

# Carbon Tax Liability Analysis: Leather Wallet

This report provides an expert analysis of the potential carbon tax liabilities for the leather wallet described in the "Product Carbon Footprint Analysis Report: Leather Wallet," based on current (April 2026) carbon pricing estimates in various global jurisdictions.

## 1. Summary of Product Carbon Footprint

The total carbon footprint for one unit of the finished leather wallet, from cradle-to-gate, is **17.230 kg CO2e** (or 0.017230 tonnes CO2e).

The analysis, conducted according to GHG Protocol standards and the 2026 Land Sector and Removals (LSR) Standard update, identifies the overwhelming majority of emissions (approximately 95.76%) as originating from Scope 3, Category 1: Purchased Goods and Services, specifically related to the production of leather.

## 2. Estimated Carbon Tax Liabilities by Jurisdiction (2026)

The following table presents an estimation of potential carbon tax liabilities for a single leather wallet, assuming its embedded emissions fall under the scope of these jurisdictions' carbon pricing mechanisms. Calculations are based on the product's total carbon footprint of 0.017230 tonnes CO2e and estimated carbon prices for 2026.

Jurisdiction	Estimated Carbon Price (per tonne CO2e, 2026)	Estimated Tax Liability per Leather Wallet
EU Carbon Border Adjustment Mechanism (CBAM) / EU ETS equivalent (for imports into EU / internal production)	€75.36	€1.30
Singapore Carbon Tax	S\$45.00	S\$0.78
Canada Federal Backstop	CA\$110.00	CA\$1.90

Note: The "Estimated Carbon Price" for the EU is based on the first official CBAM certificate price for Q1 2026, which is aligned with EU ETS allowance prices. This would be relevant for goods imported

into the EU or reflects the carbon cost incurred by manufacturers within the EU. The Netherlands, where the product is manufactured, is part of the EU.

Calculations are rounded to two decimal places.

### **3. Brief Explanations of Relevant Regulations**

#### **EU Carbon Border Adjustment Mechanism (CBAM) / EU ETS**

The EU Carbon Border Adjustment Mechanism (CBAM) is the EU's tool to put a fair price on carbon emitted during the production of carbon-intensive goods entering the EU, aiming to prevent carbon leakage and encourage cleaner industrial production in non-EU countries. CBAM applies in its definitive regime from 2026, with certificate prices calculated based on the auction price of EU Emissions Trading System (ETS) allowances. The first official CBAM certificate price for Q1 2026 was set at €75.36 per tonne of CO<sub>2</sub>e. For products manufactured within the Netherlands (an EU member state), the carbon costs incurred by the manufacturer are typically aligned with the EU ETS, which the CBAM price reflects.

#### **Singapore Carbon Tax**

Singapore introduced a carbon tax, the first carbon pricing scheme in Southeast Asia, on January 1, 2019. The tax applies to about 70% of the nation's greenhouse gas emissions across approximately 50 facilities in manufacturing, power, waste, and water sectors. As announced in Budget 2022, the carbon tax was raised to S\$45/tCO<sub>2</sub>e with effect from January 1, 2026, for 2026 and 2027, with a view to reaching S\$50-80/tCO<sub>2</sub>e by 2030. Companies may use high-quality international carbon credits to offset up to 5% of their taxable emissions from 2024.

#### **Canada Federal Backstop**

Canada implements carbon pricing either through provincial/territorial systems or the federal government's Greenhouse Gas Pollution Pricing Act (GHGPPA) if provincial systems do not meet federal minimum requirements. The federal minimum tax was set to increase by CA\$15 per tonne per year after 2022, aiming to reach CA\$170 per tonne by 2030. Based on this trajectory, the federal carbon price for 2026 is estimated to be CA\$110 per tonne of CO<sub>2</sub>e (CA\$80 in 2024 + CA\$15 in 2025 + CA\$15 in 2026). In provinces where the federal fee is levied, 90% of the revenues are returned to taxpayers.

### **4. Recommendations for Tax Mitigation Through Footprint Reduction**

The analysis clearly identifies raw material acquisition, particularly leather production, as the dominant hotspot, accounting for nearly 96% of the product's carbon footprint.

Therefore, effective tax mitigation strategies must prioritize reducing emissions associated with this stage.

1. **Source Lower-Impact Leather:** Engage with leather suppliers to obtain primary data on their land management practices, manure management, and enteric fermentation reduction efforts, aligning with the 2026 LSR Standard. Prioritize suppliers demonstrating a lower carbon footprint through verifiable certifications or direct emissions data.
2. **Explore Material Alternatives & Recycled Content:** While maintaining product integrity, research and pilot alternative materials for components like lining and thread, such as certified recycled polyester or innovative bio-based leathers with lower environmental impacts.
3. **Optimize Manufacturing Energy:** Implement energy efficiency measures at the manufacturing facility in the Netherlands, such as upgrading to more energy-efficient machinery and exploring renewable energy procurement options to reduce Scope 2 emissions, even though they are a smaller portion of the total footprint.
4. **Enhance Supply Chain Visibility and Engagement:** Work closely with all upstream suppliers to improve data collection accuracy and encourage their own decarbonization initiatives. Robust data is crucial for accurate reporting and identifying further reduction opportunities, potentially impacting carbon tax calculations.
5. **Logistics Optimization:** Review inbound transportation for raw materials. Explore opportunities to shift to lower-emission transport modes (e.g., rail instead of road for longer distances within Europe) and optimize route planning to minimize fuel consumption.

By focusing on these areas, particularly the significant impact of leather production, the company can substantially reduce the product's carbon footprint, thereby mitigating potential carbon tax liabilities and enhancing its overall sustainability profile.