

# India needs to be cautious of carbon levy in FTA: GTRI

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India needs to be wary of the United Kingdom's (UK) proposed carbon tax and insert a suitable text in the free trade agreement (FTA) chapters to deal with the impact, according to a report by a New Delhi-based think tank. Both sides are trying to resolve the remaining pending issues with an aim to sign the trade deal by the end of this month.

Once the Carbon Border Adjustment Mechanism (CBAM) is launched, UK products will continue to enter India at zero duties. However, Indian products may pay 20-35 per cent tariff equivalent to CBAM charges, impacting the tariffs on Indian products, the

report prepared by think tank Global Trade Research Initiative (GTRI) said.

After the European Union (EU), the UK had launched a consultation to address carbon leakage risks. It plans to introduce emissions reporting in 2025 and a phased implementation of the measures in 2026.

While the FTA promises modest gains for India, it must carefully navigate the potential 'burdensome obligations' on non-trade issues, such as labour, environment, gender, and digital trade, the report said.

"The FTA's sustainability aspect, notably its potential impact on India's garment industry, holds particular significance, as it could lead to non-tariff barriers aimed at promoting sustainability. India must consider the poten-

tial introduction of a CBAM by the UK and address this in the FTA's provisions," the report said. India must make domestic rules and standards before making commitments under FTAs on the non-trade issues. Besides, India should not agree to free cross-border data flows since ownership of national data is crucial for developing public services.

"India should never agree to binding commitments as it will lock in the future. Much the same way, the Information Technology Agreement (ITA) 1 agreement locked us out of electronic hardware manufacturing. Negotiating labour standards could be tricky," it said adding that demanding labour standards might mean a ban on labour-intensive exports and India should be careful.

## Carbon mkt may cover 15% of emissions by '30

The emissions trading system should begin operating within two years and could cover about 15 per cent of the country's emissions by 2030, according to an official involved in the preparations. The market is likely to initially cover heavily polluting industries including steel, cement, paper and pulp, petrochemicals, and aluminium, subject to their readiness, said Abhay Bakre, director general at the state-run Bureau of Energy Efficiency. The power sector, which currently relies on coal for about 70 per cent of electricity generation, may not be included in the system, Bakre said.

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