

EUROPEAN UNION OFFICIAL SEEKS TO ALLAY INDIA'S CONCERNS ON 'CARBON TAX'

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European Union's chief climate negotiator Frans Timmermans. File | Photo Credit: REUTERS

The Carbon Border Adjustment Mechanism (CBAM) is not intended to be “protectionist” and only meant to avoid the problem of ‘carbon leakage,’ said Frans Timmermans, European Union’s chief climate negotiator, in an interaction with reporters on Friday. Indian industries will have nothing to worry if the carbon-intensity of goods, for eg steel, aluminium and iron, made in India and exported to the EU matches that of the goods made in the bloc. “We are now in the trial period of the CBAM and I can assure that the CBAM will be WTO-compliant [in line with trading rules of the World Trade Organisation] and will be corrected if it is having unintended effects,” he said. “It is too early to make assumptions on levies and costs for Indian businesses. We are in constant touch with India on this. The only thing we will do to protect our industry is to avoid unfair competition on carbon footprint.”

‘Carbon leakage,’ refers to cheaper, more carbon-intensive goods making their way into the EU at the expense of domestically manufactured products that have been manufactured using costlier, renewable energy. To check such leakage, the EU brought into force this month the CBAM that, after 2026, will require EU companies to annually declare the quantity of goods imported into the EU in the preceding year and their embedded greenhouse gas emissions and effectively pay for excessive emissions via CBAM certificates that could reflect as taxes paid by importers to the EU.

Indian manufacturers have raised concerns that the tax will mean a 20-35% tariff on India’s exports of steel, aluminium and cement, that currently attract a duty of less than 3%. As much as 27% of India’s exports of steel, iron and aluminium products, or \$8.2 billion, head to the EU.

The CBAM will initially apply to imports of certain goods and selected precursors whose production is carbon-intensive and at most significant risk of carbon leakage: cement, iron and steel, aluminium, fertilizers, electricity and hydrogen.

Mr. Timmermans met Environment Minister Bhupendra Yadav, Power Minister R.K. Singh and was also scheduled to meet Finance Minister Nirmala Sitharaman. Other than trade and emissions, his visit was also to set the ground ahead of the 28th meeting of Conference of Parties (COP) scheduled in November in Dubai.

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