

GTRI Report/ 17-04-2026

EU plans to tax 180 more products under CBAM from Jan 2028

Highlights:

- The European Parliament's Committee on the Environment, Climate and Food Safety recommends to EU parliament for expanding the scope of CBAM by including more products and making the scheme restrictive
- EU plans to charge CBAM tax on 180 new steel- and aluminium-based products from January 2028.
- Most Indian engineering goods, auto parts, machinery and fabricated metal exports to the EU will be affected.
- India's scrap-based steel and recycled aluminium producers may lose their current carbon-cost advantage under stricter EU rules.
- EU may soon tax indirect emissions from electricity use, creating fresh costs for Indian manufacturers reliant on coal-based power.
- GTRI estimates most industrial products entering the EU could face carbon tax exposure by 2030.
- As EU goods enter India at lower tariffs under the FTA, Indian exports may simultaneously face rising CBAM charges in Europe.

Link to the report

https://www.europarl.europa.eu/doceo/document/ENVI-PR-786835_EN.html

Report:

The European Union is planning a major expansion of its Carbon Border Adjustment Mechanism (CBAM). This move could sharply increase carbon tax costs on Indian manufactured exports to Europe.

In a draft report issued on 10 April 2026, the European Parliament's Committee on the Environment, Climate and Food Safety (ENVI) proposed five major changes to the CBAM

regime: (i) extending CBAM to around 180 additional steel- and aluminium-based manufactured products from 1 January 2028; (ii) tightening carbon accounting rules for scrap-based production by including emissions from pre-consumer scrap; (iii) rejecting the use of international carbon credits for CBAM compliance; (iv) examining expansion of CBAM to indirect emissions from electricity use across more sectors; and (v) introducing stricter anti-circumvention, reporting and verification requirements for suspected misuse.

Together, these steps would turn CBAM from a tax mainly on steel and aluminium raw materials into a much wider carbon tax covering manufactured industrial goods.

CBAM is the EU's border carbon tax that charges importers for emissions embedded in goods produced outside Europe. It effectively places a carbon price on foreign manufacturers selling into the EU. The mechanism acts as a climate-linked trade barrier on carbon-intensive imports.

The proposed expansion would bring many new products under CBAM, including fabricated metal products, tubes, pipes, fasteners, structural components, machinery parts, aluminium containers, and other semi-finished and finished engineering goods. The EU has not yet published HS-code-wise product details, but the proposal shows that CBAM is moving deeper into the manufacturing value chain.

At present, CBAM applies to imports of iron and steel, aluminium, cement, fertilisers, hydrogen, electricity, and selected steel/aluminium products.

The European Parliament has also asked the European Commission to study future inclusion of organic chemicals, polymers, and selected scrap materials, indicating that CBAM may gradually expand across most industrial manufacturing sectors.

The draft also proposes stricter treatment of scrap-based production. Under the new approach, emissions from steel and aluminium scrap would be counted in the embedded emissions of final products. Importers claiming use of lower-emission scrap would need verifiable proof of origin and classification. This would remove the favourable treatment many recycled-metal producers currently receive.

This change could significantly increase CBAM costs for Indian exporters using scrap-based production routes. In steel, the impact would be important because around one-fourth of India's steel output comes from Electric Arc Furnaces (EAFs) using scrap or mixed scrap-DRI feedstock. In aluminium, it would affect a major share of India's recycled aluminium sector, where secondary production accounts for around 30–40% of output or consumption.

The European Parliament has also opposed allowing international carbon credits for CBAM compliance. This means Indian exporters will not be able to use carbon credits bought in

voluntary or international markets to reduce their CBAM liabilities. Instead, firms would have to physically reduce emissions at source or operate under a domestic carbon pricing system accepted by the EU.

Further, the EU is examining whether to extend CBAM to indirect emissions—that is, emissions generated from the electricity consumed during production rather than from on-site fuel combustion. This may be applicable from end-2027. If adopted, this would significantly raise CBAM costs for Indian exporters because India’s industrial electricity grid remains relatively carbon-intensive due to continued dependence on coal-based generation.

The EU also plans tougher anti-circumvention rules. Importers suspected of under-reporting emissions, changing tariff classifications, or restructuring supply chains to avoid CBAM could face additional reporting and verification requirements. These obligations could be imposed within three months of the EU identifying suspected abuse.

GTRI said Indian industry should no longer view CBAM as a regulation affecting only steel and aluminium. From January 2028, Indian exporters of engineering goods, auto components, fabricated metal products, machinery, aluminium manufactures, and other industrial goods may increasingly face CBAM tax when exporting to Europe.

GTRI estimates that by 2030, most industrial products entering the EU could potentially face some form of carbon tax exposure.

This development comes at a sensitive time, as the India–EU Free Trade Agreement (FTA) is expected to become operational soon. Under the FTA, EU products may gradually enter India at zero tariffs, while an increasing share of Indian industrial exports could face CBAM charges in Europe. India has limited ability to retaliate because of the limiting CBAM-related provisions in the FTA text.

Many of Indian agriculture exports will be affected under the EUs deforestation regulations.

Indian exporters selling into Europe may therefore need to accelerate emissions accounting, supply-chain traceability, and decarbonisation investments to remain competitive in one of India’s most important export markets.

Prepared by Ajay Srivastava