

No escape from CBAM levy for steel, aluminium

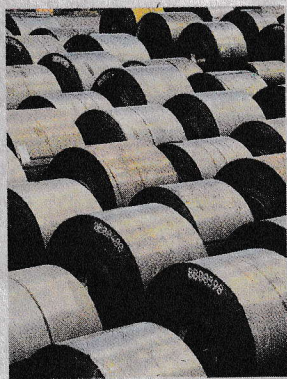
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The India-EU Free Trade Agreement does not provide any relief to Indian exporters from the bloc's Carbon Border Adjustment Mechanism (CBAM) regulation, which exposes identified goods, notably steel and aluminium products shipped from India, to carbon taxes.

However, a technical dialogue has been agreed to, which will identify the pathway for Indian industry to access the EU markets despite the CBAM, including possible accreditation of verifiers on CBAM in India, said Commerce Secretary Rajesh Agrawal at a media briefing on Tuesday.

Further, any flexibility that is offered by the bloc to another trading partner in the future will automatically be extended to India, Agrawal added.

"CBAM is a horizontal regulation, which is applicable to all partner countries across the globe. Under FTA, there are certain provisions that we have agreed under CBAM. A technical dialogue



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has been agreed to be set up, which will address the pathway for our industries to access the market in spite of the CBAM regulation," he said.

CLIMATE POLICY

CBAM is part of the EU's climate policy that places a carbon price on certain carbon-intensive goods imported into the EU.

This is to prevent carbon leakage, which means EU-based companies should not feel encouraged to move production to countries with weaker climate laws to avoid carbon costs.

From January 1, financial liability for six of the initially identified sectors, which in-

clude steel, aluminium, cement, fertilizers, electricity and hydrogen has kicked in, with Indian exporters of steel and aluminium expected to face the brunt of the legislation.

Agrawal said the EU will work together with India to make the implementation of CBAM easier for Indian industry.

"We'll be working together to see that the verifiers for CBAM in India are also accredited by use agencies, so that our industry is able to access them. We'll also be working together to see and understand the technical processes through

which this CBAM measurement will be done in both economies," Agrawal added.

FLEXIBILITY PROMISE

The EU has assured India that it will be extended flexibility that is offered by the bloc to another trading partner in the future.

"To our larger comfort, they have given this commitment that in case they are able to bring in any flexibility under CBAM for any partner country across the world, that will automatically flow out to India also," said Agrawal.

"So, we do have a forward MFN commitment on it," he added.

Although CBAM currently applies only to six products, including steel and aluminium, it is designed to expand to all industrial goods, potentially eroding much of the FTA's tariff benefits, pointed out Ajay Srivastava from research body GTRI.

Government sources said India may be in a position to challenge any expansion of CBAM taxes to other products in the future under the FTA, but that is potentially a grey area.