



BritishAmericanBusiness

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HM Revenue and Customs & HM Treasury

We are writing in response to His Majesty's Revenue and Customs and His Majesty's Treasury consultation on the Government's 2024 proposed Introduction of a UK carbon border adjustment mechanism from January 2027. This submission supports and does not supersede individual submissions made by BAB member companies.

BritishAmerican Business (BAB) is the leading US-UK transatlantic trade association, incorporating the British-American Chamber of Commerce in the US and the American Chamber of Commerce in the UK.

We are committed to strengthening the economic corridor between the US and the UK, and support policies and actions that enhance the environment for transatlantic trade and investment on behalf of our members.

BAB believes that business input on the topic of a UK CBAM is fundamental and is pleased that industry has been given the opportunity to feed into the proposed introduction of the mechanism. Please note that our submission contains contributions from and references to an additional submission made by the American Chamber of Commerce to the European Union (AmCham EU).

As transatlantic businesses have begun the transitional period for reporting with the EU CBAM, BAB welcomes the chance to provide feedback from industry where issues have arisen with the EU mechanism. Four core issues are being highlighted:

1. Data Collection and Supplier Engagement
2. Thresholds and Exemptions
3. Reporting Challenges and Administrative Burden
4. Lack of Awareness and Notice Obligations

Data Collection and Supplier Engagement

Issue:

- Difficulty or impossibility in obtaining accurate carbon footprint information from suppliers around the world, leading to resistance due to cost and administrative burden.
- Lack of clarity and guidance on reporting requirements and system usage.
- Lack of clarity on the phasing out of emissions trading system (ETS) free allocation. Although section 2.08 states there will be coordination between the ETS Authority and the government, the roadmap of phasing out free ETS allowances and phasing in a CBAM is unclear to businesses.

- Time-consuming supplier solicitation and complex CO2 calculation templates may cause businesses to incur larger compliance costs, and higher risk of submitting inaccurate information.

Recommendations:

- **Allow for the use of default values in the first reporting period in 2027** to mitigate compliance burdens, ensuring continuity in reporting practices.
 - Where the actual emissions cannot be adequately determined in the first reporting period, declarants should be allowed to use default values.
- Ensure **centralized support** for businesses during the two years if legislation is passed in 2025 to **prepare for reporting requirements**.

Provide continuous guidance and standardize methodologies for calculating GHG emissions per material to promote consistency and comparability, facilitating accurate reporting and analysis.
- **Clarity on the connectivity between CBAM and UK ETS developments** is needed for industry to understand any potential impacts they may see from the **phasing out of free allocation** and replacement to CBAM before the final design of CBAM is published.
- **Links between information accounts in the Customs Declaration Service (CDS) and CBAM should be made available under the UK Single Trade Window** to reduce burden and ensure regulator and reporters have the same access to this digital data.

Thresholds and Exemptions

Issue:

- Current de minimis provision would not exempt smaller, higher-value consignments (such as those typically carried by express parcels operators) or higher-value consignments with very small CO2 footprints. The proposed threshold is significantly higher than the EU threshold, potentially affecting US-UK trade.
- Compliance costs exceeding expected tax for companies outside the core business.
- Challenges with the current de minimis threshold in driving compliance burdens.

Recommendations:

- **Exclude goods imported for repair or service** from CBAM application to alleviate administrative complexities and ensure regulatory clarity.

- In order to avoid additional complexity, we propose simple **weight and emissions thresholds**, which are derived from a reference product (hot rolled coil steel). We propose the following thresholds, which would **apply exclusively** (i.e. if a consignment meets any one of the three thresholds, then it would be exempt from CBAM).
 - To be exempt, a consignment must EITHER:
 - Have a value that does not exceed €£10,000 OR
 - Have a weight that does not exceed 250kg OR
 - Contain no more than 500kg CO2e when calculated according to the published default value for that product.
- **Increase the de minimis threshold and allow the use of default values for small imports (< 1 ton CO2 equivalent)** beyond July 2024 to alleviate reporting burdens, ensuring continued access to essential goods while maintaining compliance.

Reporting challenges and administrative burden

Issue:

- Potential overlapping legislation could make the reporting unnecessarily burdensome, risking both exports and inward investment, as businesses may decide to trade and invest in less regulated economies for ease.

Recommendations:

- **Facilitate third-party reporting** outside regular customs processes to alleviate the burden on businesses and ensure timely and accurate reporting.
- **Open dialogue with the UK, EU and US** to ensure an aligned approach to each individual CBAM that may come into effect, particularly on sectors such as glass that differ in scope across the three economies. There is opportunity for international cooperation in three principal areas:
 1. *Scope*
 2. *Calculation methodologies for embedded emissions*
 3. *Recognition of carbon pricing*

Lack of Awareness and Notification Obligations

Issue:

- Companies unaware of their reporting and registration obligations, with **customs failing to notify them post-clearance** of the requirements, potentially resulting in cumulative penalties,

Recommendation:

- **Enhance support from HMRC**, including the provision of detailed guidance and assistance on CBAM requirements for traders.
- Establish a **centralized support mechanism** to field inquiries and provide guidance on compliance obligations.
- **Involve customs intermediaries to offer practical assistance** to businesses in understanding and fulfilling their CBAM obligations.

Overall, whilst BAB welcomes and supports the proposed introduction of a UK CBAM, we recommend that lessons are learned from the approach taken with the introduction of the EU CBAM as industry looks to fulfil its reporting requirements. We urge that the UK CBAM is aligned on the three international cooperation principles to reduce the burden on businesses and support continued trade and investment into the UK economy.

We hope this submission is helpful and remain open to any questions and further engagement.

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