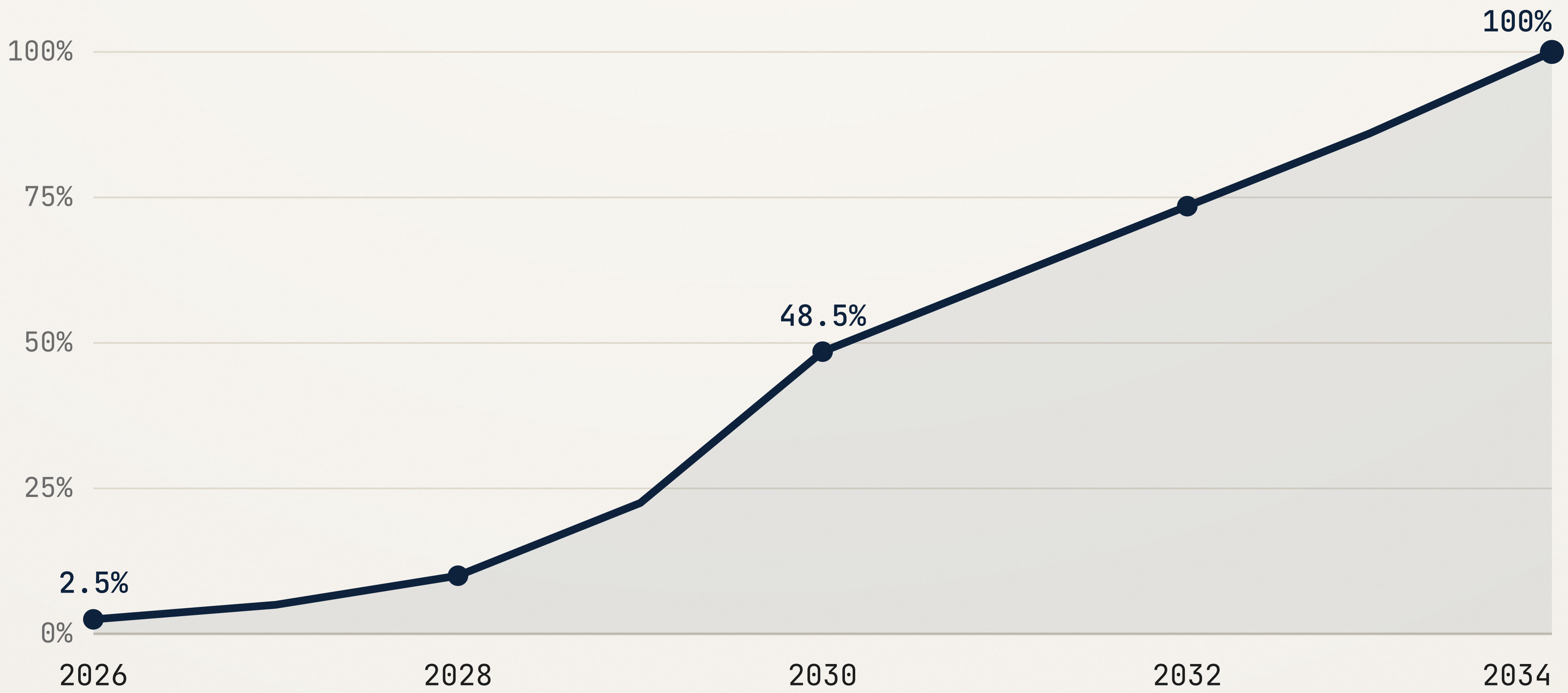
The EU now prices the carbon in what you import — but built no way to reduce or fund the cut.

CBAM taxes embedded emissions at the border. Cutting them is a supply-chain financing problem — and that is where insetting fits.

EXHIBIT 1 · SITUATION

The share of embedded carbon CBAM prices climbs from 2.5% in 2026 to 100% by 2034.

CBAM FACTOR — % OF EMBEDDED EMISSIONS PRICED AS EU ETS FREE ALLOCATION PHASES OUT



Source: Regulation (EU) 2023/956; European Commission; Carbon3 analysis. First declaration and surrender due 30 September 2027.

SO WHAT — FOR IMPORTERS & EXPORTERS

The cost accelerates fastest after 2030. **Locking in verified low-carbon supply early is cheaper than absorbing the back-loaded price** — and the first declaration is already due in 2027.

Carbon3

EXHIBIT 2 · COMPLICATION

CBAM makes the importer measure and pay — but gives no way to reduce or recover.

WHAT THE MECHANISM PROVIDES VS. WHAT IT LEAVES UNBUILT — FRAMEWORK, ILLUSTRATIVE

Framework — illustrative. CBAM prices emissions but has no instrument to fund or claim supplier reductions. Source: Carbon3 analysis.

SO WHAT — FOR THE VALUE CHAIN

Paying the border price recovers nothing and reduces no emissions. **Importers need a way to fund the supplier's cut and claim it** — the half of the problem CBAM leaves open.

RESOLUTION · IMPLICATIONS

Three moves turn the CBAM bill into a funded, claimable reduction.

1 IMPORTERS & EXPORTERS

Reuse the **CBAM embedded-emissions MRV** as the verified baseline for an inset credit — one measurement files the declaration and issues the credit.

2 SUPPLIERS

Get **co-funded for the verified reduction**. Cutting embedded emissions lowers the CBAM bill and mints a tradable credit for the same tonne.

3 THE CHAIN

Allocate, trade and retire credits on shared infrastructure, so the cost of decarbonising is **funded once and recovered across the parties** that benefit.

CBAM prices the carbon in a product. Insetting funds taking it out.

Carbon3

Carbon3

Market infrastructure for carbon insetting.

carbon3.net

Issuance, allocation, trading and retirement of verified Scope 3 inset credits. Insetting reduces emissions inside the value chain — not an offset, and not a substitute for a CBAM certificate. Platform demo at demo.carbon3.net.