

# UK's carbon levy: India pushes for relief measures in trade deal

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With the United Kingdom (UK) gearing up to levy carbon border tax on imported goods in 2027, India is bargaining for relief measures ranging from a longer transition period to repatriating the tax, people aware of the matter said.

India is seeking a bilateral commitment on these aspects as part of the free trade agreement (FTA) being negotiated between the two sides.

Both countries hope to finalise the deal by February — before the Lok Sabha election in India.

During the FTA negotiations, one of the options India has proposed is giving a greater transition period since the UK is committed to reach the net zero emission target by 2050, while India has to achieve it in 20 more years, one of the persons cited above said.

“Another option could be repatriating the

taxes collected from Indian exporters. There are four-five options we are proposing,” the person told *Business Standard*.

Last week, the UK government said the Carbon Border Adjustment Mechanism (CBAM) — a carbon import levy — would be imposed on imports of products such as iron, steel, aluminium, fertiliser, hydrogen, ceramics, glass, and cement from 2027.

The CBAM is part of the country's plan to combat climate change. The amount of tax will depend on the carbon emitted during production. This means a country exporting goods to the UK will have to pay a carbon tax, which will be calculated on the basis of the carbon footprint of the product.

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## UK's carbon levy ...

Since India is close to signing with the UK an FTA, involving tariff reductions, a carbon levy will nullify the benefits of the proposed trade deal.

“We have told officials of the UK government that since we are signing an FTA with you, if you roll out the CBAM, how will the FTA help? There has to be some solution to that. We need to have a mechanism in place,” the person said, adding there had not been a clear outcome till now.

Ajay Srivastava, a former trade ministry official and founder of think tank Global Trade Research Initiative, said the UK government would not agree to return the money collected from Indian

exporters through the CBAM or postpone it for India because it would harm the mechanism's integrity and set a precedent for similar requests from other countries.

“India shouldn't even make such requests. Requests made to the European Union have borne no results so far. India should be ready for the situation in which after the FTA, Indian products will attract high 20-35 per cent CBAM tax while partners' products may enter India duty-free,” he said.

Seeking protection from the impact of the CBAM is one of the major roadblocks to finalising the much-awaited trade deal. Other contentious issues include rules of origin, intellectual property rights, and goods and services. Among goods, the UK has been seeking massive market access on whiskey and automobiles,

including electric vehicles. This continues to remain a thorny issue.

India and the UK were earlier aiming, although unofficially, to finalise the deal by October in the presence of Prime Minister Narendra Modi and his British counterpart Rishi Sunak in New Delhi. However, continued differences have delayed this.

The 14th round of negotiations will start in January.

## Spot airfares...

Meanwhile, the recent fall in aviation turbine fuel (ATF) prices has also aided the drop in fares. On October 1, the price of ATF in Delhi was ₹1,18,000 per kilolitre, which came down to ₹1,06,000 per kilolitre by December 1.

ATF constitutes approx-