ENVIRONMENTAL STRATEGIES
ESTABLISHED 1998

EU vs UK CBAM – Comparison Overview

Overview

A carbon border adjustment mechanism or CBAM is a tool used to prevent carbon leakage; where production moves to countries with weaker climate rules to avoid carbon costs. Carbon leakage ultimately undermines the effectiveness of climate policies, and can lead to offshoring of emissions, rather than genuine reductions in product manufacture.

It places a price (tax) on the embedded carbon emissions of certain energy intensive imported goods that are equivalent to the charges imposed on the same goods produced domestically because of an emissions trading scheme (ETS).

The price implemented is adjusted to consider any mandatory carbon prices in the country exporting the goods, meaning that there is expected alignment between the current EU scheme and the upcoming UK scheme. This, in theory, will reduce costs posed on businesses as products should face the same carbon price per tonne of CO_2 equivalent, regardless of whether the goods were imported or produced domestically.

Despite this, there are differences between the two schemes, as shown in the table below.

Headline Implications

Scope and Thresholds: Being in scope of one CBAM does not necessarily mean you are in scope for both, the commodity codes should be cross-referenced separately. Equally different metrics for determining thresholds mean a business could be subject to one regime but not the other.

Methodology: Businesses operating across both markets should avoid assuming one calculation is automatically acceptable under both regimes; methodologies and default values need to be checked separately as these will differ.

Future UK- EU Alignment: Greater alignment or ETS linkage could reduce carbon-cost barriers to UK–EU trade and potentially reduce duplication, although businesses should not assume the two compliance regimes will become identical. This is still being negotiated.

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Table of Comparison

	EU CBAM	UK CBAM
Effective date	Definitive regime began 1st January **2026**	1st January **2027**
Carbon price basis	Certificate prices track quarterly EU ETS auction averages (weekly from 2027)	**Rate set by government per sector**, reflecting the UK ETS net of free allowances.
Applicable sectors	Steel, aluminium, cement, fertilisers, hydrogen and electricity.	Same sectors with the **exception of electricity**
Product scope	Defined by EU CN or customs codes	Defined by UK commodity codes (CN codes)
Reporting frequency	Annual CBAM declaration and certificate surrender (by 30th September)	Annual for 2027 → **Quarterly from 2028**
Threshold	50 tonnes of in scope product / year	**£50,000** of in scope product over a given 12-month period.
Inclusion of indirect emissions	Phased in gradually. Currently Scope 1 and Scope 2 emissions only.	Deferred to 2029. From effective date only Scope 1 emissions included.
Liability and payment method	Importers purchase and surrender CBAM certificates	Tax liability paid to HMRC
Embedded emissions calculation	Importers may declare based on actual emissions data or default values.	
Verification requirements	If using actual emissions data, this will need to have been verified by a qualifying verifier (independently accredited). Verifiers must be accredited for the correct scope of activities.	
Geographical application	Imports into EU customs territory.	Applies to goods **imported into the UK** on or after 1st January 2027 Applies across the whole of the UK including overseas territories.