

EU ready to address 'specific concerns' of India on carbon tax levy on imports

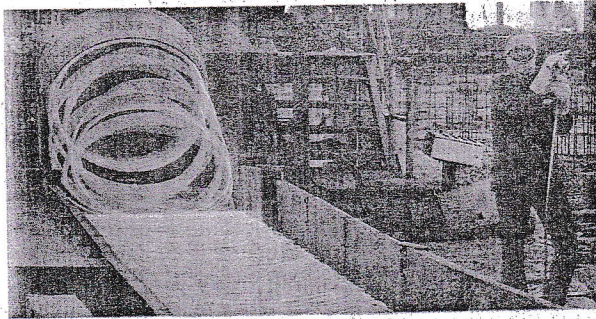
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The European Union has acknowledged India's "specific concerns" about implementing the Carbon Border Adjustment Mechanism (CBAM) — the bloc's tool to levy taxes on imports of certain carbon-intensive goods from early next year — and is ready to address them.

While some of the concerns may be "illegitimate", as the CBAM is a WTO-compatible measure, the EU is committed to addressing all worries and sharing its experience to help in the implementation, an EU official said. "I think we know that the Indian side has had specific concerns on CBAM and on the effect that it may have. We are, of course, committed to addressing those concerns with parties around the world that may be affected by CBAM," the official said.

The EU is unlikely to include CBAM on the agenda for the talks between Prime Minister Narendra Modi and EU President Ursula von der Leyen on Friday in New Delhi, though India wants to bring it up, another source said.

The CBAM is a regulation introduced by the EU to put a "fair price" on carbon-in-



TARIFF SHOCK. India's metal sector will be affected by the tax in the first phase of CBAM application and exports of over \$8 billion are at stake REUTERS

tensive goods imported from non-EU countries. It is meant to create a level-playing field with EU companies that account for their carbon emission through the Emission Trading System (ETS).

EXPORT IMPACT

The carbon tax, to be imposed in the first phase on six items including steel, aluminium, cement, fertilizer, hydrogen and electricity from January 1, 2026, could deal a blow to India's exports to the bloc.

"The CBAM tax is estimated at 20-35 per cent tariff equivalent. This is far higher than the EU's average import tariff of 2.2 per cent for manufactured products," per a report by research body GTRI. It added that India's metal sector would be particularly affected by the tax in

the first phase of CBAM application and that exports of over \$8 billion would be at stake. India has been asking the EU for some flexibility on CBAM and the EU Deforestation Regulation, which is the second environment related regulation putting onerous obligations on some of India's exports to the bloc, in the bilateral Free Trade Agreement (FTA) being negotiated.

The EU official noted that the CBAM was a fair measure and there may be some illegitimate concerns around it too, which the bloc will address. "The CBAM is a WTO compatible measure that we have introduced to ensure that there's no carbon leakage. We are keen to share our experience and our operation of CBAM with the Indian side."