

# India eyes UK carbon tax concessions in FTA deal

## FTA talks in final stage, but some differences still remain

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With the United Kingdom (UK) preparing to roll out a carbon levy for goods entering the country, India is negotiating hard for the proposed free trade agreement (FTA) between the two nations to include provisions that may offer some relief to its exporters, people aware of the development said.

“We have been talking to the European Union (EU) as well as the UK government regarding the CBAM (Carbon Border Adjustment Mechanism). There have been a lot of conversations about that, even during FTA negotiations. We have asked for provi-

sions that may give exporters some comfort,” one of the persons told *Business Standard*, adding that the details were still being finalised.

The UK plans to implement the CBAM, commonly known as carbon tax, over the next two-three years as part of its efforts to combat climate change. This means that 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, leading to higher tariffs.



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## CARBON CLOUD

■ After EU, now UK plans to roll out CBAM to deal with ‘carbon leakage’

■ India believes such measures may result in market access-related challenges

■ India is asking for provisions that may give exporters some comfort

■ A New Delhi-based think tank recently said India needs to insert suitable text in FTA to deal with the impact

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### FTA...

In order to implement the levy, the UK government had launched a 12-week consultation in March to mitigate carbon leakage risks. Meanwhile, the transitional phase of the EU's CBAM has kicked in from October 1.

Recently, a New Delhi-based think tank said India needs to be wary of the UK's proposed carbon tax and insert suitable text in the FTA chapters to deal with the impact.

"Once the CBAM is launched, the UK products will continue to enter India at zero duties, but Indian products may have to pay 20-35 per cent tariff equivalent to the CBAM charges," the report prepared by the Global Trade Research Initiative (GTRI) said.

India is concerned about the CBAM's impact and believes that measures like these will result in a market access issue with its trading partners, since it's a case of dragging environmental issues into trade matters.

### FTA Negotiations

India and the UK were earlier aiming, although unofficially, to finalise the much-anticipated trade deal later this week in the presence of Prime

Minister Narendra Modi and his British counterpart Rishi Sunak in New Delhi. But both countries will need some more time to sort out the differences in the proposed agreement.

"The negotiations are in the final stage, but it is difficult to say 'we are done' until we are (actually) done. The talks are going on every day and at every level, though some differences remain," the person quoted above said.

"A lot of work is going on right now with regard to the cleaning of the text in the cases where in-principle agreement has been reached," the person added. While both sides have closed chapters on most of the issues, including non-trade matters such as digital trade, gender, and labour, the main challenge remains on the rules of origin, goods and services front. Among goods, the UK has been seeking massive market access on automobiles, which remains a thorny issue.

Government officials believe that the India-UK FTA, if signed, will be a landmark deal since it will be a departure from the past trade agreements that India has signed.

### RBI...

A CEO of a private sector bank told *Business Standard* on condition of anonymity: "Since this