 2025 amounted to 48.6%. Other export markets are highly diversified, including CIS countries, India, and several African countries.

Table 4. Georgia's Export of Fertilizers, USD million (only CBAM codes where exports are recorded)

CN	Product Category		2018	2019	2020	2021	2022	2023	2024	2025
Fertilizers (all CBAM codes)		EU	42.8	32.5	24.4	47.4	18.6	36.3	28.8	64.3
		World	92.8	95.8	72.4	120.2	282.1	159.0	119.8	132.7
2814	Ammonia, anhydrous or in aqueous solution	EU	-	-	-	-	-	-	-	-
		World	0.1	0.1	0.1	0.3	0.1	0.1	0.1	0.1
28342100	Nitrates of potassium	EU	-	-	-	-	-	-	-	-
		World	0.1	-	-	-	-	-	-	-
3102	Mineral or chemical fertilisers, nitrogenous	EU	42.7	32.2	24.3	47.3	18.6	36.1	28.5	64.3
		World	92.0	94.8	72.3	119.5	281.4	158.4	118.9	132.1
3105	Mineral or chemical fertilisers containing two or three of the fertilising elements nitrogen, phosphorus, and potassium; other fertilisers	EU	0.1	0.3	0.1	-	-	0.2	0.3	-
		World	0.6	0.9	0.1	0.4	0.5	0.4	0.7	0.6

Chart 5. Georgia's Export of Fertilizers (USD million)



Source: Geostat

4. CEMENT

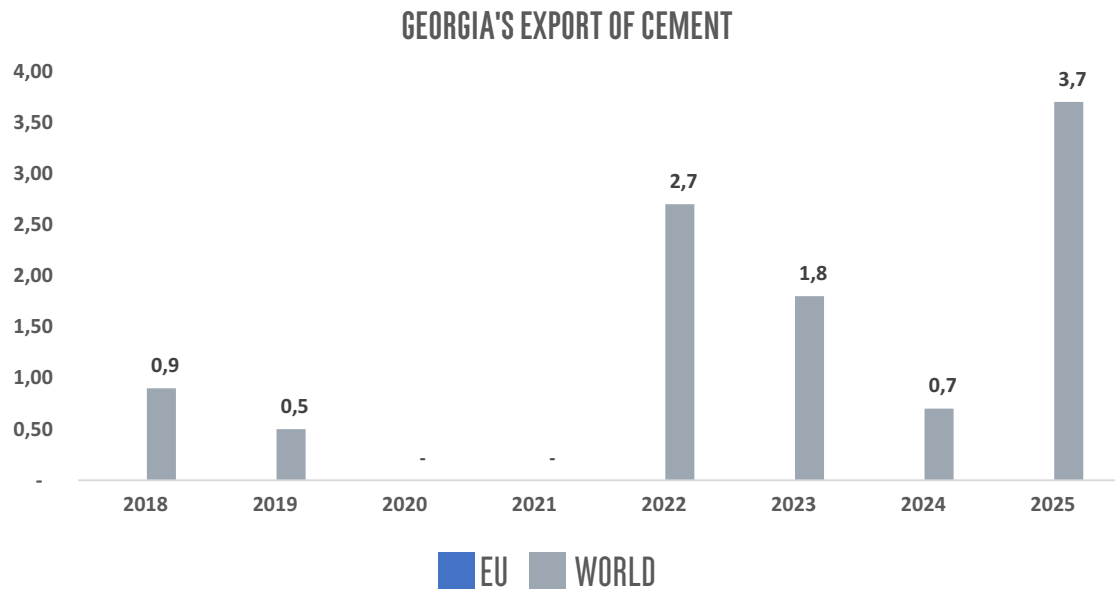
The **cement** category includes **six CN codes**, of which:

- Over the past years, exports to the EU have been minimal.
- Globally, Georgia exports, at varying levels, under all six codes. The largest category is CN code **25231000 — cement clinkers, whether or not coloured**. For this code, the EU share is zero, with Armenia as the main export market.

Table 5. Georgia's Export of Cement, USD million (only CBAM codes where exports are recorded)

CN	Product Category		2018	2019	2020	2021	2022	2023	2024	2025
Cement (all CBAM codes)		EU	-	-	-	-	-	-	-	-
		World	0.9	0.5	-	-	2.7	1.8	0.7	3.7
25231000	Cement clinkers	EU	-	-	-	-	-	-	-	-
		World	0.5	0.5	-	-	1.7	0.9	0.5	2.8
25232900	Other Portland cement	EU	-	-	-	-	-	-	-	-
		World	0.06	0.01	-	-	1.0	0.9	0.1	0.9
25233000	Aluminous cement	EU	-	-	-	-	-	-	-	-
		World	0.3	-	-	-	-	-	-	-

Chart 6. Georgia's Export of Cement (USD million)



Source: Geostat

With regard to the production of CBAM-covered products in Georgia, the situation is as follows:

1. **Cement.** According to GeoStat data, output in the cement sector increased by **120% between 2018 and 2023**[8] (from GEL 398.5 million in 2018 to GEL 876.7 million in 2023). In 2023, small enterprises accounted for **7%** of total output (compared to 9% in 2018), with the remainder distributed among medium and large enterprises.[9] Employment in the sector decreased by 7% over the same period (from 1,947 employees in 2018 to 1,810 in 2023). In 2023, small enterprises accounted for 18.3% of employment, down from 26.3% in 2018.

2. **Fertilizers.** Between 2018 and 2023, output in the fertilizer sector grew by **65.4%** (from GEL 392.5 million to GEL 649.3 million). During this period, employment in the sector declined by **9.3%**, from 2,967 employees in 2018 to 2,691 in 2023 challenges faced by companies as a result of declining global prices.

3. **Aluminium, iron and steel**. Based on data provided by GeoStat, it is not possible to disaggregate production figures for aluminium, iron, and steel individually, as they are aggregated under the broader category of metals and metal products. In addition, detailed data are withheld when fewer than three producers are active (e.g., ferrochrome production).

   According to aggregated categories (manufacture of basic metals; manufacture of fabricated metal products, except machinery and equipment), output in the basic metals sector decreased by 3.6% between 2018 and 2023 (from GEL 1.65 billion in 2018 to GEL 1,59 billion in 2023). As of 2023, large enterprises accounted for 85.4% of output, medium-sized enterprises accounted for 9.2%, and small enterprises for 5.4%. Over the same period, employment in the sector decreased by 26.9% (from 9,276 employees in 2018 to 6,778 employees in 2023).

   As for the fabricated metal products sector, output increased by 129.9% (from GEL 309.6 million in 2018 to GEL 711.8 million in 2023). As of 2023, large enterprises accounted for 27% of output, medium-sized enterprises for 42.3%, and small enterprises for 30.7%. Over the same period, employment in the sector grew by 35.2% (from 3,661 employees in 2018 to 4,950 employees in 2023).

Emissions data for CBAM-covered products are sourced from the **2024 National Greenhouse Gas Inventory Report**.[10]

8 The most recent data available

9 It is not possible to identify the exact output of large and medium-sized enterprises from the statistical data, since there are fewer than three producers in these categories. Accordingly, if the data were made public, the identification of these producers would become possible, thereby violating the principle of commercial confidentiality.

10 National Greenhouse Gas Emission and Removals Inventory, Document of Georgia (1990-2022)

Table 6. Emission Indicators[11]

Industry	Greenhouse gases	Enterprises	Emission (Gg CO2 eq.)			
			2020	2021	2022	2023
Cement	CO2 SO2	Heidelberg Cement (Rustavi, Kaspi)	729.53(CO2) 0.73 (SO2)	682.41(CO2) 0.71 (SO2)	773.03(CO2) 0.63 (SO2)	964.35 (CO2) 0.74 (SO2)
Ammonium	CO2 NOx CO	JSC Rustavi Azot	550,52 0.24 0.02	510,04 0.22 0.02	541,85 0.24 0.02	517.22 0.24 0.02
Nitric acid (HNO□)	N2O NOx	Rustavi Azot	222.36 4.20	201.59 3.80	222.49 4.20	206.24 ---------
Steel	CO2 CH4	Rustavi Steel LLC, Geosteel LLC, Kutaisi Automotive Plant LLC	14.68	16.78	18.02	19.40
Ferroalloys (Ferro silicomanganese, Ferrosilicon, and Ferromanganese)	CO2 CH4	Georgian Manganese LLC, Chiaturmanganum Georgia LLC, Geo Enterprise LLC, Georgian Alloys Group LLC, Rusal Alloys LLC, GTM Group LLC, and others	428.95 12.13	452.04 12.78	475.56 13.44	478.44 13.74

Analysis of international experience and international assessments of the potential impacts of CBAM, shows the following:

- In the short term (2026-2027), CBAM causes negative export shock and partially reduces local export competitiveness on the sectors it covers; while the scale of the impact depends on the specific country, sector, and company.
- In the medium term (2028 - 2030), economic effects depend on the expansion of CBAM and on whether other countries, such as the United States, introduce similar mechanisms.
- In the long term (2031-2035), the negative effects are limited.
- The effect on macroeconomic parameters, such as GDP, is minor under all scenarios.
- The economic impact of CBAM depends on factors like national climate policies, industrial production processes, and the sources of energy used by industries.
- To mitigate the negative impacts of CBAM, it is important to implement changes in economic and energy systems based on the principles of the green economy.
- A key priority is the decarbonization of energy systems and the promotion of investment in clean energy sources (wind, solar). This will help make export industries greener and improve their competitiveness in export markets.
- Based on our analysis of multiple sources examining options for the internalization of emissions costs, declining global prices have emerged as a factor contributing to company-level challenges.

11 The document does not contain data on emissions from aluminium production

2

IMPACT OF CBAM ON GEORGIA

2.1. CBAM READINESS AND TRADE EXPOSURE INDEXES

REVEALED COMPARATIVE ADVANTAGE (RCA)

- This index shows a country's relative advantage in producing a specific product compared to other countries, as revealed its trade performance.
- In interpreting RCA: a value greater than 1 indicates that the country has a revealed comparative advantage in the product; a value less than 1 indicates that the country does not have a revealed comparative advantage in the product; and a value equal to 1 indicates a neutral position with respect to that product. For this analysis, the assessment is based on trade data from 2019–2024. The source of information is UN Comtrade.[12]

Table 7. Revealed Comparative Advantage (RCA) in CBAM Categories

RCA	2019	2020	2021	2022	2023	2024
Aluminium	0.41	0.41	0.52	0.38	0.34	0.41
Iron and steel (excluding ferro silicomanganese)	0.61	0.34	0.41	0.34	0.19	0.33
Fertilizers	9.78	8.19	8.27	12.42	9.99	9.91
Cement	0.19	0.00	0.00	0.77	0.47	0.15
Electricity	1.13	1.08	1.28	3.05	5.19	2.68

Table 7 shows that Georgia has a clear revealed comparative advantage in fertilizers. For iron and steel, ferro silicomanganese was excluded (as it is exempt from CBAM), which lowers the index, since ferro silicomanganese accounts for a significant share of this commodity category. As for electricity, the operation of hydropower plants must be considered: during periods of high-water flow, there is surplus production and export, while in the winter season this does not occur.

BILATERAL REVEALED COMPARATIVE ADVANTAGE (BRCA)

- This index is calculated between two countries (or country groups) and shows one country's export advantage in the market of the other.
- BRCA-1 measures the following: the share of a given product exported from Georgia to the EU, relative to Georgia's total exports to the EU, compared to the share of that same product im-

12 https://comtradeplus.un.org/TradeFlow

ported by the EU from the rest of the world, relative to the EU's total imports. In other words, if Georgia exports a larger proportion of a product to the EU than the rest of the world does, Georgia has an advantage.

- BRCA-2 measures the following: the share of a given product exported from Georgia to the EU compared to the share of that product in Georgia's exports to the rest of the world. In other words, this index shows how many times higher Georgia's export share of a given product to the EU is compared to its share to other world markets.
- For this analysis, the assessment is based on trade data from 2019 –2024. The source of information is UN Comtrade. Electricity is not included, as Georgia does not currently export electricity to the EU.

Table 8. Bilateral Revealed Comparative Advantage (BRCA) in CBAM Categories (Georgia-EU)

BRCA-1	2019	2020	2021	2022	2023	2024
Cement	0.000004	0.000000	0.001613	0.000054	0.000000	0.000000
Fertilizers	18.307	15.298	24.447	7.451	31.328	29.324
Iron and steel	0.183	0.132	0.146	0.288	0.317	1.370
Aluminium	0.197	0.009	0.012	0.010	0.014	0.040

BRCA-2	2019	2020	2021	2022	2023	2024
Cement	0.000010	0.000000	0.437573	0.000038	0.000000	0.000000
Fertilizers	1.601	1.612	2.331	0.427	1.974	2.754
Iron and steel	0.246	0.308	0.340	0.693	1.367	3.871
Aluminium	0.684	0.033	0.034	0.039	0.062	0.130

Both BRCA indicators show that Georgia has a revealed comparative advantage on the EU market for fertilizers and for iron and steel.

CBAM EXPOSURE INDEX

- This index was developed by the World Bank. It is a relative measure that shows the impact of the CBAM Regulation on the competitiveness of a specific product in the EU market. In other words, it reflects the additional cost exporters of a given product must bear for CBAM certificates compared to average EU producers. The aggregated index represents a weighted average across all CBAM-covered products.
- According to World Bank assumptions, the price of one tonne of carbon is set at USD 100, and the carbon intensity of each product has been assessed by the World Bank. Based on these figures, the potential additional cost has been calculated.
- Since the existing indices were based on 2019 trade data, the index was recalculated using updated trade data for 2019 –2024, while keeping carbon intensity values and the carbon price fixed. The source of information is UN Comtrade.
- Indices are calculated only for iron and steel and for fertilizers, as well as in aggregated form. For other categories, the calculation is not meaningful because of insufficient trade data (this is also the World Bank's approach).

Table 9. CBAM Exposure Index

CBAM Exposure Index	2019	2020	2021	2022	2023	2024
Fertilizers	0.081	0.081	0.094	0.016	0.055	0.058
Iron and steel	0.010	0.012	0.011	0.020	0.029	0.063
Aggregate	0.046	0.050	0.054	0.013	0.031	0.045

In the case of iron and steel, Table 9 shows that the relative index increased after 2019, especially in 2024, which means the potential impact of CBAM on this sector has grown. The value of the index depends on the emissions levels and the share of exports to the EU. Since emissions levels are fixed, the sharp increase in the index for iron and steel is explained by the rise in the share of exports to the EU. Specifically, while the share of exports to the EU was 5.3 percent in 2019, by 2024 it had reached 33.8 percent, leading to a sharp increase in the index.

The opposite picture is observed in the fertilizer sector. Based on the 2019 index, CBAM would potentially have had a very high impact on the sector; however, according to 2024 data, the index has decreased (although it still remains relatively high). This is explained by the decline in the share of fertilizer exports to the EU, from 34 percent in 2019 to 24.2 percent in 2024.

The aggregated indicator represents the average across all CBAM-covered products. It remains high according to the latest data, showing that compared to EU producers, Georgian exporters will face an additional cost of USD 4.5 per tonne of CO_2 equivalent for CBAM certificates.

EXPORT POTENTIAL INDEX (EPI)[13]

- This index shows the potential for growth in exports of CBAM-covered products to the EU market. The index was developed by the International Trade Centre (ITC) and is reflected in the Export Potential Map, which assesses the export potential of different categories of goods in various target markets. For analysis, ammonium nitrate (310230) was selected, as it is the only category among those assessed that falls under CBAM.
- The EPI is based on three key indicators:
  - Base exports — the weighted average of exports over the past five years, which serves as the baseline for calculating potential exports. The baseline excludes re-exports, data from informal sources, and non-systematic exports.
  - Export potential — the projected export potential in USD that can be achieved within six years from the latest baseline year (in this case, 2023 as the baseline, with potential calculated for 2029). The export potential indicator itself is based on three components:
    1. Supply, which represents the exporting country's projected share in the global market for that specific CN code.
    2. Demand, which represents projected imports of that category in the target market.
    3. Ease of bilateral trade, which reflects the ratio of baseline exports to projected exports, under the assumption that the exporting country sells this CN code to the partner country at the same rate as to the rest of the world.

13 Export Potential Map

- Unrealized potential — the difference between export potential and base exports.

For this analysis ammonium nitrate was selected, as the project team estimates that CBAM will have the greatest impact on this product. The export potential of ammonium nitrate by 2029 is estimated at USD 44 million, with unrealized export potential amounting to USD 26 million.

In conclusion, these indices show that among the CBAM-covered categories, Georgia currently has relative competitiveness in the iron and steel and fertilizer sectors, and these are precisely the sectors most vulnerable to the CBAM Regulation.

2.2. ECONOMETRIC ANALYSIS OF CBAM-INDUCED ECONOMIC IMPACTS IN GEORGIA

To assess the impact of the CBAM Regulation on Georgia's economy and on the relevant sectors, the project team applied the Gravity model and a dynamic input-output model (Annex 2), which was developed by the Ministry of Economy and Sustainable Development of Georgia.

THE MODEL ASSUMPTIONS AND FEATURES:

- For the assessment under the Gravity model, the GDP of the exporting country and the importing country, as well as a proxy for economic distance between the countries, are widely used.
- Based on Georgia's export data for recent years (2018–2024), the project team identified 14 main CBAM export categories (the largest ones with systemic exports) for assessment. These are:

CN CODE AND ITS DESCRIPTION	
Aluminium	
7601	Unwrought aluminium
7604	Aluminium bars, rods and profiles
Iron and steel	
720241	Ferrochromium, containing by weight more than 4% carbon
7207	Semi-finished products of iron or non-alloy steel
7210	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, clad, plated or coated
7214	Other bars and rods of iron or non-alloy steel, not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling
7216	Angles, shapes and sections of iron or non-alloy steel
7217	Wire of iron or non-alloy steel
7304	Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel
7306	Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel
7308	Structures and parts of structures of iron or steel
Fertilizers	
2814	Ammonia, anhydrous or in aqueous solution
3102	Mineral or chemical fertilisers, nitrogenous
3105	Mineral or chemical fertilisers containing two or three of the fertilising elements nitrogen, phosphorus, and potassium; other fertilisers

- The project team's objective was to assess the supply elasticity of the selected export codes. When assessing supply elasticity, the established practice is to analyse global export data rather than data from a single country or group of countries. Accordingly, the same approach was applied for this study.

- To estimate supply elasticity, the following model was used:

  $$\ln(Toni,t) = \alpha + \beta1\ln(Toni,t-1) + \beta2\ln(Pricet) + \beta3\ln(GDPgeo,t) + \beta4\ln(GDPworld,t) + ui,t.$$

  where:
  Ton = the volume of product exported from Georgia (in tonnes)
  Price = average annual price of exported product
  GDPgeo = Georgia's GDP
  GDPworld = World GDP

  The aim of this model is to evaluate, for each selected export category, the relationship between the percentage change in export volume (tonnes) and the percentage change in price, GDP, and the lagged change in exports. The econometric estimation results are provided in Annex 1.

- For the task at hand, the most suitable and modern method of panel data estimation is the Generalized Method of Moments (GMM) for panel data, which was applied in this study.

- For modelling purposes, GeoStat export data and World Bank GDP data (in constant 2015 prices) were used.

- Average export prices for the categories were calculated by dividing the export value in USD by the export volume in tonnes.

- The model's approach is to estimate supply elasticity and, on that basis, evaluate the negative export shock caused by CBAM, since the CBAM levy acts as a price-reducing effect. For each category, the share of the CBAM levy in the product price was calculated, and using the elasticity coefficient, the negative shock to exports was estimated. It should be noted that this represents the most pessimistic scenario, as it assumes that additional taxation of exports to the EU will not result in diversion of trade to other markets, nor any changes in domestic legislation or technological improvements at the company level to reduce emissions.

- This model is justified, since in the medium and long term, other countries such as the United States, Canada, the United Kingdom, Norway, Japan, and others[14] also plan to introduce CBAM-like mechanisms, and thus the possibility of redirecting Georgia's exports to non-CBAM markets will gradually diminish.

KEY FINDINGS FROM THE MODELLING

- The lagged change in exports is statistically significant, which points to inertia in export behaviour. In other words, if a certain category was exported in the previous year, it is likely to be exported again in the current year. This finding also confirms the appropriateness of using a dynamic panel model.

14 Ernst & Young

- Export elasticity with respect to price is positive and statistically significant at the 1% significance level. This indicates that export volumes for these categories depend positively to price changes. The estimated elasticity coefficient with respect to export prices is 0.28, meaning that a 1% increase in price leads to a 0.28% increase in export volume (tonnes). The 95% confidence interval for this coefficient is between 0.07 and 0.49.

DIAGNOSTIC TESTS

- High-reliability Hansen and Difference-in-Hansen tests confirm the validity and exogeneity of the instruments used by the project team. The model passes the main specification tests and does not show signs of over-identification.

ELASTICITY OF EXPORT VALUE (IN USD)

- Since export value is the product of price and exported volume (in tonnes), and the elasticity of exports in tonnes has been estimated at 0.28%, the elasticity of export value is 0.28% (quantity effect) + 1% (price effect) = 1.28%. This indicates that a 1% change in price leads to a 1.28% change in export value in the same direction. This indicator was used to assess the export shock caused by CBAM, and the export shock was then applied to calculate the effect of CBAM on various economic parameters.

MACROECONOMIC IMPACT OF CBAM

To evaluate the macroeconomic impact of CBAM, the project team used the following data and assumptions:

- Emission factors — For each CN code, emission factors were taken from the 2024 National Greenhouse Gas Inventory Report and information obtained during interviews. Where such data were not available, emission factors were derived from international studies and publicly available data sources.

- CBAM cost — To calculate the potential cost of CBAM, the EU ETS price was used, assuming a 5% annual increase. Although the EU ETS price has risen over the past five years, it has recently stabilized, making a 5% annual increase a fairly conservative assumption.

- Commodity prices —The average price per ton of CBAM-regulated goods was calculated using available statistical data, assuming 2% annual inflation. The potential CBAM cost was then expressed as a percentage of the price per tonne, which was used to determine the effect on each category (percentage reduction in product price after accounting for CBAM; see Annex 3.1).

- Export shock due to CBAM cost — To estimate the maximum negative shock, the percentage reduction in product prices due to CBAM was multiplied by elasticity of export value (1.28%). As a result, the percentage of negative export shock for each CN code was calculated (Annex 3.2). Multiplying these percentages by recent export values yielded the negative shock in USD terms.

- After assessing the negative export impact for each commodity category, the export shocks were adjusted over time. Specifically, in the short term (2026—2027), we assumed that com-

panies would be unable to implement advanced, eco-friendly technologies. In the medium term (2028—2030), annual CO_2 emissions and their equivalents will decrease by 5% due to technological improvements, while in the long term (2031—2035) these emissions will decrease by 10%. These assumptions are based on qualitative and quantitative assessments obtained during interviews.

Negative economic impacts on exports were aggregated by NACE activity codes. Incorporating these shocks into the dynamic input-output model allowed us to assess changes in GDP, employment, exports, and imports relative to the baseline scenario, taking into account dynamic, spillover, and cumulative effects.

To evaluate the impact on the balance of payments, we calculated the difference between changes in exports and imports.

SHORT-TERM SCENARIO (2026—2027): NO TECHNOLOGICAL CHANGE

- In the short term, the negative export shock for CBAM-specific codes is USD 10 million in 2026 and USD 10.3 million in 2027 (Annex 3.3). By percentage, the largest negative shock falls on fertilizers (75.7%), followed by iron and steel (24.3%), with aluminium showing the smallest shock (0.03%). These figures are explained by the following factors: (1) fertilizers account for the largest share of exports to the EU in USD terms; (2) aluminium accounts for the smallest share; (3) the highest emission factor is in the fertilizer industry; and (4) fertilizers also have the lowest average price, which makes the CBAM cost a higher negative percentage of the price.
- Impact on total exports — Accounting for spillover effects, exports decline by USD 10.8 million in 2026 compared to the baseline, and by USD 13.1 million in 2027 due to cumulative effects.
- Impact on GDP — The negative effect on GDP in 2026—2027 is 0.01%.
- Impact on imports — The negative effect on imports is 5.4 million USD in 2026 and 11.2 million USD in 2027.
- Impact on the balance of payments — the negative effect on the balance of payments is USD 5.37 million in 2026 and USD 1.95 million in 2027.

MEDIUM-TERM SCENARIO (2028-2030): 5% ANNUAL REDUCTION OF THE NEGATIVE EXPORT SHOCK DUE TO TECHNOLOGICAL IMPROVEMENTS

- In the medium term, the negative export shock for CBAM-specific codes decreases to USD 10.1 million in 2028 due to company-level mitigation measures, then rises to USD 10.4 million in 2029 and 10.7 USD million in 2030 (Annex 3.3). This increase is explained by the forecasted growth in the EU ETS levy per tonne of emissions.
- Impact on total exports — Accounting for spillover effects, exports decline by USD 14.4 million in 2028 compared to the baseline, by USD 16.4 million in 2029, and by USD 18.6 million in 2030 due to cumulative effects.
- Impact on GDP — The negative effect on GDP in 2028—2030 is 0.02%.

- Impact on employment — The negative effect on employment is 79 people in 2028, 83 in 2029, and 86 in 2030.
- Impact on imports — The negative effect on imports is USD 12.5 million in 2028, USD 13.9 million in 2029, and USD 15.7 million in 2030.
- Impact on the balance of payments — The negative effect on the balance of payments is USD 1.91 million in 2028, USD 2.44 million in 2029, and USD 2.86 million in 2030.

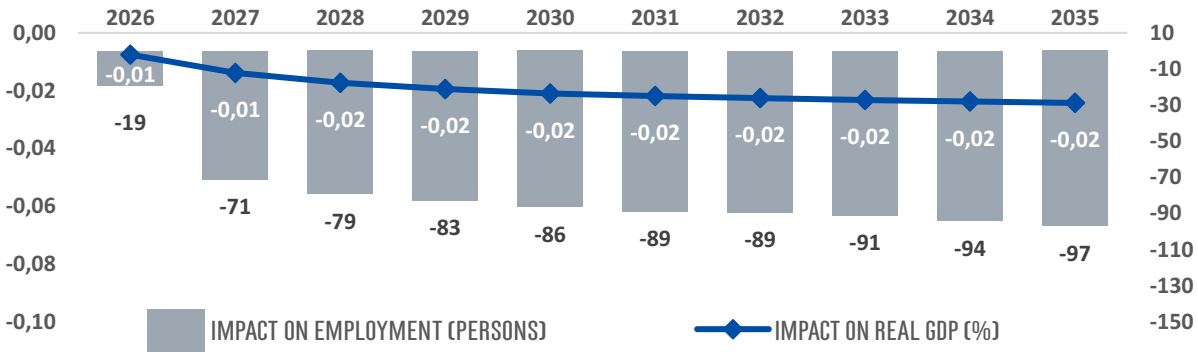
LONG-TERM SCENARIO (2031–2035): 10% ANNUAL REDUCTION OF THE NEGATIVE EXPORT SHOCK DUE TO TECHNOLOGICAL IMPROVEMENTS

- In the long term, the negative export shock for CBAM-specific codes amounts to USD 10.4 million in 2031, USD 10.7 million in 2032, USD 11 million in 2033, USD 11.3 million in 2034, and USD 11.7 million in 2035 (Annex 3.3). This increase is explained by the forecasted growth in the EU ETS levy per tonne of emissions.
- Impact on total exports — Accounting for spillover effects, exports decline by USD 20.4 million in 2031 compared to the baseline, by USD 22.9 million in 2032, by USD 25.6 million in 2033, by USD 28.0 million in 2034, and by USD 30.7 million in 2035.
- Impact on GDP — The negative effect on GDP is 0.02% for each year between 2031 and 2035.
- Impact on employment — The negative effect on employment is 89 people from 2031—2032, 91 in 2033, 94 in 2034, and 97 in 2035.
- Impact on imports — The negative effect on imports is USD 17.4 million in 2031, USD 19.1 million in 2032, USD 21.2 million in 2033, USD 23.1 million in 2034, and USD 25.2 million in 2035.
- Impact on the balance of payments — The negative effect on the balance of payments is USD 3 million in 2031, USD 3.8 million in 2032, USD 4.4 million in 2033, USD 4.9 million in 2034, and USD 5.5 million in 2035.

Table 10. Impact of CBAM on Georgian Economy

Difference from Baseline Scenario	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Impact on nominal GDP (%)	-0.01	-0.01	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02
Impact on real GDP (%)	-0.01	-0.01	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02
Impact on employment (persons)	-19	-71	-79	-83	-86	-89	-89	-91	-94	-97
Impact on exports (USD million)	-10.8	-13.1	-14.4	-16.4	-18.6	-20.4	-22.9	-25.6	-28.0	-30.7
Impact on imports (USD million)	-5.4	-11.2	-12.5	-13.9	-15.7	-17.4	-19.1	-21.2	-23.1	-25.2

Chart 7. Difference between Baseline and Shock Scenario



With regard to production indicators, the largest negative effect is observed in the manufacture of chemicals and chemical products, which includes fertilizers.

Table 11. Percentage Difference between Production and Baseline Scenario

	2026	2035
Manufacture of chemicals and chemical products	-1.4	-0.76
Manufacture of basic metals and fabricated metal products, except machinery and equipment	-0.15	-0.18
Manufacture of machinery and equipment n.e.c.	-0.02	-0.03
Manufacture of coke and petroleum products	-0.01	-0.02
Electricity, gas, steam and air conditioning supply	-0.01	-0.02
Mining and Quarrying	-0.01	-0.01

3

KEY FINDINGS AND MITIGATION MEASURES

Econometric analysis, together with international assessments and indices, show that:

- The largest negative effect of CBAM is expected on fertilizers, due to their high emission factor, relatively low product price, and high share of exports to the EU.
- The smallest effect is expected on aluminium, due to its low export volumes and high price.
- The negative export shock is modest, both for CBAM-specific codes and for total exports overall, even when spillover effects are taken into account.
- The negative impact on GDP and employment is also small (over a 10-year period, the maximum negative effect is about 0.02%).
- The impact on the balance of payments is likewise limited. In addition to the relatively small export shock, reduced imports provide an additional balancing effect.

Despite the relatively minor macroeconomic effects, it is important for the government to consider response measures, given the potential expansion of CBAM coverage by the EU and the possibility that other countries may introduce CBAM-like mechanisms.

To reduce the negative impact of CBAM, Georgia needs to internalize carbon costs.[15] This is also recommended by the Energy Community of Europe and reflects international practice. Potential measures can be grouped into two broad categories:

1. Introduction of a carbon tax/levy
2. Creation of an emissions trading system (ETS) or accession to an existing system

For both categories, a critical requirement is the establishment of an MRV system in Georgia, which would enable the government and individual producers to accurately calculate emissions and plan measures accordingly.

15 This implies preventing the outflow of additional funds from the country related to CBAM or other similar mechanisms, by creating the necessary instruments domestically.

1. CARBON TAX

A carbon tax or levy is a payment by a company or producer for each tonne of CO_2 equivalent emitted into the environment. This mechanism helps internalize the cost of emissions and incentivizes companies to shift toward greener production.

A carbon tax can be applied to different sectors, including fuels and energy, as well as industrial sectors, in order to ensure fair competition. However, the state must first assess the taxable base—that is, which sectors and producers the tax will cover. The next step is to determine the tax rate, which should be commensurate with the social and environmental costs of emissions.

International experience shows that carbon taxes vary widely across countries, ranging from a symbolic USD 1-5 to as high as USD 130-135 per tonne of CO_2 equivalent (Sweden has the highest carbon tax). Revenues from a carbon tax can be used by the state for various purposes, including investing in environmental projects, reducing other taxes to balance the tax burden on businesses, or implementing targeted incentive measures for companies.

2. EMISSIONS TRADING SYSTEM (ETS)

This system is a market-based mechanism for reducing greenhouse gas emissions, where the price of one tonne of CO_2 equivalent is determined by market supply and demand, rather than being fixed (as with a carbon tax). It is typically applied in more developed countries, with the European Union operating the largest system.

For the emissions trading system to function properly, several components are essential:

- **Defining the sectors**—The state must determine which sectors will be covered by the system. In many countries, coverage is limited to power generation and transmission, along with industrial sectors. However, some countries expand coverage to additional sectors like transport and agriculture.
- **Setting emission caps** — The state establishes the total allowable emissions cap for covered sectors, which may decrease over time.
- Allocating allowances — The overall cap is divided into allowances, which may be sold via auctions or allocated as free allowances to support certain sectors.
- **Establishing a trading platform** — Auctions are held on this platform, where companies buy and sell allowances.
- **Penalties** — If companies exceed their allocated emissions, penalties are applied.

On this basis, a comparative analysis of the two systems can be carried out as follows:

	CARBON TAX	ETS
Price-setting principle	Fixed	Market-based, variable
Cost for producers	Creates an additional cost	Creates either an additional cost or potential revenue, depending on the producer's emission levels
Emissions reduction	Reduction expected, but not guaranteed and difficult to predict in advance	Guaranteed by gradually declining caps on allowable emissions
Flexibility	Inflexible	Flexible, market-based
State administration	Simple	Complex
Implementation cost	Lower	Higher
Business perception	Negative, as it introduces a new tax	Negative, but less so, since it provides more flexibility

The above analysis shows that both systems have distinct advantages and associated risks. Introducing a carbon tax is simpler from an administrative standpoint and could serve as a solution in the short term. In the medium and long term however, an emissions trading system is more favourable, as it is more flexible, market-based, and ensures the gradual reduction of emissions.

4

RECOMMENDATIONS

Based on the econometric analysis and the assessment of international experience, we propose the following recommendations to mitigate the negative economic effects of CBAM:

- **Implementation of a Monitoring, Reporting, and Verification (MRV) system in Georgia** — This represents a critical step for any subsequent actions or recommendations. In order for the country to accurately determine the volume of emissions and design appropriate measures, a functioning emissions accounting system is necessary. To this end, it is important to introduce an MRV system that ensures enterprises record their emissions and have them verified by independent accredited organizations. This will help Georgia both internalize emission-related costs and plan other measures, thereby supporting a green transformation of the economy and future participation in an emissions trading system.

- **Support for enterprises in the direction of green development** —The government could develop a special support scheme (for example, building on the "Produce in Georgia" programme) that provides technical and financial assistance to enterprises by introducing eco-friendly production practices. For example, a special financial support mechanism could be established to help enterprises adopt modern technologies aimed at reducing emissions. As part of the technical assistance component, donors and the Government of Georgia could promote 'green audits' to assess enterprises' current conditions and identify the steps needed to transition to cleaner production.

- **Information and awareness-raising activities** —The key informant interviews and focus group discussions showed that awareness among companies is low, not only about CBAM itself, but also more broadly about greenhouse gas emissions, their calculation, and reduction. Larger producers are relatively more informed, while knowledge is almost non-existent among small and medium enterprises. Therefore, it is important to organize informational meetings or provide information in other forms (such as a dedicated online portal), to inform producers and other stakeholders.

- **Internalization of emission costs** — This is not only the recommendation of the energy community but also an established international practice. Without corresponding response measures, the introduction of CBAM will lead to capital outflows from the country that will not contribute to greening domestic production. While the current CBAM configuration has only a limited negative effect on Georgia's economy and exports, it is likely that other countries will adopt similar mechanisms in the medium term, requiring Georgia to take proactive measures. Possible approaches include:

- **Introduction of a carbon levy** — International experience and analyses by various international organizations show that this could be a limited but effective way of internalizing emission costs in the short term.
- **Creation of a domestic emissions trading market** — This is a complex process that requires defining the sectors to be covered (e.g. energy and industry only, or additional sectors such as transport and agriculture), setting emission caps, allocating allowances, establishing a trading platform, and building an MRV system.
- **Joining a regional emissions trading system** — This could be more effective, but differences in the policies of individual countries would need to be taken into account.
- **Accession to the EU ETS** — Given Georgia's European ambitions and its membership in the Energy Community, joining the EU ETS may represent an optimal pathway in the long term. However, this would require consideration of multiple factors and the creation of an appropriate legal and regulatory basis.

Our team believes that the selection of the optimal alternative among these options requires further research, including a feasibility study. The research should assess the benefits and, in particular, the risks associated with each alternative, including the risk of production relocation to other countries, increased costs for businesses, the need for a well-functioning regulatory framework and associated challenges, and the current lack of experience in carbon trading in Georgia.

ACTION	CONTENT	RESPONSIBLE PARTY	BENEFITS	COSTS	BENEFICIARIES	TIMELINE
Introduction of MRV system	• Establishment of legislative framework • Creation of institutional system	• Parliament of Georgia - adoption of legislation • Government of Georgia (Ministry of Environmental Protection and Agriculture / Ministry of Economy and Sustainable Development) - creation of institutional system • Donors - technical assistance for system development; organization of information meetings for the private sector	• State - access to accurate information on emissions; ability to introduce emission taxation Companies - accurate emissions accounting, which will facilitate future trade with the EU and other countries • Accredited bodies - opportunity to expand activities	• State - costs of system establishment • Companies - additional costs to comply with system requirements, including developing emissions calculation methodologies, assigning responsible staff, and hiring third parties to prepare verification reports • Accredited bodies - costs related to obtaining additional accreditation	Direct - State/companies Indirect - accredited bodies	Short term (2026-2027)
Financial support mechanisms for Green transformation	Introduction of new State financial support within the “Produce in Georgia” program (preferential loans or grants)	Government of Georgia (Ministry of Economy and Sustainable Development)	Companies - financial support for adopting green technologies	State - additional budgetary costs, though donor funding may be mobilized	Direct - companies Indirect - State/country (due to emissions reduction through greener production)	Short term (2026-2027)
Technical support mechanisms for Green transformation	Introduction of a “green audit” system to help enterprises identify challenges and potential solutions for green development	• State - may function alongside the financial component • Donors	Companies - better preparedness for green transition; identification of challenges	State - additional costs, though donor funding may be used	Direct - companies Indirect - State/country (due to emissions reduction through greener production)	Short term (2026-2027)
Information campaigns	Conducting awareness campaigns for industries on green development and specifically on CBAM	State/Donors	Companies - increased awareness	State - additional costs, though donor funding may be used	Direct - companies Indirect - State/country (due to increased awareness and transition to greener production, leading to emissions reduction)	Short term (2026-2027)
Carbon levy	Conduct technical (legal) feasibility analysis and Regulatory Impact Assessment (RIA) of introducing a carbon levy, including a full cost-benefit calculation; hold broad consultations with all stakeholders	Government of Georgia - conduct research and engage in dialogue with stakeholders Donors - support the government in carrying out required studies	• State - internalization of emission costs; mobilization of additional revenues for environmental projects • Exporting companies to CBAM countries - reduction in carbon costs payable in the importing country	Companies - increased tax burden	Direct - State	Medium term (2026-2028)
Emissions trading system	Requires in-depth study by the State, with possible donor support. Research to include technical (legal) feasibility analysis and Regulatory Impact Assessment (RIA) to evaluate costs and benefits of establishing such a system in Georgia, considering alternatives: creating a domestic system, joining a regional system, or eventual accession to the EU ETS	Government of Georgia - in-depth study, research, stakeholder dialogue Donors - technical support to government in implementing measures	• State - internalization of emission costs, gradual emissions reduction • Private companies - use of a market mechanism to meet environmental requirements; incentive to adopt greener production • Exporting companies to CBAM countries - reduction in carbon costs payable in the importing country	• State - operational costs for system monitoring and administration • Private companies - additional costs for purchasing allowances if emissions exceed caps	Direct - companies Indirect - State	Long term (2026-2030)

ANNEX 1.

DYNAMIC PANEL DATA ESTIMATION

Dynamic panel-data estimation, two-step system GMM

Group variable:	Product	Number of obs =	84
Time variable:	Year	Number of groups =	14
Number of instruments =	10	Obs per group: min	6
Wald chi2(4) =	7217.45	Obs per group: avg	6.00
Prob > chi2 =	0	Obs per group: max	6

LN_Tonne	Coef.	Std. Err.	z	P>|z|	[95% Conf. Interval]	
LN_Tonne L1.	1.0725	0.0237109	45.23	0.000	1.0260	1.1190
LN_Price	0.2802	0.1070019	2.62	0.009	0.0705	0.4899
LN_GDP_GEO	2.8020	2.2879800	1.22	0.221	-1.6823	7.2864
LN_GDP_World	-4.8962	6.4973840	-0.75	0.451	-17.6308	7.8385
_cons	88.3824	154.9778	0.57	0.568	-215.3685	392.1334

ANNEX 2.
DESCRIPTION OF DYNAMIC INPUT-OUTPUT MODEL

The dynamic input-output-based macroeconomic model **E3.GE** incorporates econometric estimation of key macroeconomic parameters (using OLS), analysis of output and the main components of Gross Domestic Product (GDP), and their disaggregation at the sectoral level. The model embeds sectoral linkages based on input-output tables, which are themselves derived from supply-use tables. Sectoral output is also used to capture employment dynamics across sectors. The model relies on historical data and econometric estimations, enabling the analysis of the broader economic effects of policies. Input-output tables capture interdependencies between sectors through intermediate consumption and final demand, based on linear relationships. The model uses annual data, with macroeconomic indicators sourced from the National Statistics Office of Georgia (GeoStat).

The model uses the following data sources:

- National Accounts system and GDP components;
- Input-output tables for 38 economic activities (based on SNA 2008 classification), derived from the supply-use tables published by GeoStat;
- Employment data at the sectoral level;
- Foreign trade – import and export data at the sectoral level.

Regression analysis in the model covers estimation of the following economic variables and relationships:

- Household consumption;
- Government consumption;
- Gross capital formation;
- Exports and imports of goods and services;
- Household consumption deflator;
- Government consumption deflator;
- Gross capital formation deflator;
- Sectoral employment estimated on the basis of total output.

Following the estimation of macroeconomic variables, input-output tables allow output to be disaggregated at the sectoral level. Value added for each sector is calculated as the difference between total output and intermediate consumption. Nominal GDP at market prices is measured as the sum of final consumption minus imports of goods and services. Real GDP is calculated in a similar manner. The results of the model reflect not only the direct effects of a given policy scenario, but also the indirect effects, arising from inter-sectoral linkages across the economy.

ANNEX 3.

RESULTS OF ECONOMETRIC MODELING

3.1. PERCENTAGE REDUCTION IN COMMODITY PRICES CONSIDERING CBAM EFFECTS

CN	CODE DESCRIPTION	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
ALUMINIUM											
7601	Unwrought aluminium	1.6%	1.7%	1.7%	1.8%	1.8%	1.9%	1.9%	2.0%	2.0%	2.1%
7604	Aluminium bars, rods and profiles	0.8%	0.8%	0.8%	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%
7606	Aluminium plates, sheets and strip, of a thickness exceeding 0,2 mm	1.6%	1.6%	1.7%	1.7%	1.8%	1.8%	1.9%	1.9%	2.0%	2.0%
7607	Aluminium foil	0.5%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.7%	0.7%	0.7%
7608	Aluminium tubes and pipes	0.8%	0.8%	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%	1.1%
76090000	Aluminium tube or pipe fittings (for example, couplings, elbows, sleeves)	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
7610	Aluminium structures	0.5%	0.5%	0.5%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
76110000	Aluminium reservoirs, tanks, vats and similar containers, for any material (other than compressed or liquefied gas), of a capacity exceeding 300 litres, whether or not lined or heat- insulated, but not fitted with mechanical or thermal equipment	1.3%	1.3%	1.3%	1.4%	1.4%	1.5%	1.5%	1.5%	1.6%	1.6%
7612	Aluminium casks, drums, cans, boxes and similar containers (including rigid or collapsible tubular containers), for any material (other than compressed or liquefied gas), of a capacity not exceeding 300 litres, whether or not lined or heat	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%
76130000	Aluminium containers for compressed or liquefied gas	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
7616	Other articles of aluminium	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%
IRON AND STEEL											
720241	Ferrochromium, containing by weight more than 4% carbon	5.5%	5.7%	5.9%	6.1%	6.2%	6.4%	6.6%	6.8%	7.0%	7.2%
7207	Semi-finished products of iron or non-alloy steel	20.6%	21.2%	21.8%	22.5%	23.1%	23.8%	24.5%	25.2%	26.0%	26.7%
7218	Stainless steel in ingots or other primary forms; semi-finished products of stainless steel	6.5%	6.7%	6.9%	7.1%	7.3%	7.6%	7.8%	8.0%	8.2%	8.5%

CN	CODE DESCRIPTION	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
7208	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated	12.4%	12.7%	13.1%	13.5%	13.9%	14.3%	14.7%	15.1%	15.6%	16.0%
7216	Angles, shapes and sections of iron or non-alloy steel	8.3%	8.6%	8.8%	9.1%	9.4%	9.6%	9.9%	10.2%	10.5%	10.8%
7219	Flat-rolled products of stainless steel, of a width of 600 mm or more	4.1%	4.3%	4.4%	4.5%	4.7%	4.8%	4.9%	5.1%	5.2%	5.4%
7225	Flat-rolled products of other alloy steel, of a width of 600 mm or more	4.0%	4.1%	4.2%	4.4%	4.5%	4.6%	4.7%	4.9%	5.0%	5.2%
7302	Railway or tramway track construction material of iron or steel	4.0%	4.1%	4.2%	4.4%	4.5%	4.6%	4.7%	4.9%	5.0%	5.2%
7304	Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel	10.4%	10.7%	11.0%	11.3%	11.7%	12.0%	12.4%	12.7%	13.1%	13.5%
7306	Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel	7.9%	8.1%	8.3%	8.6%	8.8%	9.1%	9.4%	9.6%	9.9%	10.2%
7307	Tube or pipe fittings (for example, couplings, elbows, sleeves), of iron or steel	1.5%	1.6%	1.6%	1.7%	1.7%	1.8%	1.8%	1.9%	1.9%	2.0%
7308	Structures and parts of structures of iron or steel	5.5%	5.7%	5.9%	6.0%	6.2%	6.4%	6.6%	6.8%	7.0%	7.2%
7309	Reservoirs, tanks, vats and similar containers for any material of iron or steel, of a capacity exceeding 300 l	1.1%	1.1%	1.1%	1.1%	1.2%	1.2%	1.3%	1.3%	1.3%	1.4%
7310	Tanks, casks, drums, cans, boxes and similar containers of iron or steel, of a capacity not exceeding 300 l	3.2%	3.3%	3.4%	3.5%	3.6%	3.7%	3.8%	3.9%	4.0%	4.2%
7311	Containers for compressed or liquefied gas, of iron or steel	4.1%	4.2%	4.3%	4.5%	4.6%	4.7%	4.9%	5.0%	5.2%	5.3%
7318	Screws, bolts, nuts, coach screws, screw hooks, rivets, cotters, cotter pins, washers (including spring washers) and similar articles, of iron or steel	1.8%	1.9%	1.9%	2.0%	2.0%	2.1%	2.1%	2.2%	2.3%	2.3%
7326	Other articles of iron or steel	3.0%	3.1%	3.2%	3.3%	3.4%	3.5%	3.6%	3.7%	3.8%	3.9%
FERTILIZERS											
3102	Mineral or chemical fertilisers, nitrogenous	20.7%	21.3%	22.0%	22.6%	23.3%	24.0%	24.7%	25.4%	26.1%	26.9%
3105	Mineral or chemical fertilisers containing two or three of the fertilising elements nitrogen, phosphorus, and potassium; other fertilisers	5.1%	5.2%	5.4%	5.5%	5.7%	5.9%	6.0%	6.2%	6.4%	6.6%

3.2. PERCENTAGE INDICATOR OF THE NEGATIVE EXPORT SHOCK

CN Code	DESCRIPTION	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
	Aluminium										
7601	Unwrought aluminium	2.1%	2.1%	2.2%	2.3%	2.3%	2.4%	2.5%	2.5%	2.6%	2.7%
7604	Aluminium bars, rods and profiles	1.0%	1.0%	1.1%	1.1%	1.1%	1.2%	1.2%	1.2%	1.3%	1.3%
7606	Aluminium plates, sheets and strip, of a thickness exceeding 0,2 mm	2.0%	2.1%	2.1%	2.2%	2.3%	2.3%	2.4%	2.5%	2.5%	2.6%
7607	Aluminium foil	0.7%	0.7%	0.7%	0.7%	0.8%	0.8%	0.8%	0.8%	0.9%	0.9%
7608	Aluminium tubes and pipes	1.0%	1.1%	1.1%	1.1%	1.2%	1.2%	1.2%	1.3%	1.3%	1.4%
76090000	Aluminium tube or pipe fittings (for example, couplings, elbows, sleeves)	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%
7610	Aluminium structures	0.6%	0.6%	0.7%	0.7%	0.7%	0.7%	0.7%	0.8%	0.8%	0.8%
76110000	Aluminium reservoirs, tanks, vats and similar containers, for any material (other than compressed or liquefied gas), of a capacity exceeding 300 litres, whether or not lined or heat- insulated, but not fitted with mechanical or thermal equipment	1.6%	1.7%	1.7%	1.8%	1.8%	1.9%	1.9%	2.0%	2.0%	2.1%
7612	Aluminium casks, drums, cans, boxes and similar containers (including rigid or collapsible tubular containers), for any material (other than compressed or liquefied gas), of a capacity not exceeding 300 litres, whether or not lined or heat	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%
76130000	Aluminium containers for compressed or liquefied gas	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
7616	Other articles of aluminium	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%
	Iron and steel										
720241	Ferrochromium, containing by weight more than 4% carbon	7.1%	7.3%	7.5%	7.7%	8.0%	8.2%	8.4%	8.7%	9.0%	9.2%
7207	Semi-finished products of iron or non-alloy steel	26.4%	27.1%	27.9%	28.7%	29.6%	30.5%	31.4%	32.3%	33.2%	34.2%
7218	Stainless steel in ingots or other primary forms; semi-finished products of stainless steel	8.4%	8.6%	8.9%	9.1%	9.4%	9.7%	10.0%	10.3%	10.6%	10.9%
7208	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated	15.8%	16.3%	16.8%	17.2%	17.8%	18.3%	18.8%	19.4%	19.9%	20.5%
7216	Angles, shapes and sections of iron or non-alloy steel	10.7%	11.0%	11.3%	11.6%	12.0%	12.3%	12.7%	13.1%	13.5%	13.9%
7219	Flat-rolled products of stainless steel, of a width of 600 mm or more	5.3%	5.5%	5.6%	5.8%	6.0%	6.1%	6.3%	6.5%	6.7%	6.9%
7225	Flat-rolled products of other alloy steel, of a width of 600 mm or more	5.1%	5.3%	5.4%	5.6%	5.7%	5.9%	6.1%	6.3%	6.4%	6.6%
7302	Railway or tramway track construction material of iron or steel	5.1%	5.3%	5.4%	5.6%	5.7%	5.9%	6.1%	6.3%	6.4%	6.6%
7304	Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel	13.3%	13.7%	14.1%	14.5%	14.9%	15.4%	15.8%	16.3%	16.8%	17.3%
7306	Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel	10.1%	10.4%	10.7%	11.0%	11.3%	11.7%	12.0%	12.4%	12.7%	13.1%
7307	Tube or pipe fittings (for example, couplings, elbows, sleeves), of iron or steel	2.0%	2.0%	2.1%	2.1%	2.2%	2.3%	2.3%	2.4%	2.5%	2.5%
7308	Structures and parts of structures of iron or steel	7.1%	7.3%	7.5%	7.7%	7.9%	8.2%	8.4%	8.7%	8.9%	9.2%
7309	Reservoirs, tanks, vats and similar containers for any material of iron or steel, of a capacity exceeding 300 l	1.3%	1.4%	1.4%	1.5%	1.5%	1.6%	1.6%	1.7%	1.7%	1.7%
7310	Tanks, casks, drums, cans, boxes and similar containers of iron or steel, of a capacity not exceeding 300 l	4.1%	4.2%	4.3%	4.5%	4.6%	4.7%	4.9%	5.0%	5.2%	5.3%
7311	Containers for compressed or liquefied gas, of iron or steel	5.2%	5.4%	5.5%	5.7%	5.9%	6.1%	6.2%	6.4%	6.6%	6.8%
7318	Screws, bolts, nuts, coach screws, screw hooks, rivets, cotters, cotter pins, washers (including spring washers) and similar articles, of iron or steel	2.3%	2.4%	2.4%	2.5%	2.6%	2.7%	2.7%	2.8%	2.9%	3.0%
7326	Other articles of iron or steel	3.8%	3.9%	4.1%	4.2%	4.3%	4.4%	4.6%	4.7%	4.8%	5.0%
	Fertilizers										
3102	Mineral or chemical fertilisers, nitrogenous	26.5%	27.3%	28.1%	28.9%	29.8%	30.7%	31.6%	32.5%	33.5%	34.4%
3105	Mineral or chemical fertilisers containing two or three of the fertilising elements nitrogen, phosphorus, and potassium; other fertilisers	6.5%	6.7%	6.9%	7.1%	7.3%	7.5%	7.7%	7.9%	8.2%	8.4%

3.3. NEGATIVE EXPORT SHOCK CAUSED BY CBAM COSTS

CN CODE	DESCRIPTION	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
	Reduction of negative export shock due to technological upgrade	0%	0%	5%	5%	5%	10%	10%	10%	10%	10%
Aluminium		3,317.36	3,414.93	3,339.60	3,437.82	3,538.94	3,451.29	3,552.79	3,657.29	3,764.85	3,875.59
7601	Unwrought aluminium	2,431.88	2,503.41	2,448.18	2,520.19	2,594.31	2,530.06	2,604.47	2,681.07	2,759.93	2,841.10
7604	Aluminium bars, rods and profiles	20.20	20.79	20.33	20.93	21.55	21.01	21.63	22.27	22.92	23.60
7606	Aluminium plates, sheets and strip, of a thickness exceeding 0,2 mm	119.57	123.09	120.37	123.92	127.56	124.40	128.06	131.83	135.70	139.69
7607	Aluminium foil	6.21	6.39	6.25	6.44	6.63	6.46	6.65	6.85	7.05	7.26
7608	Aluminium tubes and pipes	2.91	3.00	2.93	3.02	3.11	3.03	3.12	3.21	3.31	3.40
76090000	Aluminium tube or pipe fittings (for example, couplings, elbows, sleeves)	2.34	2.41	2.35	2.42	2.49	2.43	2.50	2.58	2.65	2.73
7610	Aluminium structures	657.72	677.07	662.13	681.61	701.65	684.28	704.40	725.12	746.45	768.40
76110000	Aluminium reservoirs, tanks, vats and similar containers, for any material (other than compressed or liquefied gas), of a capacity exceeding 300 litres, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment	22.19	22.84	22.34	23.00	23.67	23.09	23.76	24.46	25.18	25.92
7612	Aluminium casks, drums, cans, boxes and similar containers (including rigid or collapsible tubular containers), for any material (other than compressed or liquefied gas), of a capacity not exceeding 300 litres, whether or not lined or heat	11.33	11.67	11.41	11.74	12.09	11.79	12.14	12.49	12.86	13.24
76130000	Aluminium containers for compressed or liquefied gas	17.54	18.05	17.65	18.17	18.71	18.24	18.78	19.33	19.90	20.49
7616	Other articles of aluminium	25.47	26.22	25.64	26.39	27.17	26.49	27.27	28.08	28.90	29.75
Iron and steel		2,430,763.91	2,502,256.97	2,447,060.12	2,519,032.48	2,593,121.67	2,528,895.74	2,603,275.03	2,679,841.94	2,758,660.82	2,839,797.91
720241	Ferrochromium, containing by weight more than 4% carbon	246,634.09	253,888.04	248,287.57	255,590.14	263,107.50	256,590.90	264,137.70	271,906.45	279,903.70	288,136.16
7207	Semi-finished products of iron or non-alloy steel	86.96	89.51	87.54	90.12	92.77	90.47	93.13	95.87	98.69	101.59
7218	Stainless steel in ingots or other primary forms; semi-finished products of stainless steel	5,710.16	5,878.11	5,748.44	5,917.52	6,091.56	5,940.69	6,115.41	6,295.28	6,480.43	6,671.03
7208	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated	3.16	3.25	3.18	3.28	3.37	3.29	3.39	3.49	3.59	3.69
7216	Angles, shapes and sections of iron or non-alloy steel	1.07	1.10	1.07	1.11	1.14	1.11	1.14	1.18	1.21	1.25
7219	Flat-rolled products of stainless steel, of a width of 600 mm or more	68.44	70.45	68.90	70.92	73.01	71.20	73.29	75.45	77.67	79.95
7225	Flat-rolled products of other alloy steel, of a width of 600 mm or more	5.11	5.26	5.14	5.29	5.45	5.31	5.47	5.63	5.80	5.97
7302	Railway or tramway track construction material of iron or steel	1,385.82	1,426.58	1,395.11	1,436.14	1,478.38	1,441.76	1,484.17	1,527.82	1,572.76	1,619.01
7304	Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel	2,158,044.42	2,221,516.32	2,172,512.28	2,236,409.70	2,302,186.46	2,245,166.36	2,311,200.67	2,379,177.16	2,449,152.95	2,521,186.87
7306	Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel	3,437.22	3,538.31	3,460.26	3,562.04	3,666.80	3,575.98	3,681.16	3,789.43	3,900.88	4,015.61
7307	Tube or pipe fittings (for example, couplings, elbows, sleeves), of iron or steel	219.27	225.72	220.74	227.24	233.92	228.13	234.84	241.74	248.85	256.17
7308	Structures and parts of structures of iron or steel	299.00	307.80	301.01	309.86	318.97	311.07	320.22	329.64	339.34	349.32
7309	Reservoirs, tanks, vats and similar containers for any material of iron or steel, of a capacity exceeding 300 l	194.12	199.83	195.42	201.16	207.08	201.95	207.89	214.01	220.30	226.78
7310	Tanks, casks, drums, cans, boxes and similar containers of iron or steel, of a capacity not exceeding 300 l	4,507.13	4,639.69	4,537.34	4,670.79	4,808.17	4,689.08	4,827.00	4,968.97	5,115.11	5,265.56
7311	Containers for compressed or liquefied gas, of iron or steel	624.95	643.33	629.14	647.64	666.69	650.18	669.30	688.99	709.25	730.11
7318	Screws, bolts, nuts, coach screws, screw hooks, rivets, cotters, cotter pins, washers (including spring washers) and similar articles, of iron or steel	3,651.14	3,758.53	3,675.62	3,783.73	3,895.01	3,798.54	3,910.26	4,025.27	4,143.66	4,265.54
7326	Other articles of iron or steel	5,891.85	6,065.14	5,931.35	6,105.80	6,285.38	6,129.71	6,309.99	6,495.58	6,686.63	6,883.29
Fertilizers		7,558,938.78	7,812,142.86	7,639,816.18	7,864,516.66	8,095,825.97	7,895,310.16	8,127,525.16	8,366,570.02	8,612,645.61	8,865,958.72
3102	Mineral or chemical fertilisers, nitrogenous	7,568,878.19	7,791,492.26	7,619,621.11	7,843,727.61	8,074,425.48	7,874,439.71	8,106,040.88	8,344,453.84	8,589,878.96	8,842,522.46
3105	Mineral or chemical fertilisers containing two or three of the fertilising elements nitrogen, phosphorus, and potassium; other fertilisers	20,060.59	50,650.60	20,195.08	20,789.05	21,400.49	20,870.45	21,484.29	22,116.18	22,766.65	23,436.26
Total		10,023,020.05	10,317,814.76	10,090,215.90	10,386,986.96	10,692,486.58	10,427,657.19	10,734,352.98	11,050,069.25	11,375,071.28	11,709,632.22

ANNEX 4.

INFORMATION ON CONDUCTED INTERVIEWS AND FOCUS GROUPS

During the study period to date, the project team conducted 28 interviews, 2 focus groups, and 1 information session.

INTERVIEWS

- **Five interviews** with public sector representatives:
  - Lasha Inauri – Ministry of Environmental Protection and Agriculture of Georgia
  - Nino Tkhilava – Ministry of Environmental Protection and Agriculture of Georgia
  - Margalita Arabidze – Ministry of Economy and Sustainable Development of Georgia
  - Mariam Gabunia – Ministry of Economy and Sustainable Development of Georgia
  - Giorgi Chitadze – LEPL The Unified National Body of Accreditation - Accreditation Centre
- 10 interviews with other stakeholders, including associations, auditing firms, and experts:
  - Levan Vepkhvadze, Mariana Morgoshia – Business Association of Georgia
  - Nugzar Kevlishvili – Association of Ferroalloy Producers
  - Giorgi Cherkezishvili, Otar Antia – Investors Council Secretariat
  - Konstantine Kintsurashvili – European Bank for Reconstruction and Development (EBRD)
  - Giorgi Kacharava – EU-Georgia Business Council (EUGBC)
  - Nino Dvalishvili – EY
  - Gvantsa Devrishvili – BDO Georgia
  - Paata Gogoladze – Expert on accreditation issues
  - Kakha Mdivani – Expert on climate issues
  - Merab Lominadze – Association of Qualified Electricity Consumers
- 13 interviews with producers of goods subject to CBAM regulation.

FOCUS GROUPS / INFORMATION MEETINGS

- 27 June 2025 – Information meeting / focus group with members of the Investors Council (10 participants)
- 22 July 2025 – Focus group with entrepreneurs (2 participants)
- 25 July 2025 – Focus group with environmental experts (7 participants)

INTERVIEW PROCESS

During the planning of the interviews, the project team encountered significant challenges due to the absence of a consolidated list of companies subject to the CBAM Regulation. To identify relevant companies, we undertook the following steps:

1. **Approaching the Revenue Service** – The team requested information about companies exporting products from Georgia falling under the commodity codes covered by CBAM. The Revenue Service declined to provide the information, citing protection of commercial confidentiality.

2. **Approaching the National Statistics Office of Georgia (GeoStat)** – The team requested the same list from GeoStat. However, the list provided proved unusable, as it mainly included legal and natural persons engaged in non-systematic production (e.g. individual entrepreneurs) who were either occasional exporters or re-exporters, and therefore not actual producers.

3. **Identifying respondents through snowball sampling** – The team identified systemic producers of the CBAM-covered goods in Georgia and, by surveying them, mapped additional producers active in these sectors.

In total, interview requests were sent to 95 businesses and association representatives. Despite the team's explanation of the research objectives, several large systemic producers – and many smaller companies – declined to participate.

A particularly unclear situation arose in relation to aluminium production. To identify emissions, the team relied on the 2024 National Greenhouse Gas Inventory Report, which reflects industrial emissions in Georgia. This document contains no data on aluminium production and explicitly states that "this source category does not occur in Georgia."[16] In contrast, GeoStat's export data show several CN codes for aluminium and related products (e.g., 7601 – unwrought aluminium).

Based on the information collected, it became apparent that exports from Georgia consist mainly of aluminium scrap (CN 7602), which is exempt from the scope of CBAM. However, it remains unclear what type of aluminium products are being exported under other CN codes. To clarify this, the team contacted several companies, but all of them declined to participate in interviews.

Interview Results

1. Producers

- Fertilizers – Producers are aware of the CBAM Regulation and its requirements and are already reporting emission levels. The EU market is one of their priority destinations, with plans to export at least 45-50% of production to the EU in the coming years. Producers view their use of clean energy in production processes to be a competitive advantage. More broadly, this is seen as a national competitive edge, as other producers also report that the electricity they use comes primarily from the national grid, where the majority of supply originates from re-

16 2024 National Greenhouse Gas Inventory Report, section 4.4.3. Aluminium Production (CRF 2C3), p. 159

newable sources. Fertilizer producers also note plans to install their own solar panels, further reducing emissions. Overall, this sector has ambitious emission reduction plans and views these as essential to maintain competitiveness on the EU market.

- Cement – According to producers, the main sales market for cement is domestic, while exports are primarily directed to Armenia. Short- and medium-term businesses do not plan to export to the EU. Türkiye is viewed as the main competitor, largely due to logistical advantages. This assessment was confirmed by a representative of an industry association, who stated that, given logistical barriers, cement exports to the EU are practically impossible. Nevertheless, producers emphasized that, irrespective of the CBAM Regulation, their corporate policies prioritize transitioning to cleaner production and gradually reducing emissions.

- Iron and Steel – Entrepreneurs in this sector are the least informed about the CBAM Regulation. Georgia produces several types of ferroalloys, the largest of which is ferro silicomanganese, which is exempt from CBAM. However, other products such as ferrochrome and ferrovanadium fall under CBAM's scope. Producers stated that their traditional export markets have been the United States, Ukraine, and Russia. Due to the Russia-Ukraine war, access to these markets has been restricted, while the US market lost its appeal after the suspension of the Generalized System of Preferences (GSP). As a result, the EU now represents an important sales market for Georgian exporters. Producers noted that if access to the EU market is restricted by CBAM, they could shift to ferro silicomanganese production, which is exempt from CBAM, or redirect exports to other markets, mainly Russia. For surveyed producers in this sector, knowledge of emission-reduction issues is minimal, and no concrete plans exist in this area.

2. **Raw Material Suppliers and Traders** – Producers reported that raw materials are purchased primarily on the domestic market, with imports mostly from Türkiye and Azerbaijan. Regarding exports, traders act as contractors, delivering goods up to the EU border, where they are transferred to local importers who, in the future, will become authorized importers under the CBAM Regulation. Large companies that are part of global groups organize their trading operations centrally at headquarters level.

3. **Associations**– According to associations, there is little demand or interest among their members in discussing CBAM, since the EU is not the main export market for regulated goods. This explains the general lack of engagement with the topic.

4. **State Institutions** – In our communications with the Ministry of Environmental Protection and Agriculture of Georgia, the government's main CBAM focus is the development of a Monitoring, Reporting and Verification (MRV) system. A draft legislative initiative (amendments to the Law on Environmental Protection) has been prepared, endorsed by the Government of Georgia, and submitted to the Parliament, although parliamentary discussions have not yet started. Under the MRV system, state institutions like the National Environmental Agency and the Civil Aviation Agency will grant authorizations to producers. To obtain authorization, producers must submit emission data verified by an accredited body. Once authorized, producers will be required to submit annual reports on emissions by 1 April of each year. The Accreditation Centre will be responsible for developing an appropriate accreditation system for verifiers. The MRV system will allow both the government and producers determine actual emissions and the carbon intensity of production with

precision. This will enable producers to comply with CBAM requirements and provide the basis for developing a domestic emissions trading system. Both state institutions and private companies highlight Georgia's competitive advantage under CBAM: the majority of electricity produced in the country is clean energy. Up to 75% of electricity supplied to the grid comes from renewable sources. Since international assessments confirm that energy generation is one of the main sources of emissions, this gives Georgia a comparably favourable position.

VERIFICATION OF EMISSIONS

The requirement for emissions verification is one of the key components of the CBAM Regulation. Under the Regulation, verification must be carried out by an accredited independent organization. To assess the availability of these services in Georgia, the project team conducted interviews with several auditing companies that could potentially obtain accreditation for CBAM verification in the future.

The aim of these interviews was to obtain an approximate estimate of the costs associated with third-party verification of emissions by an accredited organization for CBAM purposes.

At present, it is difficult for companies to provide precise figures, as CBAM is a new mechanism and, even within the EU, organizations have not yet been accredited specifically for CBAM purposes. Nevertheless, companies indicated that accreditation for CBAM verification is a complex and costly process, and local auditing companies in Georgia might ultimately decide not to pursue it, given the limited size of the Georgian market for this type of service.

According to the companies interviewed, at a minimum, enterprises seeking verification would need to provide the following documentation:

- Company identification data (name and tax identification code)
- Type and quantity of goods under review
- Country of origin
- Total emissions
- Emission data for the last four years used in calculations.
- Compliance data for the last five years with tax and customs legislation

The accredited organization would prepare the emissions verification report based on these data.

The required documentation may vary by sector. Because Annex 2 of the CBAM Regulation distinguishes sectors based on how direct and indirect emissions are calculated, some sectors – such as fertilizers – must provide additional documentation. In these cases, companies must submit a detailed methodology for calculating direct and indirect emissions, along with data on electricity consumption and emission factors.

As regards the cost of verification, since this service is not currently available in Georgia, the figures provided were based on information from the companies' EU offices. The estimated costs cover a range

of CBAM-related services, including risk assessment, training, and emissions reporting.

The costs for risk assessment and training related to CBAM are estimated at EUR 4,500–6,000 (excluding VAT and other charges).

The actual cost of verification depends on a number of factors, including:

- the type and quantity of products;
- the specific sector involved and other contextual factors.

At the same time, a separate cost is related to the development of a methodology for emissions calculation by enterprises, roughly estimated at USD 75,000–80,000.

The approximate verification costs by company size are as follows:

- Companies with an annual turnover of GEL 10–60 million: USD 15,000–20,000 (excluding VAT and other charges)
- Companies with an annual turnover of GEL 60 million or more: from USD 30,000 upwards (excluding VAT and other charges)

ANNEX 5.

CN CODES COVERED BY CBAM

CN	PRODUCT CATEGORY
	ALUMINIUM
7601	Unwrought aluminium
7603	Aluminium powders and flakes
7604	Aluminium bars, rods and profiles
7605	Aluminium wire
7606	Aluminium plates, sheets and strip, of a thickness exceeding 0,2 mm
7607	Aluminium foil (whether or not printed or backed with paper, paper - board, plastics or similar backing materials) of a thickness (excluding any backing) not exceeding 0,2 mm
7608	Aluminium tubes and pipes
76090000	Aluminium tube or pipe fittings (for example, couplings, elbows, sleeves)
7610	Aluminium structures (excluding prefabricated buildings of heading 9406) and parts of structures (for example, bridges and bridge- sections, towers, lattice masts, roofing frameworks, doors and windows and their frames and thresholds for doors, balustrades, pillars and columns); aluminium plates, rods, profiles, tubes and the like, prepared for use in structures
76110000	Aluminium reservoirs, tanks, vats and similar containers, for any material (other than compressed or liquefied gas), of a capacity exceeding 300 litres, whether or not lined or heat- insulated, but not fitted with mechanical or thermal equipment
7612	Aluminium casks, drums, cans, boxes and similar containers (including rigid or collapsible tubular containers), for any material (other than compressed or liquefied gas), of a capacity not exceeding 300 litres, whether or not lined or heat
76130000	Aluminium containers for compressed or liquefied gas
7614	Stranded wire, cables, plaited bands and the like, of aluminium, not electrically insulated
7616	Other articles of aluminium
	IRON AND STEEL
26011200	Agglomerated iron ores and concentrates, other than roasted iron pyrites
7201	Pig iron and spiegeleisen in pigs, blocks, or other primary forms. Some products under 7205 (Granules and powders, of pig iron, spiegeleisen, iron, or steel) may be covered here.
720211	Ferromanganese containing, by weight, more than 2% of carbon

CN	PRODUCT CATEGORY
720219	Ferromanganese, containing by weight 2% or less of carbon
720241	Ferrochromium, containing by weight more than 4% carbon
720249	Ferrochromium, containing by weight < 4% carbon
720260	Ferronickel
7203	Ferrous products obtained by direct reduction of iron ore and other spongy ferrous products
7206	Iron and non-alloy steel in ingots or other primary forms (excluding iron of heading 7203)
7207	Semi-finished products of iron or non-alloy steel
7218	Stainless steel in ingots or other primary forms; semi-finished products of stainless steel
7224	Other alloy steel in ingots or other primary forms; semi-finished products of other alloy steel
7205	Granules and powders, of pig iron, spiegeleisen, iron or steel (if not covered under category pig iron)
7208	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated
7209	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, cold-rolled (cold-reduced), not clad, plated or coated
7210	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, clad, plated or coated
7211	Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, not clad, plated or coated
7212	Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, clad, plated or coated
7213	Bars and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel
7214	Other bars and rods of iron or non-alloy steel, not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling
7215	Other bars and rods of iron or non-alloy steel
7216	Angles, shapes and sections of iron or non-alloy steel
7217	Wire of iron or non-alloy steel
7219	Flat-rolled products of stainless steel, of a width of 600 mm or more
7220	Flat-rolled products of stainless steel, of a width of less than 600 mm
7221	Bars and rods, hot-rolled, in irregularly wound coils, of stainless steel
7222	Other bars and rods of stainless steel; angles, shapes and sections of stainless steel

CN	PRODUCT CATEGORY
7223	Wire of stainless steel
7225	Flat-rolled products of other alloy steel, of a width of 600 mm or more
7226	Flat-rolled products of other alloy steel, of a width of less than 600 mm
7227	Bars and rods, hot-rolled, in irregularly wound coils, of other alloy steel
7228	Other bars and rods of other alloy steel; angles, shapes and sections, of other alloy steel; hollow drill bars and rods, of alloy or non-alloy steel
7229	Wire of other alloy steel
7301	Sheet piling of iron or steel, whether or not drilled, punched or made from assembled elements; welded angles, shapes and sections, of iron or steel
7302	Railway or tramway track construction material of iron or steel, the following: rails, checkrails and rack rails, switch blades, crossing frogs, point rods and other crossing pieces, sleepers (crossties), fish- plates, chairs, chair wedges, sole plates (base plates), rail clips, bedplates, ties and other material specialized for jointing or fixing rails
7303	Tubes, pipes and hollow profiles, of cast iron
7304	Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel
7305	Other tubes and pipes (for example, welded, riveted or similarly closed), having circular cross-sections, the external diameter of which exceeds 406.4 mm of iron or steel
7306	Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel
7307	Tube or pipe fittings (for example, couplings, elbows, sleeves), of iron or steel
7308	Structures (excluding prefabricated buildings of heading 9406) and parts of structures (for example, bridges and bridge-sections, lock- gates, towers, lattice masts, roofs, roofing frameworks, doors and windows and their frames and thresholds for doors, shutters, balustrades, pillars and columns), of iron or steel; plates, rods, angles, shapes, sections, tubes and the like, prepared for use in structures, of iron or steel
7309	Reservoirs, tanks, vats and similar containers for any material (other than compressed or liquefied gas), of iron or steel, of a capacity exceeding 300 l, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment
7310	Tanks, casks, drums, cans, boxes and similar containers, for any material (other than compressed or liquefied gas), of iron or steel, of a capacity not exceeding 300 l, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment
7311	Containers for compressed or liquefied gas, of iron or steel
7318	Screws, bolts, nuts, coach screws, screw hooks, rivets, cotters, cotter pins, washers (including spring washers) and similar articles, of iron or steel
7326	Other articles of iron or steel

CN	PRODUCT CATEGORY
Fertilizers	
28080000	Nitric acid; sulphonitric acids
2814	Ammonia, anhydrous or in aqueous solution
28342100	Nitrates of potassium
3102	Mineral or chemical fertilisers, nitrogenous
3105	Mineral or chemical fertilisers containing two or three of the fertilising elements nitrogen, phosphorus, and potassium; other fertilisers
	CEMENT
25070080	Other kaolinic clays
25231000	Cement clinkers
25232100	White Portland cement, whether or not artificially coloured
25232900	Other Portland cement
25239000	Other hydraulic cements
25233000	Aluminous cement
Electricity	
27160000	Electricity
	HYDROGEN
28041000	Hydrogen