

Trade pact positive for India's metal firms with duty set to be cut to zero

Our Bureau
Mumbai

The FTA between India and the European Union will marginally benefit metal companies with duty on base metals set to be reduced to zero from up to 10 per cent now and a higher quota for steel shipments under negotiation.

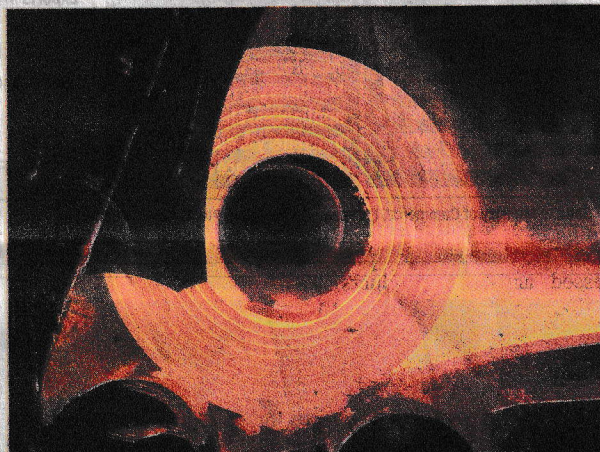
The duty on base metals entering the EU from India, including aluminium, copper, nickel, zinc, lead and tin will be reduced to zero. However, this will benefit only aluminium, copper and zinc shipments as India does not export nickel, lead and tin.

Hindalco Industries, Vedanta Aluminium and Balco are among the largest exporters of aluminium from India.

POLICY STABILITY

Ravi Singh, Chief Research Officer, Master Capital Services, said the deal will potentially diversify India's trade base, accelerate sectoral growth and strengthen global investor confidence by signalling policy stability and deeper integration into global value chains.

The benefits will accrue



A NEW PHASE. A technical group will help Indian firms verify carbon footprints

gradually, which can show potential re-rating in select sectors over time, he said.

As part of the FTA, both India and the EU are still negotiating on quota for allowing duty-free access for India to export steel. A final outcome is expected by June 30 before the FTA comes into effect from July 1.

The FTA does not provide any exemption from the EU's carbon duties. However, the EU has granted flexibility to India for negotiating it with specific countries.

A technical group will help Indian firms verify carbon

footprints, alongside a separate agreement to ensure the EU's technical and financial support to help emission cuts in India.

CBAM COMPLIANCE

Total steel and aluminium exports to the EU dropped 24 per cent in FY25 due to early CBAM compliance requirements, with the decline starting even before the actual tax kicked in.

From January 1, high-emission, coal-based Indian aluminium faces steep, potentially prohibitive carbon costs, estimated at an extra

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\$1,500–1,600 per tonne.

India produces 4.1 million tonnes of primary aluminium annually, amounting to 6 per cent of global production. Of this, as much as 56 per cent or 2.3 mt is exported.

It is one of the lowest-cost producers globally owing to integrated operations and low costs of power generation since it uses coal-based captive plants.

Primary aluminium production is one of the most energy intensive processes in the metals and mining industry. Globally, manufacturers require 13,500–14,500 kWh of energy to produce one tonne of primary aluminium. The resulting carbon emissions are a direct coefficient of the energy source utilised for the process.