



HM Revenue
& Customs



HM Treasury

Introduction of a UK Carbon Border Adjustment Mechanism from January 2027: Government response to the policy design consultation

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1. Introduction and international context

Carbon leakage risk in the UK

- 1.1 The UK was the first major economy to set a net zero emissions target in law, and to have halved its emissions since 1990. Making Britain a clean energy superpower is one of the five missions of this Government — delivering clean power by 2030 and accelerating to net zero across the economy by 2050. Decarbonising UK industry is crucial to reaching net zero: reducing emissions by two thirds relative to 2020 levels is projected to be necessary before 2035 to stay on track. This industrial transformation will have far-reaching benefits to the UK, creating new jobs, contributing to the fight against climate change, strengthening our energy security and putting economic growth on a more sustainable trajectory.
- 1.2 There is a risk, however, that the objective of decarbonisation – to reduce global emissions – could be undermined by carbon leakage. Carbon leakage is the movement of production and associated emissions from one country to another due to different levels of decarbonisation effort through carbon pricing and climate regulation.
- 1.3 According to the World Bank, carbon pricing currently covers only 24% of global emissions and the majority of those pricing systems on 1 April 2024 had a lower price than the UK Emissions Trading Scheme (ETS) market price.
- 1.4 The best solution to carbon leakage is an international one. With 90% of the global economy committed to some form of net zero targets, the UK is championing a number of initiatives to advance global decarbonisation, including through support for adoption of carbon pricing globally. In the long term these initiatives can reduce differences in carbon pricing globally, but that will take time. In the meantime, while disparities remain, differential carbon pricing between trading partners can create material carbon leakage risks.
- 1.5 The UK's current main measure to mitigate carbon leakage risk is the system of free allocation under the UK ETS. Reforms to the UK ETS, as set out by the UK ETS Authority in July 2023,¹ will reduce the number of UK ETS permits available for purchase from government by 45% between 2023 and 2027 and the number of free allowances will also decrease.

¹ UK Government, 2023, '[Developing the UK Emissions Trading Scheme: Main Response](#)'.

- 1.6 As we continue to decarbonise, the pace of the UK's ambition creates additional risk of UK carbon leakage from the mid-2020s.

The UK Carbon Border Adjustment Mechanism

- 1.7 To address the additional risk of carbon leakage, the government will introduce a UK Carbon Border Adjustment Mechanism (CBAM). Introducing a UK CBAM will ensure highly traded, carbon intensive goods imported from overseas face a carbon price that is comparable to what would have been payable had they been produced in the UK. In response to the spring 2023 consultation titled '*Addressing carbon leakage risk to support decarbonisation*',² there was broad support for a UK CBAM, with approximately 70% of respondents supporting the use of domestic measures, alongside international action, to mitigate carbon leakage.
- 1.8 In considering the timing of the implementation of the UK CBAM, it is important to balance the need for expedient action on carbon leakage with the imperative to give businesses time to prepare for the introduction of a novel and complex measure. To strike that balance, the government will be introducing the UK CBAM on 1 January 2027.
- 1.9 In September 2024 the UK ETS Authority also consulted on moving the start of the second free allocation period from 2026 to 2027 and extending the current allocation period to include 2026.³ A move to 2027 would enable the government to align the implementation of the Free Allocation Review with the introduction of the UK CBAM, ensuring a holistic policy approach to carbon leakage. The UK ETS Authority will make a final decision and respond to the consultation in due course.
- 1.10 The government has reconsidered the initial sectoral scope of the UK CBAM that will be introduced by 2027. In considering which sectors should be included in the CBAM from 2027, it has looked primarily at three factors:
- 1) Inclusion in the UK ETS – the purpose of the UK CBAM is to ensure comparable treatment of imported goods and domestic products from a carbon pricing perspective, to avoid carbon leakage. In line with that objective, the government considered a potential UK CBAM only where the production of goods within those sectors would be within scope of the UK ETS if produced domestically. The UK ETS is the UK's primary carbon pricing mechanism and the list of regulated activities is set out in legislation.⁴

² UK Government, 2023 '[Addressing carbon leakage risk to support decarbonisation](#)'

³ UK Government, 2024, '[Consultation: Moving the Second Free Allocation Period](#)'

⁴ UK legislation, 2020, Schedule 2 'Greenhouse Gas Emissions Trading Scheme Order 2020 SI 2020/1265

- 2) Carbon leakage risk – the objective of the UK CBAM is to address carbon leakage risk, but this does not arise equally across all sectors within the UK ETS. The risk for sectors was determined initially by considering the ‘Carbon Leakage List’ currently used by the UK ETS Authority for the purpose of determining eligibility for free allowances.⁵ Further analysis was also done to understand the risk arising from the potential trade diversion created by other jurisdictions introducing similar measures to the UK CBAM, and the differential in UK and global emissions intensity for the sector.
- 3) Feasibility and effectiveness – the UK CBAM will only be implemented in sectors where it will effectively mitigate carbon leakage risk. For example, the UK CBAM would not be introduced in a sector where it would create significant circumvention risks that would undermine its purpose. Feasibility of delivery is also essential and where the inclusion of a particular sector was not deemed feasible, the sector was not included within scope for implementation for 2027. For example, some sectors were not included within scope of the CBAM due to significant challenges around the ability to ascertain embodied emissions in imports at a product level.

1.11 In consideration of the above factors, the government has decided that the UK CBAM will place a carbon price on some of the most emissions intensive industrial goods imported to the UK from the aluminium, cement, fertiliser, hydrogen, iron and steel sectors. Products from the glass and ceramic sectors that also give rise to a risk of carbon leakage will be considered for future inclusion but will not be in scope of the UK CBAM from 2027. The glass and ceramics sectors meet the three criteria for CBAM scope outlined above and were included in the original CBAM announcement in December 2023. Based on further consideration of the available data and evidence, these sectors are, on average, less emissions intensive than the other sectors within the scope of the UK CBAM, and therefore relatively less exposed to carbon leakage risk. As well as this, the sectors have raised feasibility concerns surrounding glass and ceramics products in response to the consultation.⁶ The government will continue to work with industry to address feasibility concerns raised before considering their potential inclusion at a later date.

1.12 The sectoral scope of the UK CBAM will be kept under review beyond 2027 as new evidence comes to light to reflect changes to carbon leakage risk as well as methodological and technological advances. This is required to ensure the CBAM continues to effectively mitigate carbon leakage risks as the UK decarbonises.

1.13 As previously announced, the UK CBAM will be applied to ‘direct’, ‘indirect’ and select ‘precursor’ product emissions embodied in imported CBAM goods, to

⁵ UK legislation, 2019, ‘Commission Delegated Decision (EU) 2019/708’.

⁶ UK Government, 2024 [‘Introduction of a UK carbon border adjustment mechanism from January 2027’](#).

ensure comparable coverage relative to the UK ETS. The UK CBAM rate applied to the embodied emissions will reflect explicit carbon pricing in the UK, net of free allowances and other reductions to the carbon price paid domestically. This will ensure that imported goods are subject to a carbon price comparable to that incurred by UK production. The overall UK CBAM liability will account for explicit carbon prices applicable in other jurisdictions to ensure the measure focuses on mitigating the risk of carbon leakage driven by the differentials in carbon pricing between jurisdictions.

- 1.14 The UK CBAM will be compliant with the UK’s international obligations and our commitment to free and open trade. The government is committed to understanding the impacts of a UK CBAM on trade partners and will continue to work internationally on broader carbon leakage mitigations alongside the UK CBAM.
- 1.15 In spring 2024, the previous government consulted on the detailed policy design and implementation of the UK CBAM in a consultation entitled ‘*Introduction of a UK carbon border adjustment mechanism from January 2027*’.⁷ The consultation received over 340 written responses from businesses, organisations and individuals across a wide range of sectors. The largest group of respondents were trade associations, followed by UK importers, manufacturers and academia. In total, 122 submissions were received from international or overseas respondents.
- 1.16 During the consultation period, government officials held over 20 domestic and 30 international meetings and events, including sector-focused roundtables. This document summarises the responses to the consultation and sets out government decisions on key building blocks of the UK CBAM including the scope, calculation of liability and administration. The government will continue to engage with stakeholders as it progresses the policy design ahead of implementation.
- 1.17 The table below illustrates the indicative language used to describe the proportion of respondents that answered a question or gave a specific view. For example, if 81-100% of respondents answered a question, the phrase "most respondents" would be used.

Percentage of those who responded	Indicative language used
81-100%	Most respondents
61-80%	A majority of respondents
53-60%	Just over half of respondents
48-52%	Around half of respondents
41-47%	Just under half of respondents
21-40%	A minority of respondents

⁷ UK Government, 2024 [‘Introduction of a UK carbon border adjustment mechanism from January 2027’](#).

International Context

- 1.18 The UK recognises that the CBAM is of significant international interest, including in the context of the UK's action on carbon pricing, development and climate change.
- 1.19 As part of the consultation process, the UK engaged extensively with international partners and overseas businesses bilaterally as well as through international fora such as the World Trade Organization (WTO). We received formal written responses from overseas governments, trade associations, industry and think tanks.
- 1.20 The UK is committed to co-ordinated global action to address climate challenges as well as carbon leakage. That is why, in parallel to taking domestic action, the UK is working with international partners to address carbon leakage and seeking to develop a common global approach. The UK also continues to support global decarbonisation more broadly, including through our International Climate Finance (ICF).
- 1.21 The UK will continue to cooperate internationally on carbon leakage and decarbonisation through various fora, including but not limited to the United Nations Framework Convention on Climate Change (UNFCCC); the G7 Industrial Decarbonisation Agenda (IDA); the Organization for Economic Cooperation and Development (OECD); the WTO; the Breakthrough Agenda; and the Climate Club. Through these, and other initiatives, the UK plays an active role in seeking to reduce the risk of carbon leakage by supporting the development of green industries.
- 1.22 The UK is a strong supporter of carbon pricing and a pioneer of carbon markets, through both domestic action and our support for the uptake of carbon pricing schemes around the world. The UK therefore plays an active role in various initiatives, including:
- Contributing to the Partnership for Market Implementation fund (PMI), to help developing countries put a price on their emissions using carbon taxes and emissions trading schemes. This aims to support 30 countries by 2030.
 - Sharing our experiences with the UK Emissions Trading Scheme with over 20 different countries and jurisdictions in bilateral government-to-government exchanges, and sharing our experiences to wider audiences through multilateral emissions trading workshops.
- 1.23 Beyond carbon pricing, the UK is a leading supporter of clean energy and industrial decarbonisation around the world, including through our International Climate Finance programmes. UK backed projects include the Energy Sector Management Assistance Programme (ESMAP), which assists developing and emerging market countries in addressing energy challenges. And as a leading donor to the Climate Investment Fund (CIF), the UK has contributed to the CIF

Industrial Decarbonisation programme – the world’s first large scale concessional finance programme for industrial decarbonisation in developing countries. The UK will continue to support global decarbonisation, the development of carbon markets, and multilateral progress to tackle carbon leakage, alongside introducing the UK CBAM.

Responses

2. Applying the UK CBAM

- 2.1 This chapter of the consultation set out the sectoral scope of the UK CBAM and sought feedback on the government's proposed approach to setting the product level scope of the UK CBAM, including a proposed list of commodity codes. The UK government is focusing on a small number of economic sectors: aluminium, cement, fertiliser, hydrogen and iron & steel. Within these sectors, the CBAM will only apply to specific imported 'CBAM goods'. These goods are determined by the product level scope of the CBAM and are identified by commodity code as listed in Annex B.

Product level scope of the CBAM

- 2.2 The inclusion of imports under the UK CBAM must reflect the approach of the UK ETS as closely as possible as it is the UK's primary carbon pricing mechanism. A key component of the CBAM design is the translation of activities in scope of the UK ETS into a list of imported products by identifying products which would have been subject to the UK ETS if produced in the UK. Therefore, the consultation set out that only goods which would have been within scope of the UK ETS if they had been produced domestically have been considered for potential inclusion within scope of the UK CBAM.
- 2.3 The consultation proposed that imported scrap, identified via commodity codes, within relevant sectors will not be within the scope of the UK CBAM. This is due to the use of such products as input materials having a net benefit on emissions which in turn reduces the risk of carbon leakage.
- 2.4 As the UK has a similar carbon leakage risk profile to the EU, the list of proposed products within scope of the EU CBAM was used as a starting point for drafting the UK list. However, electricity is not in the scope of the UK CBAM, and the list was also expanded to the glass and ceramics sectors. The draft list of commodity codes for inclusion in the UK CBAM by 2027 was included in the consultation document. The consultation also set out the intention to include 'precursor goods' in the calculation when determining the emissions embodied in CBAM goods, noting that these would be specified at a later date. Further, the consultation proposed to keep the sectoral and product scope of the UK CBAM under review post-2027 implementation.

Q1. Do you agree that the list of commodity codes in Annex A are an accurate reflection of the policy intent described above? Please provide supporting evidence.

- 2.5 A majority of respondents answered this question. Around half of those respondents agreed that the draft list of commodity codes accurately reflected the policy intent. The most common reasons given included that the list covers the most emissions intensive industrial goods, in line with the policy's intent, and alignment with the EU CBAM to reduce the risk of increased carbon leakage as a result of emissions intensive goods diverting to the UK instead of the EU.
- 2.6 A minority of respondents disagreed that the draft list of commodity codes provides an accurate representation of policy intent. Within this, some respondents focused on the sectoral scope of the UK CBAM being too broad. Suggestions included the removal of the glass, ceramics, fertilisers, hydrogen and aluminium sectors. Rationales provided included low levels of UK production and concerns around downstream impacts. Other respondents argued for the removal of HS 7318 (products within the iron & steel sector including screws and bolts) from within scope arguing inclusion would not align with the UK ETS and that the UK CBAM will create burdens disproportionate to the value of the goods imported.
- 2.7 Other respondents disagreed on the grounds of the proposed product level scope being too narrow. Examples provided include the omission of downstream products, hydrogen derivatives such as methanol, as well as products within additional sectors such as electricity, plastic and refineries.

Q2. Are there any relevant commodity codes omitted or any that should be excluded? Please provide supporting evidence.

- 2.8 Around half of respondents answered this question. A minority of these suggested that no relevant commodity codes had been omitted or should be excluded.
- 2.9 A majority of respondents to this question suggested that relevant commodity codes had been omitted or should be excluded. These respondents offered a broad range of suggestions across all UK CBAM sectors. Respondents' views largely followed similar patterns to those provided in question 1. Novel responses included suggestions that battery materials should be within scope and for clarification on the reporting of emissions embodied in kaolinic clays.

Q3. Do you have any concerns on the feasibility of any of the commodity codes in Annex A being within scope of the CBAM? Please provide supporting evidence.

- 2.10 A majority of respondents answered this question. The majority of those responding had concerns with the feasibility of the proposed product level scope. Concerns included the administrative burden of reporting emissions where supply chains are complex.

2.11 There were also concerns raised regarding some UK CBAM goods. Specifically, respondents outlined experiences of the inclusion of HS7318 (products within the iron and steel sector including screws and bolts) under the EU CBAM and raised concerns about potential impacts on small and medium sized businesses in particular.

Q4. Do you agree that scrap aluminium, scrap glass and scrap iron & steel do not pose a carbon leakage risk and should not be within scope of the CBAM? If not, please provide evidence to support your response.

2.12 Just over half of respondents answered this question. Of those, a majority agreed that these products do not pose carbon leakage risk and should not be within the scope of the UK CBAM. The most common reason was that these products have either a net benefit, or no impact, on emissions. This was suggested by respondents in developing countries as well as domestic producers. Some respondents supported the proposal to encourage the use of recycled materials as part of a circular economy. Others were supportive of the proposal in principle but raised concerns around circumvention and compliance risks.

2.13 A minority of respondents disagreed with the proposal, noting that such goods would have associated production emissions. Some respondents also suggested that the government ought to differentiate 'pre-consumer' and 'post-consumer' scrap, suggesting that pre-consumer scrap (such as industrial shavings or filings) should be in scope of the CBAM.

Government response to questions 1, 2, 3 and 4.

2.14 Although the consultation did not seek views on the sectoral scope of the UK CBAM, **the government has decided that the UK CBAM will only apply to the emissions embodied in imports of specified goods in the aluminium; cement; fertilisers; hydrogen; and iron & steel sectors from 1 January 2027.** As outlined above, this is based on further consideration of the available data and evidence which indicates that the glass and ceramics sectors are, on average, less emissions intensive than the other sectors within scope of the UK CBAM, and therefore relatively less exposed to carbon leakage risk. Products at risk of carbon leakage within the glass and ceramics sectors will be considered for inclusion at a later date.

Product level scope

2.15 The UK CBAM will only apply to the embodied emissions of a specified list of imported 'CBAM goods' forming the product level scope of the UK CBAM.

2.16 The government notes the frequency of requests for international alignment on CBAM scope, particularly with the EU CBAM. The product level scope of the UK CBAM as published in Annex B of this publication aligns with that of the EU

CBAM where sectoral scope also aligns, for example the UK CBAM will not cover imports of electricity.

- 2.17 The government acknowledges that there are a particularly wide range of views on the product level scope of the CBAM, with some arguing that the proposed scope is too narrow and others arguing it is too broad.
- 2.18 Having carefully considered the views of respondents, the government has concluded that the list of products remains appropriate.
- 2.19 **The government confirms that the product level scope of the UK CBAM from 1 January 2027 will be the draft list of commodity codes for inclusion published in Annex B of the consultation, with the exception of products within the ceramics and glass sectors, as set out above. An updated version of the list of commodity codes that will be within scope of the UK CBAM from 2027 is included in Annex B of this publication.**
- 2.20 The UK CBAM product level scope will be set on a commodity code basis. Where a 4-digit HS Heading Code (HS4) is listed for the product scope, all commodity codes starting with those digits are covered other than where there is an explicit exclusion.
- 2.21 The government maintains that the use of scrap products, either at the end of their useful life or as 'offcuts' with no productive use other than as a feedstock for recycling, has a net benefit on emissions. The use of such products as input materials reduces the need for additional production, and is, by definition, low carbon. Therefore, the carbon leakage risk posed by such goods is low. It is not feasible to distinguish between pre- and post-consumer scrap via commodity code. Imported scrap products within the aluminium and iron and steel sectors, determined on the basis of commodity code, will therefore not be within scope of the UK CBAM.
- 2.22 **The government will keep the list of products in scope of the UK CBAM under review post-2027 to ensure that the product level scope of the UK CBAM can be updated to reflect the evolving carbon leakage context.** The government acknowledges the requests for further products to be included in the current UK CBAM sectors, including derivative and downstream products. On balance, the inclusion of such products within scope of the UK CBAM from 2027 would add disproportionate burdens and is not currently feasible.

3. Calculating the UK CBAM liability

This chapter of the consultation set out how the UK CBAM liability would be calculated. It sought views on the proposed definition of imported embodied emissions, the approach to setting default values and the principles for monitoring reporting and verifying emissions. In addition, it outlined and invited feedback on the approach to weighing CBAM goods, setting the UK CBAM rate and the adjusting for overseas carbon prices already incurred.

Imported embodied emissions

- 3.1 The consultation confirmed that the UK CBAM will provide a dual approach for the determination of emissions embodied within imported goods for the purpose of calculating the UK CBAM liability. This means that when determining the embodied emissions liable to the UK CBAM, the liable person will have two options available to them:
- a) using data on the actual emissions embodied within CBAM goods
 - b) using default values as determined by the UK government
- 3.2 The consultation set out that the UK CBAM will apply to both the indirect and direct emissions embodied in CBAM goods, including those emissions embodied in any relevant precursor goods at a point further up the value chain. In order to identify the right emissions for calculating these, the consultation proposed to define those emissions as follows:
- **Direct emissions** are emissions related to the production processes of CBAM goods. This includes (but is not limited to) emissions from the production of heating and cooling consumed during the production processes, irrespective of whether the heating or cooling was produced on or off site.
 - **Indirect emissions** are emissions related to the production of electricity, which is consumed during the production of CBAM goods irrespective of whether the electricity was produced on or off site.
- 3.3 To reflect the UK ETS, it proposed all imported embodied emissions will be measured in tonnes of carbon dioxide equivalent (tCO₂e).

Summary of responses

Q5. Do you agree that the government's definitions of 'direct' and 'indirect' emissions accurately describe the embodied emissions a CBAM ought to place a carbon price on, in line with those emissions within scope of the UK ETS? If not, please explain why not.

- 3.4 A majority of respondents answered this question. Of those that responded just over half agreed that the definitions were accurate when describing the embodied emissions that should be covered by the UK CBAM. The reasons

given were primarily that the definitions align with the emissions covered by the UK ETS for domestic production, and also with the embodied emissions which need to be reported under the EU CBAM – simplifying the measurement process where goods are exported to both the UK and EU markets. A small proportion of respondents also noted that these definitions are clearer than using the Green House Gas (GHG) Protocol terminology of Scope 1, 2 and 3, which are more relevant to installation emissions, as opposed to products covered by the UK CBAM. Respondents also expressed the need for further clarity and guidance regarding the approach and treatment of direct and indirect emissions.

- 3.5 A small proportion of respondents did not agree with the definitions, or did not know respectively. A small proportion of respondents were opposed to including indirect emissions in the UK CBAM, citing existing compensation for indirect carbon costs under the Energy Intensive Industry (EII) scheme and misalignment with the EU. These responses came primarily from the aluminium and iron & steel industries.
- 3.6 A small proportion of respondents also thought that it may be confusing for businesses if the UK CBAM definitions deviate from existing GHG protocol definitions of scope 1, 2 and 3 emissions. Some suggested aligning the UK CBAM with existing international definitions to limit burden and confusion for industry. A small number of respondents suggested that the definition for direct emissions should be amended to say: “direct emissions are emissions **from** the production processes of CBAM goods”.

Q6. Do you foresee any issues with calculating the emissions associated with precursor goods in CBAM goods? Please provide evidence to support your response.

- 3.7 A majority of respondents answered this question, of which a majority indicated that that they would have issues calculating emissions for precursor goods. One of the key reasons stated was that some CBAM goods are produced across long, complex supply chains that can cross multiple borders. This would mean data would need to be collected from several suppliers and producers, which would require communication between parties that does not currently exist. Of the respondents that thought there would be issues, a minority also noted that even where this communication is in place, not all producers would have the required data either because they do not currently measure emissions, or the standards for measuring emissions in their jurisdiction may be different to the UK. Another challenge noted was the difference in responsibilities and commercial leverage for different parties in the supply chain, resulting in an unwillingness to share data.
- 3.8 Of the respondents that indicated they could foresee issues with calculating the emissions for precursor goods, a small proportion suggested mitigations, including:

- The importance of government making default values available, particularly for low-value precursor products, as this would ensure that goods can continue to be imported where data cannot be collected. However, it was also noted that using default values may result in an overestimation of embodied emissions.
 - Aligning with standardised or simplified international methodologies or other international carbon leakage mitigation measures could decrease the capacity issues for overseas businesses providing emissions reporting.
 - Providing clear and timely guidance and/or a transitional period without penalties for businesses to speak to supply chains and build capacity would improve the quantity and quality of data.
- 3.9 A small proportion of respondents did not foresee issues reporting this data. Reasons noted were that collecting this data is important to ensure a fair and accurate tax base which effectively drives down emissions. They did not think that collecting this data on precursor goods would be insurmountable, or any more challenging than collecting data for the final CBAM good. As with respondents who agreed, there was some recognition that default values could play an important role.

Government response

- 3.10 **The government intends to proceed with the proposed definitions of direct and indirect emissions, including precursor emissions, for the implementation of the UK CBAM** but will consider the request for technical wording changes to the definition of direct and indirect emissions through the drafting of legislation. The government recognises that respondents will require more detail on the specific processes that will be included when determining direct and indirect emissions. Further detail will be provided as we continue to develop the approach to monitoring, reporting and verification of emissions.
- 3.11 It is important for the UK CBAM to cover indirect emissions. This is to ensure that it places a price on the emissions embodied in imported products on a comparable basis to that which would have been payable had the goods been produced in the UK, where electricity emissions are subject to both the UK ETS and Carbon Price Support (CPS). In March 2022 the government extended the EII Compensation scheme to March 2025. HM Treasury and HMRC will continue to work with the Department for Business and Trade to ensure that the policy aims of the Compensation Scheme are reflected in the UK CBAM.
- 3.12 The government notes the concerns raised around calculating the emissions associated with precursor goods and will continue to explore options for mitigating those concerns as we develop proposals on the monitoring, reporting and verification of emissions.
- 3.13 Default values will also be available to ensure that goods can continue to be imported where actual emissions data for precursor goods is not available. Importers of CBAM goods are also encouraged to engage with their overseas

suppliers on the requirements from 2027 to maximise the time available to obtain the actual emissions values, rather than rely on default values.

Default emissions for all chargeable goods

- 3.14 The consultation set out that whilst independently verified actual emissions data will be preferable within the UK CBAM, default values are also required to ensure all liable persons can comply with the UK CBAM, even where actual emissions data is not available. Default values need to be set in line with environmental considerations to ensure that the UK CBAM mitigates carbon leakage risk. The consultation also noted that if default values were set too low, importers may choose to rely on default values rather than report the actual level of embodied emissions.
- 3.15 The consultation proposed that a single default value be set for each CBAM good. These would be set in line with global average of embodied emissions weighted by the production volumes of key UK trading partners.
- 3.16 The consultation proposed the use of this approach for an initial period of at least 2027-2030. Post-2027, the consultation proposed that a review be held to assess the use and functionality of default emissions values, with any subsequent changes to be implemented from 2031 at the earliest.

Q7. Do you foresee any difficulties with the government's proposal to use product level default emissions values calculated in line with global average emissions weighted by the production volumes of the UK's key trading partners? Please outline.

- 3.17 A majority of respondents answered this question. Of those who responded, a minority of respondents did not foresee any difficulties with the government's proposed approach. The most commonly cited reasons that respondents supported the government's approach include lower administrative burdens, especially where supply chains are complex (in comparison to the use of actual emissions data), and the provision of a non-punitive approach when actual emissions data is not available.
- 3.18 Just over half of the respondents said they did foresee difficulties with the proposal. The most commonly cited concern was that the proposal does not account for the variance of emissions intensities between countries. Respondents were therefore concerned about the use of default values by those with emissions intensities in excess of the default value and the risk that there would be no incentive to report actual emissions data, or to invest in industrial decarbonisation in such scenarios, or that default values could overstate the emissions intensity from some countries which may struggle to measure emissions, despite having a low-carbon energy mix. Several respondents suggested that country-specific or regional default values would reduce this risk. Others suggested the use of mark-ups, basing default values on the emissions

intensity of the most emissions intensive producers, or the phasing out of default values over time as this could encourage the development of capacity to report actual emissions.

- 3.19 Some respondents, particularly those from domestic industries raised concerns around the granularity of default values noting that they would not be disaggregated to a great enough degree to prevent carbon leakage effectively.
- 3.20 It was noted by some respondents that the approach to default values would need to be subject to regular review as the emissions intensity of certain products may change over time, the production volume of key trading partners may change, or the UK's trade patterns may change.

Q8. Are there alternative approaches to default emissions values the government ought to consider which neither undermine the environmental integrity of the CBAM nor are punitive in nature? If so, please provide detailed evidence.

- 3.21 Just over half of respondents answered this question. Of those respondents, around half suggested that there are alternative approaches that ought to be considered, with a variety of approaches suggested. The most commonly suggested approach was to use country-specific or regional default values per CBAM good, particularly in the longer-term. However, some respondents also acknowledged that this approach would be complex and highly dependent on availability of detailed datasets at the national or regional level.
- 3.22 Both international and domestic respondents emphasised a preference to align default values with internationally recognised emissions accounting methodologies and standards. Respondents argued that this would enhance transparency and credibility. Alignment with the EU CBAM was also suggested as a way to simplify compliance.
- 3.23 Other respondents suggested that the approach to default values ought to change over time. Some respondents suggested the use of either domestic or global emissions intensities but with the percentile increasing over time, for example moving from average emissions intensities to the emissions intensities of the least efficient producers to incentivise the reporting of actual emissions data.
- 3.24 Many respondents who thought there were alternatives to the proposed design suggested specific modifications. These included excluding the emission intensities of countries with a carbon price that is equal or higher than the UK carbon price from the calculation of default values. Other modifications suggested included the use of UK or global above average emissions intensities. A small proportion of respondents, predominantly from the UK's international trading partners, emphasised the benefit of setting default values through consultation with other governments to ensure data accuracy.

Q9. Do you have views on how a percentage based mark-up (in addition to global average emissions weighted by production volumes of embodied emissions intensities of the UK's key trading partners) could impact the use of default values and actual reported emissions data? Please outline.

- 3.25 Just under half of respondents answered this question. Of those, around half provided further detail on their views of the potential impact of a mark-up on the use of default values and actual reported emissions data. A majority of respondents suggested broadly positive impacts, including a reduction in the reliance on default values, an increase in the reporting of actual values and a reduction in the risk of default values underestimating emissions embodied in the most emissions intensive products.
- 3.26 A small proportion of respondents instead suggested negative impacts, including an increase in the risk that default values overestimate the emissions embodied in the least emissions intensive imported products where reporting of actual emissions is not feasible. These respondents objected to the concept of a percentage-based mark-up added to the proposed default values. Some raised concerns that higher default values could reduce the competitiveness of UK advanced manufacturing, where CBAM goods are frequently used as input materials.
- 3.27 A small number of respondents also raised the challenge of ensuring WTO compatibility. Whilst those opposed to marking up default values tended to suggest that this would be insurmountable, others suggested that the level of any mark-up would need to be designed to ensure WTO compatibility and avoid the creation of a punitive measure. To do this, suggestions included basing mark ups on compliance costs associated with the monitoring, reporting and verification of actual emissions data, and the use of country or regional level mark-ups.

Q10. Do you have any initial views on the considerations and/or aims of a future review into the use and functionality of default values? Please outline.

- 3.28 Just over half of respondents answered this question. Of those that responded, comments were mixed.
- 3.29 Responses from importers, academic institutions and non-governmental organisations were largely supportive of default values as a practical approach, at least initially. A number of respondents noted that default values should serve as a fallback in the long-term, to be used only when actual emissions data is not available. However, many responses flagged that the government should use the review to consider alternative ways to design default values including having country or region-specific values.
- 3.30 A number of responses largely from domestic industry but also from environmental organisations argued that default values should be phased out in the long-term and replaced by actual reporting of emissions. Others argued that

while there continue to be data access issues, the availability of default values is critical for the operation of the UK CBAM. Some respondents noted that default values may be of particular importance to small and medium enterprises.

- 3.31 Some responses noted what a future review could consider including: updated emissions data sources, incentives to report on actual emissions, sector specificity, comparisons with international mechanisms and stakeholder feedback.
- 3.32 Respondents also commented on the potential timelines for this review. Whilst some respondents suggested that default values ought to be reviewed at 5-year intervals, others argued for more frequent annual reviews. Several respondents argued that the review should take place ahead of 2031 and that changes to the defaults should be communicated 18 months in advance to give importers the chance to prepare.

Government response for questions 7, 8, 9 and 10

- 3.33 The government welcomes the broad support for default values and general agreement that they are a vital element of the UK CBAM. They ensure that all liable persons can comply with the UK CBAM, even where actual reported emissions data is not available, maintaining trade openness.
- 3.34 **From 2027, the government will proceed with a single default value set per product.** The government will confirm the methodology to be used for their calculation and publish default values in advance of the introduction of the CBAM in 2027. Our assessment will include consideration of how to reduce the risk of under-pricing the most emissions intensive imports.
- 3.35 The government also notes concerns around the granularity of default values. Whilst the exact list will be confirmed at a later date, the government's intention is for default values to be set on a product level basis at an appropriate level of granularity to reflect variances in emissions intensity. For example, this could mean the provision of default values at varying levels of granularity ranging from 4 digit to 8 digit commodity codes for products.
- 3.36 The government acknowledges the views from some respondents in favour of default values that account for variances in average emissions intensities between different jurisdictions. **Post-2027, the government is considering the feasibility of moving to an alternative approach.**

Calculation and verification of actual embodied emissions

- 3.37 The consultation document set out proposals for the calculation of emissions where the liable person chooses to use data on the actual emissions embodied within their CBAM goods. It proposed to align with and build on the methodology in use for the UK ETS and for the data to be independently verified to ensure equitable treatment with goods produced in the UK. In addition, it proposed that

the independent person responsible for verifying emissions would need to be accredited by a member of the International Accreditation Forum (IAF), such as the United Kingdom Accreditation Service (UKAS) in the UK.

Q11. Do you foresee any issues with a liable person acquiring and providing to HMRC details of emissions embodied in CBAM goods at the end of the accounting period (should they choose to)? Please outline.

3.38 Just over half of respondents answered this question. A majority of those who answered foresaw problems with the proposed approach. These were primarily related to potential issues obtaining emissions information from overseas producers and the costs and potential complexity of the system.

3.39 There was also concern about the confidentiality of emissions data and that it may reveal proprietary information about manufacturing processes. Several respondents suggested that overseas installations should be able to supply the emissions data direct to HMRC rather than sharing it with the importer to maintain confidentiality.

Government response

3.40 The government recognises concerns about complexity and cost and will endeavour to work with businesses to keep administrative burdens to a minimum. In response to these concerns, the government intends to limit the requirements to providing high level emissions data and for the checking of the detail to be left to the independent verifier contracted by the installation. In respect of the initial availability of emissions data, default values will be available as an alternative.

3.41 The government does not agree with the suggestion that there should be an option for overseas installations to report emissions data directly to HMRC to address concerns around commercial sensitivity. Businesses have a responsibility to check they are paying the right amount of tax. In order to calculate and check their UK CBAM liability, importers need to know the emissions embodied in the goods they import. The government intends to simplify the reporting requirements as far as possible, by limiting the information that businesses need to obtain to the high-level, verified emissions data.

Q12. Do you agree that verification of emissions should be performed by any body accredited by accreditation services which are part of the International Accreditation Forum (IAF), like UK Accreditation Service (UKAS) in the UK? If not, please explain why not.

3.42 Just over half of the respondents answered this question and most agreed with the proposal. Concerns were raised about potential costs to small businesses and the impact on the competitiveness of UK businesses. Some respondents suggested accepting verifiers from recognised overseas ETS schemes for the UK CBAM and called for mutual recognition of overseas verification schemes.

- 3.43 Respondents asked for alignment with UK ETS verification requirements as far as possible and suggested that International Organisation for Standardisation (ISO) should be used to set verification standards where possible.

Q13. Would the market respond adequately to provide for the accreditation of verifiers by accreditation services and the verification of emissions independent verifiers?

- 3.44 A small proportion of respondents answered this question, with the majority saying that the market would respond, but some cautioned that there could be issues with the availability of accredited verifiers in the short term.

Q14. Noting that the government is still developing policy in this area, do you have any initial views on the monitoring, reporting and verification (MRV) rules for the UK CBAM? Please outline.

- 3.45 A minority of respondents answered this question. Issues raised included the need to keep the UK CBAM requirements as close as possible to those for the UK ETS and the EU CBAM to support compliance, general concerns about administrative burdens, and the need for HMRC to be tolerant with mistakes and delays with data in the early days of the charge.

Government response to questions 12, 13 and 14

- 3.46 The government welcomes the support for the proposals about verification and will proceed with requiring verification of emissions for the UK CBAM by a body accredited by an IAF member while continuing to consider the other suggestions made about mutual recognition and overseas requirements.
- 3.47 The government recognises the importance of the availability of accredited verifiers and will look to enable the accreditation of verifiers to commence as early as possible, including working with UKAS and other IAF members where possible. Where verified emissions are not available for any reason, default values will be available for use by importers.
- 3.48 The government notes the advantages of aligning new requirements with existing requirements where possible. HMRC's approach is always to promote compliance and support businesses to get it right rather than penalising businesses who make mistakes. In advance of the commencement of the UK CBAM, HMRC will work with businesses to support them in preparing to meet the new requirements.
- 3.49 The government acknowledges requests for early sight of requirements where possible, and officials will continue to engage on MRV rules for the UK CBAM as they are being developed.

Measurements and weights

- 3.50 The consultation outlined that the weight of imported CBAM goods will be needed to calculate the total embodied emissions that have been imported and

noted that the accuracy of this measurement will be important as it forms part of the basis of the UK CBAM liability.

- 3.51 The consultation noted that in most cases, the net mass is already required for customs declarations. Views were invited on the challenges of obtaining accurate weights of CBAM goods, how liable persons would determine the weight themselves and whether there were any industry standards which can be used to determine an accurate weight.

Q15. Do you foresee any difficulties in obtaining an accurate weight for CBAM imported goods? If so, please specify the difficulties, why they will arise and any suggestions you might have for dealing with those concerns.

- 3.52 Just over half of respondents answered this question and around half of them did not foresee any difficulties in obtaining an accurate weight for the goods in scope of the UK CBAM. Responses highlighted that all CBAM goods declared to customs should have an accurate weight recorded on their customs documentation and that other documents such as product specifications, commercial invoices and goods receipts can also require the weight of goods. Some respondents noted that they would also be collecting accurate weights to comply with the EU's CBAM.
- 3.53 A minority of respondents saw difficulties in obtaining an accurate weight for CBAM imported goods. There was concern that, although importers are required to submit gross and net mass on their customs declaration, figures submitted are not always accurate. Further feedback elaborated that businesses could under-declare the weight of goods to try and reduce their shipping and transport costs, which could result in an under-declaration of their UK CBAM liability. There were also issues raised around challenges and administrative burdens for businesses, including differing weighing standards between sectors and challenges of getting accurate weight data from suppliers due to limited transparency and complexity within supply chains.

Q16. If a liable person was required to arrive at the weight of the goods themselves, how would they do that? Please explain how CBAM products that you import are weighed. For example, is the weight arrived by means of a calculation or is it physically weighed?

- 3.54 A minority of respondents answered this question, and views were quite mixed. Some respondents suggested that goods are physically weighed at some point during the manufacture, export, transport or import process and this would be recorded in documentation. Others noted that bulk commodities are often weighed by weighbridge, and that there were established calculation methods used in some sectors. Several respondents highlighted the difficulty of physically weighing individual CBAM goods due to the numbers of goods imported and suggested relying on weights declared by suppliers.

Q17. Is there a UK industry standard weight for the CBAM good you import? If so, please give details.

- 3.55 Just under half of respondents answered this question, of which, just over half reported there were no industry standard for their imported goods. These replies mostly came from stakeholders with more complex supply chains and included aluminium, ceramics, fertiliser and cement sectors. Respondents from the iron & steel and glass industry reported the existence of industry standards for calculating the weight of goods in those sectors.

Government response to questions 15, 16 and 17

- 3.56 The government has noted the specific issues highlighted regarding differences in weighing standards and methods between sectors in scope of the UK CBAM. It also notes the risk of the weight of CBAM goods being under-declared where the liable person relies on documentation used for customs or transportation purposes.
- 3.57 **The government will continue with the proposal set out in the consultation which will require businesses to evidence the net mass of their CBAM goods.** However, given the risks highlighted about the possibility of under-declaring the weight which would result in under-declaring imported emissions, the government will continue to explore the feasibility of setting out a range of weighing methods with input from industry stakeholders.

Setting the UK CBAM rate

- 3.58 In this section the consultation set out that the effective UK carbon price applied by the UK CBAM will be known as the 'UK CBAM rate'. The UK CBAM rate will be applicable per tonne of embodied emissions attributed to CBAM goods. The consultation proposed there would be an individual UK CBAM rate for each sector of goods in scope of the UK CBAM and that these rates will be set by the government at the beginning of each quarter.
- 3.59 In line with the intention that the UK CBAM rate should be comparable to the carbon price faced in the UK by domestic producers, after accounting for adjustments, exemptions or compensation schemes, the consultation proposed that the pricing mechanisms that should be reflected in the UK CBAM are:
- The UK ETS,
 - Free allocation of allowances under the UK ETS, and
 - The Carbon Price Support rate on electricity generated using fossil fuels in Great Britain.
- 3.60 The consultation proposed referencing the average of the UK ETS auction price over the previous quarter to the quarter in which the goods were imported. Further, it proposed making an adjustment to that referenced UK ETS price to reflect the existence of free allowances available to the domestic industry within that sector over the previous year. This will be known as the 'free allocation adjustment'.

Q18. Do you agree that the CBAM rate calculation set out a fair reflection of the price paid in the production of goods in UK? If not, please explain why not.

- 3.61 Around half of the respondents to the consultation answered this question. Just under half of those respondents agreed that the UK CBAM rate calculation set out a fair reflection of the price paid in the production of goods in the UK. The most common reasons given included alignment with the UK ETS and providing an accurate reflection of how direct and indirect emissions are priced domestically.
- 3.62 A minority of respondents did not agree that it was a fair reflection of the price paid domestically. The primary reason for this was that a sector level approach does not accurately reflect how emissions are priced domestically due to differences within sectors in terms of indirect and direct emissions and how free allowances are allocated. An alternative suggestion put forward was to set the calculation on the same basis that free allowances are allocated domestically (i.e. by production activity undertaken by installation operators).
- 3.63 Regarding the type of emissions the UK CBAM rate will account for, a stakeholder in the ceramics sector suggested that scope 3 emissions should be included in the UK CBAM rate to accurately reflect the carbon footprint of products. There were also suggestions to exclude indirect emissions given the differences in how indirect emissions are priced domestically and internationally.
- 3.64 A minority of respondents expressed uncertainty as to how the calculation would work and requested further information, including on how free allowances should be phased out.
- 3.65 There were also a small number of stakeholders in the renewable energy and ceramics sectors who noted that the calculation should account for future development in UK carbon pricing and changing energy costs. Another suggestion was to review the calculation after an initial period to determine if amendments needed to be made.

Q19. Does setting a CBAM rate for each sector on a quarterly basis strike the right balance between tracking the UK ETS market price and giving importers certainty for financial planning? If not, please explain why not.

- 3.66 Just over half of consultation respondents answered this question, of which just under half agreed that setting the UK CBAM rate for each sector on a quarterly basis strikes the right balance between tracking the UK ETS market price and giving importers certainty for financial planning. Respondents noted that it would be beneficial to publish the rates early for advance notice.

- 3.67 A minority of respondents who responded to this question disagreed with setting the UK CBAM rate every quarter with the primary criticism being that the quarterly reference period was too often and did not align with business planning cycles. There were diverging views in this group with some respondents from the renewable energy sector and trade research bodies suggesting a more frequent reference period to align with the UK ETS further.
- 3.68 A small proportion of respondents suggested that the reference period should be monitored and reviewed on an on-going basis.

Q20. Are there any other considerations for setting the UK CBAM rate not set out above? Please outline.

- 3.69 A minority answered this question, where a range of views were provided.
- 3.70 Concerns were expressed that the proposed approach created differences between the UK and EU CBAM that would create administrative burdens for businesses. Suggestions included that the UK CBAM rate should align closely with the EU CBAM or that there should be an exemption for goods that have incurred an EU CBAM cost.
- 3.71 There were also concerns that a CBAM does not address carbon leakage in the export market with suggestions including a mechanism to refund any carbon price incurred in the UK for exported goods.
- 3.72 Interactions between the UK CBAM and free allowances were raised by respondents, particularly questions around how the UK CBAM will adjust for changes in free allowance policy.
- 3.73 As with responses to question 18, there were concerns that setting the UK CBAM rate at sector level would not appropriately reflect how emissions are priced within sectors. There were suggestions to set more UK CBAM rates per sector, with the steel industry suggesting three rates for the steel sector would be more appropriate, and a small number of respondents who suggested setting a rate for each product.

Government response to Questions 18, 19 and 20

- 3.74 The government welcomes the detailed views from a range of respondents both domestically and internationally. To ensure that the UK CBAM price is comparable to the carbon price faced in the UK by domestic consumers, **the government will continue with the proposal for the UK CBAM rate to reflect the UK ETS, CPS and free allowances, the domestic pricing mechanisms expected to be in place for 2027. As the UK ETS and CPS place a carbon price on indirect emissions, these costs will be reflected in the UK CBAM rate.**

- 3.75 The government recognises the importance of both accurately tracking the UK ETS price and ensuring a deliverable and useable system of rates for tax returns. It believes the proposal to reference the UK ETS price each quarter strikes the appropriate balance. **Therefore, the UK CBAM rate will be set on a quarterly basis.**
- 3.76 The government recognises the concerns around the level at which to set the UK CBAM rate, in particular how to accurately reflect the allocation of domestic free allowances. While the UK CBAM rate will be adjusted for free allowances, the government is continuing to consider options as to how to do this and will set out further detail in due course.

Adjusting for overseas carbon prices

- 3.77 In this section of the consultation the government set out that the UK CBAM liability can be reduced if the embodied emissions in the imported CBAM goods were subject to an explicit carbon price overseas and the liable person provides evidence of this.
- 3.78 While there are a range of carbon price policies in use overseas, the consultation confirmed that the UK CBAM should only account for those that are explicit carbon prices, defined as:
- “a price/tCO₂e placed directly on greenhouse gas emissions produced during a given process, such as manufacturing. Explicit carbon prices usually take the form of either an emissions trading scheme with a market-based price or a carbon tax with a fixed price”*
- 3.79 Based on this definition, evidence of the application of wider regulatory policies or non-pricing carbon reduction measures overseas (such as carbon regulations and fuel duties) would not be sufficient to result in a reduction to the UK CBAM rate applied, given these policies do not place a price/tCO₂e directly on greenhouse gas emissions.
- 3.80 To reflect the approach proposed to determine the relevant UK CBAM rate, the consultation proposed that the carbon price of overseas jurisdictions be measured using an average of the explicit (or headline) carbon price over the previous quarter from the point of import.
- 3.81 Given a CBAM overseas could place a carbon price on UK CBAM goods during the course of production or *en route* to the UK, the consultation also proposed that, where relevant, payment of an overseas CBAM which meets the UK’s definition of an “explicit carbon price” should qualify for adjustment of the UK CBAM liability.
- 3.82 The consultation proposed that the overseas carbon price would need to be verified by an independent third party. Liable persons will need to obtain appropriate evidence to be able to calculate the overseas carbon price.

Q21. Are there explicit carbon pricing policies which do not align with our criteria which should be recognised by the UK? Please outline.

- 3.83 Just over half of respondents answered this question. Of those who responded, around half of respondents said they did not know. A minority of those who responded to this question answered that there were explicit carbon pricing policies which do not align with the government's proposed criteria which they believe should be taken into account by the UK. However, a commonly held view by respondents was that the government's approach to the recognition of carbon prices generally was too narrow, and that there should be recognition of non-explicit prices, with a minority of respondents answering that there should be greater recognition of implicit carbon pricing, including fuel duty, upstream taxes and regulation. Some of these respondents acknowledged that recognising these types of implicit carbon pricing would be complicated.
- 3.84 A minority of respondents did not consider that there were explicit carbon pricing policies which do not align with the criteria. A key reason given for this view was that the criteria for an explicit carbon price should be strict to align with the UK ETS which has stringent monitoring, reporting and verification requirements.
- 3.85 A common theme across respondents was the suggestion to recognise overseas carbon prices of specific jurisdictions.

Q22. Are there other recognised forms of evidence which a liable person could provide? Please outline.

- 3.86 Just under half of respondents answered this question. The majority of respondents did not know if there are other recognised forms of evidence which a liable person could provide, with several suggesting that further information was needed to help them form a view.
- 3.87 A small proportion of respondents found the evidence suggested to be practical, feasible and appropriate.
- 3.88 Another small proportion suggested other forms of evidence, such as information on the relevant carbon price, with one suggesting EU CBAM certificates and EU ETS credits as evidence.

Q23. Are there additional considerations or processes that might facilitate the provision of information on the overseas carbon price from producer to liable person, including by mutual agreement with other jurisdictions? Please outline.

- 3.89 Respondents expressed some concerns around the ability of the liable person to determine how the carbon price paid overseas will be taken into account for the UK CBAM calculation. There were also concerns about their ability to get accurate data on the overseas carbon price from overseas installations.

3.90 A small proportion of UK based businesses highlighted the benefits of aligning the treatment of overseas carbon prices with the EU and suggested that there should be mutual agreement with the EU, as well aligning the information needed to adjust the carbon price with their requirements. Organisations of experts, supporting businesses and exporters from developing countries emphasised the benefits of uniform standards in reporting where possible, including in relation to carbon prices incurred. Collaborating with third countries in international forums to create uniform standards for carbon pricing was put forward too. Businesses that import goods into the UK made further suggestions on the information that could be required in addition to the overseas carbon price including displaying the carbon content on documentation for traceability purposes.

Q24. For operators overseas, do you foresee challenges providing the evidence for importers to comply with the measure? Please outline.

3.91 Around half of respondents answered this question. Just over half of respondents that answered foresaw challenges providing the evidence for importers to comply with the measure, a minority of respondents answered they do not know, and a small proportion did not foresee challenges.

3.92 Concerns were expressed that overseas operators in developing countries may be unable to provide evidence to importers and as such they may be disproportionately impacted by the UK CBAM. It was suggested that the government should conduct an impact assessment to better understand the impact on developing countries and should explore providing technical assistance, capacity building and potentially exemptions for some imported goods.

3.93 There were also concerns about how importers would be able to secure an adjustment when importing good from a jurisdiction with a carbon pricing mechanism if operators overseas were unable or unwilling to provide evidence. Complex supply chains, hesitancy on the part of overseas operators to share evidence, the reliability of evidence shared, complexity in apportioning emissions to goods and the specifics of carbon emissions schemes overseas were cited as potential challenges.

3.94 A small proportion of respondents did not foresee challenges for overseas operators in supplying evidence on the overseas carbon price.

Q25. Do you foresee challenges with referencing the overseas carbon price on a quarterly basis? Please outline.

3.95 Just under half of respondents answered this question. Of which, around a half did not know, whilst a minority of respondents foresaw challenges, and a small proportion did not.

- 3.96 Those that foresaw challenges felt that referencing the overseas carbon price on a quarterly basis was too frequent. They highlighted that it would be an excessive administrative burden, not accounting for the length nor complexity of the supply chain, was unfair when the UK ETS has an annual reference period and would result in an overseas carbon price for CBAM goods that would not reflect the carbon price incurred in the jurisdiction of production. One suggestion to mitigate this was for the overseas carbon price to be referenced on an annual basis.
- 3.97 Those that did not know, put forward suggestions for overseas carbon pricing referencing requirements to align with the EU CBAM or be the same frequency as the UK CBAM rate. They also noted that quarterly referencing would provide an overseas carbon price different to that which would be actually incurred.
- 3.98 The small proportion that did not foresee any challenges referencing the overseas price on a quarterly basis suggested a list of recognised overseas carbon pricing schemes be provided.

Q26. Do you have views on what types of third parties would be appropriate to verify overseas carbon price? Please outline.

- 3.99 A minority of respondents answered this question, and a wide range of views were received from different types of respondents.
- 3.100 Multiple UK based respondents suggested that reputable assurance agencies, which are part of the IAF (International accreditation Forum) would be the most appropriate to verify the overseas carbon price.
- 3.101 Other respondents noted potential concerns including that verification standards may not be robust, that there may not be sufficient availability of suitably qualified verifiers and highlighted the additional cost that British businesses, particularly small and medium sized enterprises (SMEs) may incur.
- 3.102 Some suggested other potential mitigations for these concerns including changing the reporting frequency to annually, using existing processes in overseas carbon pricing schemes to verify the carbon price, for the government to get the carbon price data directly from jurisdictions overseas and to focus on the jurisdictions with the highest emissions or greatest carbon price difference to the UK.
- 3.103 Respondents from jurisdictions with carbon pricing schemes overseas were concerned that sensitive industrial information could be compromised by lax verification standards and the possibility of incurring greater costs due to the need to have the carbon price verified. This cohort supported the need for verifiers to be accredited by an organisation that had membership of the IAF, but caveated this by saying they would have to be from the country of production and

potentially even be the same verifiers that undertake emissions verification under their schemes.

- 3.104 Respondents with experience of supporting carbon emissions schemes highlighted the difficulty in linking the carbon price to a good and suggested working with other jurisdictions to utilise their verification processes.

Q27. Do you have views on how the government could decrease the burden on the liable person to evidence an overseas carbon price? Please outline.

- 3.105 Just under half of respondents answered this question. A wide range of suggestions were received from different types of respondents, predominantly operating in the UK, who highlighted the burdens and provided potential solutions.
- 3.106 Concerns were expressed regarding the burden of acquiring the relevant information on the overseas carbon price from operators overseas and with determining the financial feasibility of an import without knowing the carbon price and details of the overseas carbon pricing scheme in the country of production.
- 3.107 Concerns were raised that there could be a burden associated with recalculating the UK CBAM liability once the actual carbon cost incurred by the good in the country of production is known, as quarterly referencing would produce an estimated cost. However, the consultation proposed that the overseas price that is referenced quarterly would be the final adjustment as this aligns with the approach to determining the UK CBAM rate.
- 3.108 Respondents provided several suggestions as to how government could decrease the burden on the liable person to evidence an overseas carbon price. These included providing a default carbon price per country (based on energy mix), providing a publicly available list of carbon prices abroad that would be continuously updated, mutual recognition agreements with the EU, the ability for installations to directly provide the carbon price to the government, to allow for adjustments, and changing the reference period from quarterly to annually so the overseas carbon price can be based at the point of production not import.

Indirect imports

- 3.109 The consultation document outlined the government's proposal for CBAM goods which are 'indirectly imported' into the UK via another country and are subject to multiple carbon prices. Where this is the case, the consultation proposed the total carbon price incurred should be offset from the UK CBAM liability.

Q28. Do you agree that where a CBAM good has been subject to multiple carbon prices, the total carbon price can be offset from the UK CBAM liability? If not, please explain why not.

- 3.110 Just over half of respondents answered this question. Most respondents that expressed a view supported the proposal that where multiple carbon prices are incurred, they can be offset from UK CBAM liability. Of the remaining respondents a small proportion answered they did not know, and a small proportion disagreed.
- 3.111 Concerns were raised about the documentation required to prove multiple carbon prices, the administrative burden placed on businesses, and the difficulty of obtaining necessary information from overseas trading partners or complex supply chains.

Government response to questions 21, 22, 23, 24, 25, 26, 27 and 28

- 3.112 The government welcomes views from stakeholders on this section.
- 3.113 The government notes the uncertainty and concern around the recognition of overseas carbon prices. Other carbon pricing schemes raised by respondents have been considered, for example implicit carbon pricing, but these policies do not place a price/tCO₂e directly on greenhouse gas emissions and there are challenges in converting such prices into a monetary amount. This supports the principle of pricing emissions in the same way as domestic emissions, where the UK carbon price is paid on the emissions of production regardless of the wider regulatory or non-pricing carbon reduction measure to which UK producers are also subject. **Therefore, the government confirms that explicit prices only will be recognised.** Further detail and guidance will be published in advance of commencement of the UK CBAM.
- 3.114 The government is committed to reducing the administrative burden on liable persons where possible, including through the consideration of the use of suitable arrangements or agreements with other jurisdictions where appropriate to reduce burdens such as those associated with supplying overseas carbon pricing information that the goods had been subject to.
- 3.115 In respect to referencing the overseas carbon price, the government notes concerns with evidencing the effective carbon price overseas on a quarterly basis and recognises the potential advantages that a longer time period may provide to enable any adjustments or discounts an installation operator received (e.g. free emissions) to be considered, to reduce the burden on overseas installations. Therefore, the government will continue to explore options on how to keep burdens on evidencing the effective carbon price to a minimum. However, to align with the approach taken for the UK CBAM rate, the government will reference the headline carbon price incurred overseas on a quarterly basis.
- 3.116 Where a CBAM good has been subject to multiple carbon prices, **the government will proceed with the proposal to offset the total evidenced carbon price from the UK CBAM liability.**

3.117 The government will provide comprehensive support and further guidance in advance of the commencement of the UK CBAM, including on the standards for third party verifiers on which we welcome views from stakeholders.

4. Administration, payment and compliance of the UK CBAM

4.1 This chapter of the consultation set out the how the UK CBAM would be administered, including proposals for the tax point, liable person, setting of a minimum registration threshold with a view to reducing administrative burdens and the liability conditions for registering and de-registering. This section of the consultation also included proposals for the accounting and payment periods and invited views on the key compliance risks associated with the design of the UK CBAM.

When the CBAM tax point arises

4.2 The consultation set out proposals for the tax point, which is the point at which the tax charge arises. To ensure that the UK CBAM only applies to goods that end up on the UK market, it proposed that the tax point should generally arise when a CBAM good is released into free circulation. It also set out two exceptions to this general rule. Firstly, for any goods not subject to customs controls, it proposed that the tax point should arise when the CBAM good first enters the UK. Secondly, where an imported CBAM good is processed into a non-CBAM good before it is released into free circulation, the liability will be based on the CBAM good before it was processed. This maintains the principle that CBAM goods that are placed on the UK market should be subject to the UK CBAM. In all cases, it proposed that the UK CBAM rate applicable will be that on the date on which the tax point arises.

Q29. Do you foresee any difficulties with the arrangements for where the tax point arises, including which rates will apply? Please explain where you have any difficulties with the proposed policy.

4.3 Around half of respondents answered this question, of which around half foresaw no difficulties with the arrangements for where the tax point arises and thought the alignment with other import taxes and duties will support understanding of the policy.

4.4 A minority of respondents reported difficulties with the tax point. Concerns included that there is no relief provided for exports; the use of customs deferral schemes could increase to allow goods to pass the tax point when the rate is low; and it will be difficult to determine the date the good passes the tax point and the rate that will apply. Alternative suggestions included setting the tax point as the date of order or date of dispatch.

Q30. Do you foresee any risks with our proposal to base the CBAM liability on the CBAM good which is processed into a non-CBAM good before it is released into free circulation? Please explain the risks.

4.5 Around half of respondents answered this question. Responses were finely balanced with just under a third of respondents agreeing with the proposal,

regarding it as an essential part of enforcing compliance and ensuring a fair application of the tax and important for preventing carbon leakage.

- 4.6 A slightly higher proportion of respondents disagreed with the proposal and identified risks with the approach including offshoring production and importing processed or finished goods outside of the scope of the UK CBAM. Another risk raised was the administrative burden of calculating the UK CBAM liability.
- 4.7 During the consultation engagement, several stakeholders sought clarity on the tax point in relation to other customs procedures such as outward processing and returning goods.

Government response to questions 29 and 30

- 4.8 The government noted the potential risks raised around the proposed tax point but believes there is a compelling case to align established concepts which are familiar to UK businesses and can be enforced by HMRC.
- 4.9 Having considered the responses regarding the tax point in relation to other customs procedures, the government can confirm that the following additional exceptions will apply:
- **For goods that are exported under the outward processing procedure and re-imported into the UK as a CBAM good, the CBAM tax point will arise at free circulation but will be based on the processing emissions that took place outside of the UK.**
 - **For CBAM goods that originated outside of the UK and are re-imported using the returned goods relief, there will be no UK CBAM liability providing the conditions for applying the relief for customs purposes are met.** This means CBAM goods which are reimported into the UK within 3 years in an unaltered state will be out of scope and not incur a CBAM liability.

Liable person

- 4.10 The consultation set out the government's proposal for the liable person. The liable person is the person who is responsible for registering, submitting returns and paying the UK CBAM to HMRC. It proposed that the liable person will be the person responsible for the goods when they are released into free circulation or, where there are no customs controls, the person on whose behalf the goods are moved to the UK.

Q31. Do you agree that the proposal for designating the liable person is appropriate or are there likely to be unintended consequences? If you do not agree, please explain your reasons.

- 4.11 Around half of respondents answered this question and of the majority of those agreed that the proposal for designating the liable person is appropriate. Respondents recognised similarities between this approach and other indirect taxes, making it easier for businesses to familiarise themselves with. Some

respondents also noted that liable persons would have access to the required emissions data.

- 4.12 A small proportion of respondents either disagreed or did not know. Amongst these respondents which included several trade bodies, a preference was noted for the liable person to be established in the UK and to have an Economic Operators Registration and Identification (EORI) number to address concerns regarding the government's ability to collect tax due from overseas territories. Additionally, several of these respondents sought clarity on whether private individuals could be liable for the UK CBAM.

Government response

- 4.13 The government welcomes the overall support for the consultation position.
- 4.14 In response to requests for the liable person to be based in the UK, only a small proportion of importers are likely to be based overseas and HMRC has arrangements in place with several overseas tax authorities to work together to help collect tax that is owed.
- 4.15 Accordingly, **the government maintains the proposed definition for the liable person is the right approach and can confirm that individuals importing CBAM goods for personal use will not be liable for the UK CBAM.** This position will be kept under review.

Registration and minimum registration threshold

- 4.16 To reduce the administrative burdens for those importing small quantities of CBAM goods and balance the cost of administering the UK CBAM against the carbon leakage objectives, the consultation proposed for there to be a minimum registration threshold as is common practice across indirect tax regimes. The consultation proposed to set the threshold by reference to the value of CBAM goods that the liable person is responsible for when the goods pass the tax point. The threshold proposed was £10,000 over a rolling 12 month rolling period. Updates to our modelling since the consultation proposal suggest this would retain over 99% of emissions within scope of the CBAM whilst excluding around 60% of potential registrations.
- 4.17 In addition, the consultation proposed that there will be two tests to determine whether a person is required to register for the CBAM. The forward look test requires a person to look forward to the next 30 days and consider whether they expect the value of their CBAM goods passing the tax point to meet the £10,000 threshold. This makes a person liable to register for the CBAM from the day they expect to meet the test. Whilst the backward-looking test requires a person to look back over a rolling 365 day period to see if the value of their CBAM goods that passed a tax point met the £10,000 threshold. If so, the person becomes liable to register for the CBAM from the date they met the threshold.

4.18 The consultation also proposed that liable persons will be able to apply to HMRC to be deregistered if they are incorrectly registered, or if they have no liability for CBAM for four consecutive quarterly returns.

Q32. Do you agree that there should be a minimum threshold below which a person should not be required to register for the CBAM? If not, please explain why not.

4.19 Just over half of respondents answered this question, of which a most respondents welcomed a minimum registration threshold.

4.20 A small number of respondents had concerns with a minimum registration threshold on the basis that it would create opportunities to circumvent the CBAM which would create an unfair playing field.

Q33. Do you agree that an annual value of £10,000 is an appropriate level at which to set the minimum threshold? If not, please explain where you think it should be set and your reasoning.

4.21 Just over half of respondents answered this question. Of those, just over half agreed with the proposed annual value, but around a quarter argued that it is too low. Feedback included that a low threshold could cause administrative burdens for SMEs, and businesses would face difficulties in obtaining data from suppliers for smaller contracts. There were suggestions for a small business exemption or an increase in the threshold value.

Government response to questions 32 and 33

4.22 **The government maintains that a minimum registration threshold set by reference to the value of CBAM goods that pass the tax point is the correct approach.**

4.23 The government acknowledges the concerns regarding the proposed value of the threshold not going far enough to address the disproportionate burdens on SMEs. **Therefore, the government has decided to increase the value of the threshold to £50,000 of CBAM goods that pass the tax point over a 12 month rolling period to ensure that the costs of complying with the CBAM are more proportionate to the carbon leakage risk the government is seeking to address.** Since the consultation proposal was developed, the CBAM model has been updated and refined, and in Spring 2024 the model was certified by the independent Office for Budget Responsibility which gives us a greater level of confidence in our analysis. We can now confidently estimate that increasing the threshold to £50,000 would also retain over 99% of imported emissions within the scope of the CBAM, whilst removing over 80% of otherwise registrable businesses. Over 70% of those removed from the CBAM altogether by this threshold are micro, small, or medium sized businesses.⁸

⁸ *Micro, small and medium businesses have been defined as those with employee numbers under 249 based on Inter-Departmental Business Register (IDBR) 2022 number of employees data.*

Q34. Do you agree with the tests set out in Figure 15 for assessing whether a person has met the minimum threshold? If not, please explain how you think the threshold should be assessed.

- 4.24 Around half of the respondents answered this question, with a majority agreeing with the government's proposed tests, with many welcoming the alignment of the forward-look test with other UK tax requirements.
- 4.25 Of the small proportion of respondents who disagreed, they felt that applying the backwards looking test daily would impose burdensome requirements on businesses to perform daily monitoring of CBAM imports into the UK. Several respondents also called for detailed guidance on the application of the tests.

Government response

- 4.26 **The government will proceed with applying a forwards and backwards looking test to determine when a person becomes liable for the CBAM. However, the government recognises the concerns raised about the burdens associated with a daily backwards looking test and will change the frequency of the backwards looking test from daily to monthly.**
- 4.27 The government will provide further clarity on the forward and backward look tests in guidance which will be published before the tax comes into force.

Q35. Do you consider the registration and deregistration requirements set out above to be appropriate? If not, please specify why not.

- 4.28 Around half of respondents answered this question of which the majority agreed that the registration and deregistration requirements as outlined in the consultation are appropriate.
- 4.29 A small proportion of respondents disagreed with the proposal set out within the consultation, calling for alignment with the EU CBAM deregistration requirements.
- 4.30 Additionally, a small number of respondents requested the government consider administrative easements including group registration, a deregistration threshold or use of exemptions for those who regularly stay below the minimum registration threshold and only occasionally exceed it.

Government response

- 4.31 The government welcomes the support for these proposals and will consider further the range of circumstances for when a person can apply to be de-registered for CBAM to ensure administrative burdens are kept to a minimum.
- 4.32 To further reduce the administrative burdens of the tax, the government will also explore the feasibility of allowing group registration.
- 4.33 The government does not agree with introducing exemptions for businesses that exceed the minimum registration threshold occasionally, as this could undermine

the environmental integrity of the CBAM, however the government will keep deregistration requirements under review.

Accounting periods, returns and payments

- 4.34 As the UK CBAM will operate as a tax, the consultation set out that liable persons will need to complete and submit an online tax return following the end of each accounting period. The return will need to cover the whole accounting period and, subject to the proposed deregistration requirements, nil returns would be required where a registrable person has not imported any CBAM goods during the relevant accounting period.
- 4.35 It also set out that the content required on a return was likely to include: the CBAM commodities imported by reference to the commodity codes, the dates of import, the weight of CBAM goods, the total emissions embodied (or default value) and any effective overseas carbon prices incurred.
- 4.36 The consultation proposed that the first accounting period would be 12 months and that returns and payments would be due five months after the end of the first accounting period (31 May 2028). From 1 January 2028, it proposed that accounting periods would be quarterly and to gradually transition to returns and payments due a month later, to align with how other taxes are generally administered by HMRC.

Q36. Do you foresee any difficulties with the arrangements set out for completing and submitting returns, including the content required on the return? If so, please specify the difficulties and why they would arise.

- 4.37 Just over half responded to this question, of which just over half saw issues with the arrangements for completing and submitting returns, noting that the process would be time consuming and administratively burdensome given the large volume of data required. Respondents were also concerned that it would be difficult to obtain accurate data, particularly for the overseas carbon price where verification will also be required. Some called for alignment with the EU's reporting requirements to ease the administrative burden. However, respondents who saw no issues highlighted that many importers of CBAM goods would also be importing into the EU, therefore their experience of complying with EU CBAM rules should make completing and submitting returns for the UK CBAM more straightforward.

Government response

- 4.38 The government recognises the concerns raised around the arrangements set out for completing and submitting returns. It will keep the content required on the return under consideration to ensure that only necessary information is collected and that the process of completing and submitting returns does not create undue administrative burdens. As highlighted elsewhere, the government will also

produce clear and timely guidance in advance of the UK CBAM commencing to help understand the reporting obligations.

Q37. Do you think that allowing 5 months from the end of the first accounting period until returns are due allows sufficient time for a liable person to obtain data about the carbon content of their CBAM goods? If you think a different period should operate, please explain why.

- 4.39 Just over half of respondents answered this question, of which a majority were explicitly in favour of the five-month period for the first return and payment. However, some stated that five months was too long and could dissuade businesses from establishing adequate processes to collect emissions data.
- 4.40 A minority of respondents were concerned that five months is not long enough to complete and submit returns given the complexity of certain supply chains, the readiness of suppliers and the accuracy of data collection systems. Given the increased administrative burden introduced by the UK CBAM, respondents called for the government to have comprehensive guidance in place to support businesses.

Government response

- 4.41 Given the positive response to the proposal for the first accounting and payment period, **the government intends to continue with the proposal for an initial five month return window.** The government understands that the submission of returns may be challenging where supply chains are more complex; however, it will work to provide clear and timely guidance, and it will engage closely with industry to support this process.

Q38. Do you agree with the proposal to move to quarterly accounting period from 2028 and, if not, why not?

Q39. Do you foresee any difficulties in moving to a system of four fixed accounting periods a year from 2028, with returns/payments generally due a month later? If so, please explain your concerns and any suggestions for dealing with those concerns.

- 4.42 Just over half of respondents answered these two questions. Of these responses, just under half agreed with the move to quarterly accounting from 2028 with returns due a month later, whilst a small proportion disagreed.
- 4.43 Respondents who agreed stated that quarterly accounting periods were familiar across other taxes and would align with the proposed reference period for the carbon price. Further, by making UK CBAM returns more routine, one respondent noted that the proposals would 'help to avoid bottlenecks for businesses and minimise data gaps' as well as 'help businesses to focus on collecting accurate data on a timely basis'. Businesses also highlighted that processes should be in place for quarterly accounting, as although the EU CBAM requires an annual return, importers must still purchase enough certificates to

cover 80% of imported emissions each quarter. To ease concerns around the availability of data on a quarterly basis, respondents mentioned that the government should allow for the most recent full year of verified emissions data to be used on the return.

- 4.44 Of the respondents who disagreed with the proposals, many said that quarterly accounting would be onerous to both industry and the government. There were also concerns around the ability to provide actual emissions data on a quarterly basis, as well as the ability to obtain evidence of carbon prices incurred overseas each quarter. Therefore, respondents suggested annual returns would be preferable to align with UK ETS reporting and other carbon pricing mechanisms internationally. Several respondents stated that they did not have issues with the move to quarterly accounting but instead wanted a longer return window. They felt that two to three months would be sufficient to ease administrative burdens.

Government response to questions 38 and 39

- 4.45 The government acknowledges the range of feedback received on the proposal to move to quarterly accounting and payment periods from 2028. In particular, it notes the concerns raised around providing accurate emissions data and information about the overseas carbon price incurred. The government will continue to consider the approach to accounting and payment periods from 2028 alongside the requirements for measuring and verifying emissions, calculating and verifying the overseas carbon price, and the information required on a return.

Compliance and penalties

- 4.46 The consultation document set out that the UK CBAM will be implemented in a manner aimed at reducing opportunities for avoidance and evasion. However, where non-compliance does arise, HMRC will use similar enforcement and inspection powers that exist across other taxes. It will also use penalties to deter non-compliance, using existing HMRC penalties as far as possible, but introducing a general penalty for any non-compliance specific to CBAM. The consultation also noted that consideration would be given to introducing criminal offences for fraudulent evasion of the UK CBAM.

Q40. Do you consider that HMRC's approach to enforcement powers and penalties is appropriate? If not, please specify why.

Q41. Do you have any other concerns or suggestions around potential compliance risks? Please outline.

- 4.47 Just over half of respondents answered these questions. Of those that did, around half agreed with using the standard HMRC approach for enforcement powers and penalties. A small proportion of respondents reported other compliance concerns. The most cited compliance risk was that CBAM goods are mis-described when imported to the UK to circumvent the UK CBAM.

Government response to questions 40 and 41

- 4.48 As respondents were largely supportive of the approach to enforcement and compliance, **the government will proceed with the consultation proposal and use existing HMRC powers and penalties, including a general regulatory penalty for offences that are specific to the UK CBAM. In addition, the government will seek to align with the VAT penalty points system as far as possible for late submission of CBAM returns and late payment.**
- 4.39 The government also notes that it is already an offence to mis-describe imported goods for customs purposes which can attract a range of sanctions and penalties. The risk of mis-description will continue to be monitored closely when the UK CBAM is introduced.
- 4.40 **The government will introduce a criminal offence for fraudulent evasion of the UK CBAM.** As set out in the consultation, these powers and sanctions aim to promote compliance and reassure businesses that do comply that they will not be disadvantaged.

5. Next Steps

- 5.1 The government is very grateful for the detailed responses to the consultation as well as for the extensive and constructive engagement during the consultation period. HMRC and HMT will continue to engage with key stakeholders that represent the sectors and industries most affected by the UK CBAM through the establishment of a CBAM industry working group. The group will be set up in the near future.
- 5.2 As well as engaging with UK industry, the government will also introduce a UK CBAM international group to engage with other governments whose exporters have a keen interest in the functioning of the UK CBAM.
- 5.3 The UK CBAM will require both primary and secondary legislation. HMRC intend to publish all the legislation in draft ahead of introducing it before Parliament. This will allow interested stakeholders to review the legislation and ensure it meets the policy intent.
- 5.4 HMRC will also develop a comprehensive communications package and detailed guidance, which the government recognises is essential for liable persons to comply with their obligations as well as for overseas operators and verifiers to support the liable person in meeting these new requirements.
- 5.5 As work on the implementation of the tax proceeds, the government will continue to keep all areas of the UK CBAM design and implementation under review and would welcome continued engagement from all interested stakeholders.

Annex A: List of stakeholders consulted

The government is grateful to the 9 individuals and following organisations who responded to the consultation.

2M Holdings Ltd

Air Products Ltd

All Pakistan Cement Manufacturers Association (APCMA)

Alupro

Ambiente

American Chamber of Commerce to the European Union

Amreli Steel

AOL

Arconic

ASR Group

Association of British HealthTech Industries (ABHI)

Attock Cement

Australian Government

Automotive Precision Engineering Ltd

Bapp Industrial Supplies Ltd

Barral Parente

BCW Group

BEAMA

Bestway

BeZero Carbon

Boltfast Ltd

BP

Brazilian Aluminium Association

Brett Aggregates Ltd

Brett Martin Ltd

Breedon Group Plc

Brineflow Ltd

British & Irish Association of Fastener distributors

British American Business

British Chambers of Commerce

British Columbia

British Compressed Air Society

British Glass

British International Freight Association

British Marine

British Retail Consortium

British Steel

British Universities Finance Directors Group

British Valve & Actuator Association

Bridgnorth Aluminium Ltd

Brompton Bicycle Ltd

BSI Group (BSI)

Bufa Composites UK Ltd

Bureau of Standards, Metrology and Inspection

BUSA

Cadent Gas

Caldic Ltd

Camirus Ltd

Carbon Capture & Storage Association

Carbon Chain Ltd

Caterpillar UK Group Limited

Cbamboo

Celsa Steel UK

Cemex UK

Centrica Plc

Cerame-Unie

Ceramics UK

CF Fertilisers UK Ltd

CGEM - Confédération Générale des Entreprises du Maroc

Chadwick Export Services

Chartered Accountants Ireland

Chartered Institute of Taxation

Chemical Industries Association (CIA)

Citizens Advice Bureau

Clean Trade

Clevedon Fasteners Ltd

Climate Change Administration

Composites UK

Confederation of British Industry (CBI)

Confederation of British Metal forming (CBM)
Confederation of Paper Industries (CPI)
Construction Equipment Association (CEA)
Construction Products Association
Cooper & Turner Ltd
Copenhagen Infrastructure Partners (CIP)
Cory Environmental Ltd
Council for Aluminium in Building (CAB)
Country Land and Business Association (CLA)
Critical Mineral Association
Crowe UK
Cummins Inc.
Diageo
Daikin UK Ltd
Dairy UK
Deloitte LLP
Department of Alternative Energy Development and Efficiency
Department of Chemical and Biological Engineering, University of Sheffield
DG Cement
Durham University
E-Liability Institute
EDF Energy Ltd
ElecLink Ltd
Electrosteel UK Ltd

Encirc

Energy UK

Emissions Trading Group (ETG)

Ernst and Young (EY)

ESB Group

Essar Energy Transition

Etex Group Ltd

European Aluminium

European Roundtable on Climate Change and Sustainable Transition (ERCST)

EURIS Taskforce

Evelyn Partners LLP

Evident Global

Evolution Fasteners (UK) Ltd

Exxon Mobil

Fabory UK

Fastbolt Group

Fastenal

Fasteners & Engineering supplies Ltd

FedEx

Federation of Environmental Trade Associations (FETA)

Federation of Small Businesses (FSB)

Filon Products Ltd

Fitlock Systems Ltd

Food and Drink Federation

Foodservice Equipment Association

Forvis Mazars LLPr

Freshfields Bruckhaus Deringer

Friends of the Earth

Frugalpac

Fuels Industry UK

Future BioGas

Galvanizers Association (GA)

GAMBICA ASSOCIATION LIMITED(THE)

Glass and Glazing Federation

Government of Brazil, Ministry of Foreign Affairs

Government of Columbia, Ministry of Environment and Sustainable Development

Government of Mauritius, Ministry of Financial Affairs and Good Governance

Government of Quebec

GRP Solutions Ltd

Gupta Family Group Alliance (GFG Alliance)

Hadley Group Ltd

Harclo LTD

Harrison & Clough

Harrison Silverdale Ltd

Harvard Kennedy School

Heidelberg Materials UK

Heineken

Hexstone Ltd

Hilton Docker Mouldings Ltd

HiiROC

Hulamin Ltd

Human Tissue Authority (HTA)

Hydro UK

Hydrogen UK

Hyundai Steel

Institute of Environmental Management & Assessment (IEMA)

International Industries Ltd

International Steel Ltd

IETA

IKEA

Impact Strategy Consulting

Institute of Chartered Accountants in England and Wales (ICAEW)

Ineos Group Ltd

Inox Hoang Vu

Institute of Environmental Management & Assessment (IEMA)

International Industries Ltd

International Steel Ltd

Jaguar Land Rover Ltd

Jama

Jessie Rose

John George & Sons Ltd

Kadir Has University

K- Engineering Ltd

Kingfisher PLC

Koch Industries International Limited

Korea Iron & Steel Association

KPMG LLP

Kuehne Nagel Ltd

KWC

Kyoto Sangyo University

Lab Services Ltd

Lancaster Fastener Co. Ltd

Livingston

Logistics UK

London Metal Exchange

London School of Economics and Political Science (LSE)

Low Carbon

Lucky Cement Ltd

Madano Partnership Ltd

Make UK

Medio Ambiente

Metal Packaging Manufacturers Association

Mineral Products Association (MPA)

MPS Horticultural Ltd

MPA Trade Law

Mughal Steel
NAACAM
National Farmers Union
National Farmers Union of Scotland
National Gas Transmission
National Grid plc
NEC Europe Ltd
Nepra Environmental Solutions Private Ltd
Nissan
Norges største fellesskap for bedrifter (NHO)
Novelis UK Ltd
Nufast Ltd
Ocean Winds UK
OMEX
Overseas Development Institute
Pentagroup
Peter Martyn Folkes
Phil Holden Fasteners Ltd
Phillips 66 Ltd
POSCO
Power Cement Ltd
Primark Stores Ltd
Progressive Energy Ltd
Pugh & Sanders Ltd

PWC Ltd

Rail Forum

REA

Renewable UK

Republic of Fiji, Ministry of Environment and Climate Change

Republic of Korea, Ministry of Trade, Industry and Environment

Republic of Mozambique

Republic of South Africa

Republic of Turkiye, Ministry of Trade

Republica of Ecuador

RES Group

Respol Resources UK Ltd

Rivco Ltd

Rolls-Royce PLC

Rot Turnbull Fasteners

Saint-Gobain Ltd

Salzgitter Mannesmann UK Ltd

Samac Fixings Ltd

Sasol UK Ltd

Science Industries

Scottish Power UK PLC

Shell

Simply Blue Group

Smith Bullough Ltd

Smiths Group PLC

SMMT

Society of Maritime industries

South 32

South African Institute of Affairs

Spirit Aerosystems Ltd

Statera Energy

Staytite Ltd

Steel Climate Ltd

STEMCOR

STX Group Ltd

SZUC

Tata Steel Europe

Tarmac

Tech UK

Tees Valley

TFC Ltd

Thailand Greenhouse Gas Management organization

The Association for Decentralised Energy (ADE)

The Brazilian National Confederation of Industry (CNI)

The British Cables Association (BCA)

The British Ports Association

The British Soft Drinks Association Ltd

The Chartered Institute of Export & International Trade (IOE&IT)

The Energy Intensive Users Group (EIUG)
The Green Alliance
The Growth Commission
The Lighting Industry Association
The Scotch Whisky Association
The Taiwan Research Institute
The Tibbetts Group Ltd
The Wine and Spirit Trade Association
Thailand's Department of Trade Negotiations
TIMCO
Tinsley Bridge Group
TJX Europe Buying Group Ltd
TR Fastenings Ltd
Trade Development Authority of Pakistan
Trade Justice Movement
Trivium Packaging
Turkey
U.S. Chamber of Commerce
UCL
UFU
UK Chamber of Shipping
UK Steel
Ulster Farmers Union
United Kingdom Accreditation Service

University of Glasgow

University of Sussex

University of Warwick

Vaillant Group UK Ltd

Valero Ltd

Valro Manufacturing

Van Bael & Bellis (London) LLP

Veolia UK Ltd

Victory Fasteners Ltd

WSTA

WTI Holdings Ltd

Yara International

ZeroC Ltd

Annex B: Commodity codes within scope of UK CBAM

Aluminium

Combined Nomenclature (CN) code and description	Greenhouse gases
7601 – Unwrought aluminium	Carbon dioxide and perfluorocarbons
7603 – Aluminium powders and flakes	Carbon dioxide and perfluorocarbons
7604 – Aluminium bars, rods and profiles	Carbon dioxide and perfluorocarbons
7605 – Aluminium wire	Carbon dioxide and perfluorocarbons
7606 – Aluminium plates, sheets and strip, of a thickness exceeding 0,2 mm	Carbon dioxide and perfluorocarbons
7607 – Aluminium foil (whether or not printed or backed with paper, paper-board, plastics or similar backing materials) of a thickness (excluding any backing) not exceeding 0,2 mm	Carbon dioxide and perfluorocarbons
7608 – Aluminium tubes and pipes	Carbon dioxide and perfluorocarbons
7609 00 00 – Aluminium tube or pipe fittings (for example, couplings, elbows, sleeves)	Carbon dioxide and perfluorocarbons
7610 – Aluminium structures (excluding prefabricated buildings of heading 9406) and parts of structures (for example, bridges and bridge-sections, towers, lattice masts, roofs, roofing frameworks, doors and windows and their frames and thresholds for doors, balustrades, pillars and columns); aluminium plates, rods, profiles, tubes and the like, prepared for use in structures	Carbon dioxide and perfluorocarbons
7611 00 00 – Aluminium reservoirs, tanks, vats and similar containers, for any material (other than compressed or liquefied gas), of a capacity exceeding 300 litres, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment	Carbon dioxide and perfluorocarbons
7612 – Aluminium casks, drums, cans, boxes and similar containers (including rigid or collapsible tubular containers), for any material (other than compressed or liquefied gas), of a capacity not exceeding 300 litres, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment	Carbon dioxide and perfluorocarbons
7613 00 00 – Aluminium containers for compressed or liquefied gas	Carbon dioxide and perfluorocarbons
7614 – Stranded wire, cables, plaited bands and the like, of aluminium, not electrically insulated	Carbon dioxide and perfluorocarbons
7616 – Other articles of aluminium	Carbon dioxide and perfluorocarbons

Cement

CN code and description	Greenhouse gas
2507 00 80 – Other kaolinic clays	Carbon dioxide
2523 10 00 – Cement clinkers	Carbon dioxide
2523 21 00 – White Portland cement, whether or not artificially coloured	Carbon dioxide

2523 29 00 – Other Portland cement	Carbon dioxide
2523 30 00 – Aluminous cement	Carbon dioxide
2523 90 00 – Other hydraulic cements	Carbon dioxide

Fertilisers

CN code and description	Greenhouse gas(es)
2808 00 00 – Nitric acid; sulphonitric acids	Carbon dioxide and nitrous oxide
2814 – Ammonia, anhydrous or in aqueous solution	Carbon dioxide
2834 21 00 – Nitrates of potassium	Carbon dioxide and nitrous oxide
3102 – Mineral or chemical fertilisers, nitrogenous	Carbon dioxide and nitrous oxide
3105 – Mineral or chemical fertilisers containing two or three of the fertilising elements nitrogen, phosphorus and potassium; other fertilisers; goods of this chapter in tablets or similar forms or in packages of a gross weight not exceeding 10 kg Except: 3105 60 00 – Mineral or chemical fertilisers containing the two fertilising elements phosphorus and potassium	Carbon dioxide and nitrous oxide

Hydrogen

CN code and description	Greenhouse gas
2804 10 00 – Hydrogen	Carbon dioxide

Iron and steel

CN code and description	Greenhouse gas
2601 12 00 – Agglomerated iron ores and concentrates, other than roasted iron pyrites	Carbon dioxide

72 Iron and steel – Except: 7202 2 – Ferro-silicon 7202 30 00 – Ferro-silico-manganese 7202 50 00 – Ferro-silico-chromium 7202 70 00 – Ferro-molybdenum 7202 80 00 – Ferro-tungsten and ferro-silico-tungsten 7202 91 00 – Ferro-titanium and ferro-silico-titanium 7202 92 00 – Ferro-vanadium 7202 93 00 – Ferro-niobium 7202 99 – Other: 7202 99 10 – Ferro-phosphorus 7202 99 30 – Ferro-silico-magnesium 7202 99 80 – Other 7204 – Ferrous waste and scrap; remelting scrap ingots and steel	Carbon dioxide
7301 – Sheet piling of iron or steel, whether or not drilled, punched or made from assembled elements; welded angles, shapes and sections, of iron or steel	Carbon dioxide
7302 – Railway or tramway track construction material of iron or steel, the following: rails, check-rails and rack rails, switch blades, crossing frogs, point rods and other crossing pieces, sleepers (cross-ties), fish-plates, chairs, chair wedges, sole plates (base plates), rail clips, bedplates, ties and other material specialised for jointing or fixing rails	Carbon dioxide
7303 00 – Tubes, pipes and hollow profiles, of cast iron	Carbon dioxide
7304 – Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel	Carbon dioxide
7305 – Other tubes and pipes (for example, welded, riveted or similarly closed), having circular cross-sections, the external diameter of which exceeds 406,4 mm, of iron or steel	Carbon dioxide
7306 – Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel	Carbon dioxide
7307 – Tube or pipe fittings (for example, couplings, elbows, sleeves), of iron or steel	Carbon dioxide
7308 – Structures (excluding prefabricated buildings of heading 9406) and parts of structures (for example, bridges and bridge-sections, lock-gates, towers, lattice masts, roofs, roofing frameworks, doors and windows and their frames and thresholds for doors, shutters, balustrades, pillars and columns), of iron or steel; plates, rods, angles, shapes, sections, tubes and the like, prepared for use in structures, of iron or steel	Carbon dioxide
7309 00 – Reservoirs, tanks, vats and similar containers for any material (other than compressed or liquefied gas), of iron or steel, of a capacity exceeding 300 l, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment	Carbon dioxide
7310 – Tanks, casks, drums, cans, boxes and similar containers, for any material (other than compressed or liquefied gas), of iron or steel, of a capacity not exceeding 300 l, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment	Carbon dioxide

7311 00 – Containers for compressed or liquefied gas, of iron or steel	Carbon dioxide
7318 – Screws, bolts, nuts, coach screws, screw hooks, rivets, cotters, cotter pins, washers (including spring washers) and similar articles, of iron or steel	Carbon dioxide
7326 – Other articles of iron or steel	Carbon dioxide