

EU signals no relief for India on CBAM, deforestation rule

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The European Union (EU) has signalled that relaxations for India on account of its (EU's) carbon-border levy and deforestation regulation are unlikely even as India's concern over the two is likely to come up for discussion during the upcoming meeting of Prime Minister Narendra Modi with European Commission President Ursula von der Leyen.

The European Commission is the executive arm of the EU.

The EU says that "some" of India's concerns on the carbon-border adjustment mechanism (CBAM) are "illegitimate", but it is ready to address them, a senior trade-bloc official said.

"We are committed to addressing (India's) concerns with parties around the world where they might be affected ... We're keen to share our experiences and our operations of the CBAM with the Indian side. There might be some illegitimate concerns that we will certainly be ready to address," the official cited above said.

On the deforestation regulation the official said: "We will be addressing those concerns (on deforestation regulation), and we can reassure our Indian friends and operators in the market that we look forward to receiving their high-standard products, of course, in full compliance with our deforestation regulation."

Von der Leyen will be in New Delhi during February 27-28, and will be accompanied by EU commissioners of 21 countries — the first such visit to India.

According to the EU, the CBAM is a carbon tax on imported goods. The EU is

RISING CONCERNS

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- However, they are ready to address the issues

■ European Commission President Ursula von der Leyen will be in New Delhi during February 27-28

■ CBAM is currently in a transition phase and will fully kick in from January 1, 2026

- Through this, EU wants to encourage cleaner industrial production in non-EU countries



seeking to use the levy — currently in a transitional phase and scheduled to kick in on January 1, 2026 — to encourage cleaner industrial production in non-EU countries.

The European Union Deforestation Regulation requires firms to ensure that the product exported to the trade bloc is grown on land not deforested after December 31, 2020. It will come into effect on December 30, 2025, for large and medium companies, and on June 30, 2026, for micro and small enterprises.

Several countries including India and China have criticised the CBAM, calling it a trade barrier in the guise of reducing carbon emission.

India has also been taking up concerns on these issues on a bilateral basis for over a year and has emphasised the need for a "transition period" before adhering to these regulations. India also thinks its gains will be limited because these regulations will eventually become a non-trade bar-

rier at a time when both sides are trying to sign a trade agreement.

Ajay Srivastava, former member of the Indian Trade Service and founder, Global Trade Research Initiative, said once the CBAM and the Free-Trade Agreement (FTA) kicked in, EU goods would enter India duty-free, while Indian steel and aluminium could face high carbon charges there.

"Since the CBAM imposes tariffs based on production methods, it violates rules of the World Trade Organization (WTO). India must push for protective language in the FTA to address this issue. EU officials have a tough task placating India's concerns because there are no exemptions for any country, including FTA partners, on the CBAM," Srivastava said.

The EU official, however, emphasised that the CBAM was a "fair measure" to stop "carbon leakage", and was compatible with WTO norms.