

# No CBAM exemption for India but EU is 'open to flexibilities'

**FINDING SOLUTIONS.** Equivalent measures, capacity building and funding on the table

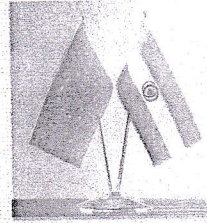
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India is unlikely to get an exemption from the EU's carbon border adjustment mechanism (CBAM). Instead, the EU may be willing to offer flexibilities and alternative mechanisms, such as equivalent measures, capacity building and funding, as both sides agree to address the "uncertainty" element in the free trade agreement talks.

"In the FTA talks, while the bloc is looking for certainty from India in the area of tariffs, Delhi has argued that upcoming EU regulations that can create an uncertain environment have to be addressed. The EU acknowledged that a solution has to be found," a source tracking the India-EU FTA negotiations told *business-line*. The EU regulations that would act as the most significant barrier include the CBAM, where carbon taxes are to be imposed on seven

## STOCK-TAKING

- EU ready to engage with India to sort out CBAM concerns
- Exemption not possible as measures not specific to India
- India advocates 'common but differentiated responsibilities'
- EU wants more tariff cuts than India has offered in the past



identified imports including steel, aluminium and cement from 2026, and the Deforestation Regulation, which has now been deferred.

## NEXT ROUND OF TALKS

Commerce Secretary Sunil Barthwal visited Brussels last week for an FTA stock-taking meeting with the EC's DG Trade. The 10th round of negotiations is tentatively scheduled for the first quarter of calendar 2025.

"The stock-taking meeting was constructive. There was an understanding on both sides for flexibility. The EU's interest is reduction of tariffs while India's is reduc-

tion of trade barriers. The point is that if the EU provides market access and then the regulations come up as barriers, then the deal loses its commercial significance for India. Brussels seems to understand the problem," the source said.

## 'FAIR' PRICE

While the EU is not quite ready to give India an exemption from CBAM, which it says is a "fair" price on the carbon emitted during the production of the identified items exported to the bloc and is applied across countries, it is ready to examine alternatives to help the

country deal with it, the source pointed out.

"Alternative means, such as mechanisms for mutual recognition in terms of equivalent measures that can be implemented here, capacity building and funding, are all up for discussion now. There is a recognition that this problem is critical and needs a solution. India is not being told that there is no solution, and you fall in line," the source said.

Per estimates by some analysts, about 10 per cent of India's exports to the EU are at present of commodities covered under CBAM and the imposition of carbon taxes (which could be 20-35 per cent) may cost the country up to 0.05 per cent of the GDP. India has insisted that the principle of "common but differentiated responsibilities" applicable in the UN climate talks, where developed economies need to take more responsibility, should apply throughout in the India-EU FTA negotiations, the source said.