



RESEARCH BRIEF: IMPLICATIONS FOR INDIAN EXPORTERS **CBAM IN UK**

NEWS 1.0

UK Releases Draft Carbon Border Tax Bill, Seeks Feedback

- April 25, 2025

HIGHLIGHTS

Reporting Requirements:

Importers need to report embedded emissions for imports & purchase the corresponding certificates. This will require robust data collection systems & documentation of product carbon footprints for exports to the UK.

Affected Products:

Initially, the UK CBAM will cover imports of carbon-intensive goods in aluminum, cement, ceramics, fertilizer, glass, hydrogen, iron & steel sectors. Exporters of these products to the UK need to prepare for compliance.

Implementation Timeline:

The UK Carbon Border Adjustment Mechanism (CBAM) will be introduced in January 2027, with a reporting-only phase from October 2026 to December 2026. This follows similar timing to the EU CBAM.

Carbon Pricing Mechanism:

Certificates purchased must be equivalent to the carbon price that would have been paid had the goods been produced under the UK Emissions Trading Scheme. Price based on weekly average allowance auction price.

Exemptions and Relief:

The UK CBAM includes provisions for exemptions if the country of origin has comparable carbon pricing, potential relief for downstream exporters, and de minimis thresholds for small shipments.

Context of Carbon Leakage Prevention:

CBAM aims to prevent "carbon leakage" (production relocated to countries with less stringent climate policies). Part of European decarbonization plan, CBAM impacts global supply chains and international trade.

NEWS 2.0

UK and India sign a 'landmark' trade agreement after years of tough negotiations

-May 06 2025

India, opposing the absence of concessions in the UK's CBAM, proposed a "rebalancing mechanism". This clause would allow India to seek compensation for any economic losses its industries suffer due to CBAM.

Talotma Lal | May 8, 2025

IMPLICATIONS

CBAM is here to stay

India and UK have accepted that CBAM is here to stay; No special exception is likely to be made in near future

There will be winners (and losers)

Sustainability measurement and reporting need not be a burden; It can be a competitive advantage,

Important to Adapt to the new reality

Any compensation for loss from CBAM will take a long time and will not flow back to individual companies; It is better for companies to adapt to the new regime.