

Govt mulls options to impose carbon tax on some imports

Move Is Seen As A Counter To EU's Environmental Levy

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UK, Others May Join EU In Green Tax

➤ Levied by the EU, Carbon Border Adjustment Mechanism (CBAM) kicks in from January 2026

➤ The tax is seen to be violating global treaties

➤ It is expected to result in an additional burden of at least 8-9% on certain exports from India

➤ The levy may be as high as 25-30% in some segments



➤ The tax is likely to negate any benefits that may accrue to India from the free trade agreement with EU that is currently under discussion

➤ India is contesting the levy at the WTO as well as bilaterally

➤ UK and some other developed countries expected to join EU in the coming years

New Delhi: The government is discussing the possibility of imposing carbon tax on some of the imports into the country at a time when Indian exports are facing the latest environmental hurdle from the European Union, with the UK and other developed countries expected to join the club in the coming years.

The Carbon Border Adjustment Mechanism (CBAM), which kicks in from January 2026, could result in an additional burden of at least 8-9% on certain products, with the levy likely to be as high as 25-30% in certain other categories. The tax will negate any benefits that may accrue to India from the free trade agreement (FTA) with the trading bloc that is currently under discussion.

The tax — which India is contesting at the World Trade Organisation (WTO), as well as bilaterally — is seen

to be violating global treaties and had even been questioned at COP27. BRICS nations and other developing countries have also voiced their concerns against the move with the government looking to actively counter it.

While the environment ministry and the power ministry are working on issues to address some of them domestically, the commerce department and the finance ministry have held consul-

tations to assess the overall impact on the Indian economy and also examine the option to impose some sort of a tax on certain segments of imports, including luxury products with high carbon content, government sources told **TOI**.

They added that the discussions are preliminary in nature and the issue is being looked at, with no decision taken at the moment. If imposed, it will target goods

from developed countries, which are seen to be arming themselves with CBAM.

Besides, the government wants to ensure that the levy does not impose any burden on Indian industry or businesses as a massive infrastructure rollout is planned in the coming decades for India to catch up. As a result, if the government decides to go ahead with the plan, the products will be identified carefully, after examining the impact on the overall economy.

But the government is clear that the move by the EU is unfair and imposes a burden on developing countries, without factoring in the fact that the developed countries were large emitters and are responsible for climate change.

The discussion around CBAM comes at a time when the WTO itself is pushing to be a platform for talks on trade and climate change, something that developing countries are opposing.