

REQUEST FOR EXPRESSION OF INTEREST

Assistance to MSMEs from the Iron and Steel Sector for Preparation of Reports under the EU Carbon Border Adjustment Mechanisms (CBAM)

USAID's Partnerships for Economic Growth Activity implemented by Palladium International works with resource partners to unlock the growth, productivity and employment potential of micro, small and medium enterprises in North Macedonia. Component 4 of the Activity supporting regional economic integration of the country is implemented by the Center for Development Policies IDEAS DePo.

IDEAS DePo is launching this request to invite micro, small and medium enterprises (MSMEs) that are part of the iron and steel sector in North Macedonia to apply for assistance for meeting their respective reporting requirements under the EU Carbon Border Adjustment Mechanisms (CBAM).

1. Context

European Union pursues an ambitious agenda to reduce carbon emissions for 55% (compared to 1990 levels) by 2030 and become a climate-neutral continent by 2050. The implementation of the regulatory requirements for achieving these impressive goals are costly and often adversely affect the competitiveness of goods produced in the EU compared to those produced in countries with less stringent climate policies thus resulting in a so-called "carbon leakage".

To address the risk of "carbon leakage", the EU introduced the Carbon Border Adjustment Mechanism – CBAM, a tool designed to ensure that a fair price is paid upon imports to the EU of certain categories of carbon-intensive goods that reflects the embedded carbon emissions generated during their production in third countries.

CBAM started to implement on October 1, 2023. During the transitional phase, until December 31, 2025, the importers will not pay the adjustment fee, but only calculate and report quarterly the carbon emissions embedded in the imported goods. The collection of the fee will start in January 2026.

2. Problem statement

Under the EU CBAM Implementing Regulation for the transitional phase adopted in August 2023, the ultimate responsibility for reporting of carbon emissions embedded in the goods imported to the EU lay with the importers. However, the main input for these reports is the data submitted by the installations in non-EU countries that produce those goods.

CBAM currently applies on specific industries whose production is carbon intensive and carries a high risk for carbon leakage, namely iron and steel, aluminum, cement, fertilizers, electricity and hydrogen. Given the structure of the Macedonian economy and the existing trade patterns, the iron and steel sector is expected to be the most affected by CBAM.

CBAM imposes complex reporting requirements on companies in North Macedonia that produce iron and steel products and export them to the EU. Many of them, particularly those falling into the MSME category do not have the expertise and the capacity to fully understand and meet the new requirements, which significantly jeopardizes their ongoing business relations with EU customers. Failing to submit data on carbon emissions embedded in their products in the requested quality and form, and on time for the quarterly CBAM reports, they risk losing their position at the EU market.

3. Scope

Recognizing the challenges, USAID's Partnerships for Economic Growth Activity and IDEAS DePo will support MSMEs during the transitional period of CBAM implementation by helping them prepare their communications for quarterly CBAM reports and by strengthening their capacity in this area. Assistance will consist of co-financing of consulting services for the following:

- Preparation of maximum two subsequent quarterly CBAM reports/communications;
- Capacity building aimed at empowering MSMEs to continue to prepare future CBAM reports on their own.

Co-financing arrangements establish an obligation for every assisted MSME to cover 20% of the cost of the consulting services for preparation of its CBAM quarterly reports. The remaining 80% will be paid by USAID's Partnerships for Economic Growth Activity, provided that they do not exceed a specific ceiling amount set by the project.

Consulting services will be delivered by providers selected and contracted directly by the USAID Partnerships for Economic Growth Activity.

The purpose of this request for expression of interest is to invite eligible companies to apply for the support.

4. Eligibility criteria

- Legal entity registered in North Macedonia.
- Meet the criteria for a micro, small or medium enterprise (MSME) as defined in Article 470 of the Law on Trading Companies.
- Produce and export to the EU goods listed in the iron and steel section of Annex 1 to the EU CBAM Regulation 2023/956 of May 10, 2023:
<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023R0956>

To benefit from the assistance, in addition to meeting the formal requirements, applicant companies must agree to:

- Co-finance 20% of the cost of consulting services described under section 3 above; and
- Assign and allocate at least one employee to work closely with the consultant(s) during the period of preparation of company's CBAM communications thus benefiting from the transfer of knowledge related to CBAM reporting requirements.

5. Application procedure

Applications under this request for expression of interest should include the following documents:

- Cover letter indicating the interest of the company to benefit from the support under the conditions listed in this call and designating contact person for further communication.
- Evidence that the company is registered in North Macedonia and it meets the MSME criteria pursuant to Article 470 of the Law on Trading Companies.

Please submit your application in electronic form to info@ideasdepo.mk (subject: CBAM Assistance for MSMEs).

This call is open until December 31, 2024 or until the exhaustion of available funds, whichever comes first.