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CBAM and Indian Exports

Verified Data, Domestic Carbon Pricing and the Terms of Access to the European Market

Sector exposure, cost arithmetic and policy priorities for India's steel, aluminium and fertiliser exporters in the first year of the definitive period

€75.28	€254/t	€91/t	<0.04%
CBAM certificate price for Q2 2026, per tonne of CO_2 (Q1: €75.36)	CBAM charge on Indian hot-rolled coil declared at default values, Q1 2026	Charge on the same coil with verified emissions at the sector-average intensity	Gross CBAM fees at full phase-in as a share of India's GDP

Summary

The European Union's Carbon Border Adjustment Mechanism (CBAM) entered its definitive period on 1 January 2026. The first two quarterly certificate prices, €75.36 and €75.28 per tonne of CO_2, place the carbon cost of EU-bound Indian steel and aluminium on a measurable footing for the first time. This brief recalculates that cost under the rules now in force, sets it against India's trade and fiscal position, and identifies the domestic measures that reduce it most.

KEY FINDINGS

01 **The 2.5 per cent phase-in figure understates exposure.** CBAM deducts free allocation only up to a product benchmark. Emissions above the benchmark carry the full certificate price from 2026. Indian hot-rolled coil declared at default values incurred about €254 per tonne in the first quarter of 2026, more than half of its recent delivered price.

02 **Verified data is the largest near-term lever.** The same coil declared with verified emissions at India's sector-average intensity costs about €91 per tonne. The difference, about €163 per tonne in 2026, exceeds any plausible deduction from a domestic carbon price before 2030.

03 **Macroeconomic exposure is modest; sectoral exposure is acute.** India's CBAM-covered exports to the EU were worth €5.09 billion in 2025. Gross fees at full phase-in are estimated at €0.4 billion to €0.8 billion a year, below 0.04 per cent of GDP even at higher carbon prices. Iron and steel carry more than 90 per cent of the liability.

04 **CBAM and the EU's new steel quota regime now compound.** Since 1 July 2026, India's country-specific duty-free steel quota has fallen from 2.79 million to 1.94 million tonnes, with a 50 per cent duty beyond it. Within the quota, verified low-carbon tonnage is the most valuable tonnage.

05 **The Carbon Credit Trading Scheme is advancing but will not yet yield a deductible price.** Targets bind 490 entities, a revised draft adds 255 steel units from FY2026-27, and first credits are expected in late 2026. Under an intensity-based design with modest targets, the carbon price effectively paid per tonne of exported steel will remain small.

PRIORITY ACTIONS

1. Fund installation-level monitoring and accredited verification for EU-facing steel and aluminium producers, beginning with MSMEs.
2. Seek recognition of CCTS-verified data in the 2027 revision of India's country-specific default values.
3. Finalise steel and fertiliser targets on a published, tightening path to 2030 and introduce a price floor for Carbon Credit Certificates.
4. Align Green Steel Taxonomy accounting with CBAM boundaries so that one verification serves domestic labelling, export compliance and finance.
5. Use the FTA's CBAM provisions to pursue methodological concessions, which cost the EU little and are therefore negotiable.
6. Establish a steel transition finance window tied to verified intensity, anchored in public and development finance.

1 The Definitive Period: What Changed in 2026

1.1 From reporting to liability

The transitional period, which ran from October 2023 to December 2025, required importers to report embedded emissions without payment. Since 1 January 2026, imports of iron and steel, aluminium, cement, fertilisers, hydrogen and electricity create a financial obligation for authorised CBAM declarants[1]. The simplification regulation of October 2025 exempts importers of less than 50 tonnes of covered goods a year, a threshold that removes most small consignments while retaining almost all embedded emissions[2]. Certificates covering 2026 imports go on sale on a common central platform from February 2027, and the first annual declaration and surrender fall due on 30 September 2027[3].

For 2026, the certificate price is the quarterly average of EU Emissions Trading System (ETS) auction clearing prices. The Commission published €75.36 for the first quarter on 7 April 2026 and €75.28 for the second on 6 July 2026[4]. From 2027 the price will be set weekly. This brief uses the first-half average of €75.32 as its reference price and tests results against higher prices; market analysts project EU allowance prices near €130 by 2030[5].

1.2 Three parameters that set the bill

- **CBAM benchmarks.** The free allocation adjustment mirrors the free allowances an EU producer of the same good would receive, using benchmarks derived from the EU ETS[6]. For hot-rolled flat steel made through the blast furnace route, the 2026 benchmark is 1.370 tCO_2e per tonne[7]. The 2026 benchmarks are provisional and will be updated for imports from 1 January 2027 once final ETS benchmarks for 2026 to 2030 are published[6].
- **The CBAM factor.** The share of the benchmark still deducted falls from 97.5 per cent in 2026 to zero in 2034, in step with the phase-out of free allocation in the EU ETS[8].
- **Default values.** Where verified installation data are unavailable, importers must use country-specific default values[9]. For steel and aluminium these carry a mark-up of 10 per cent in 2026, 20 per cent in 2027 and 30 per cent from 2028[10].

HOW THE OBLIGATION IS CALCULATED

Certificates per tonne = embedded emissions − (CBAM benchmark × CBAM factor) − carbon price effectively paid in the country of origin, expressed in certificate equivalents

Cost per tonne = certificates per tonne × CBAM certificate price

The deduction applies to benchmark-level emissions only. Every tonne of CO_2 above the benchmark is priced in full from 2026. Calculations in this brief set the EU cross-sectoral correction factor at one and cover direct emissions, which is the basis on which steel and aluminium are currently assessed.

TABLE 1

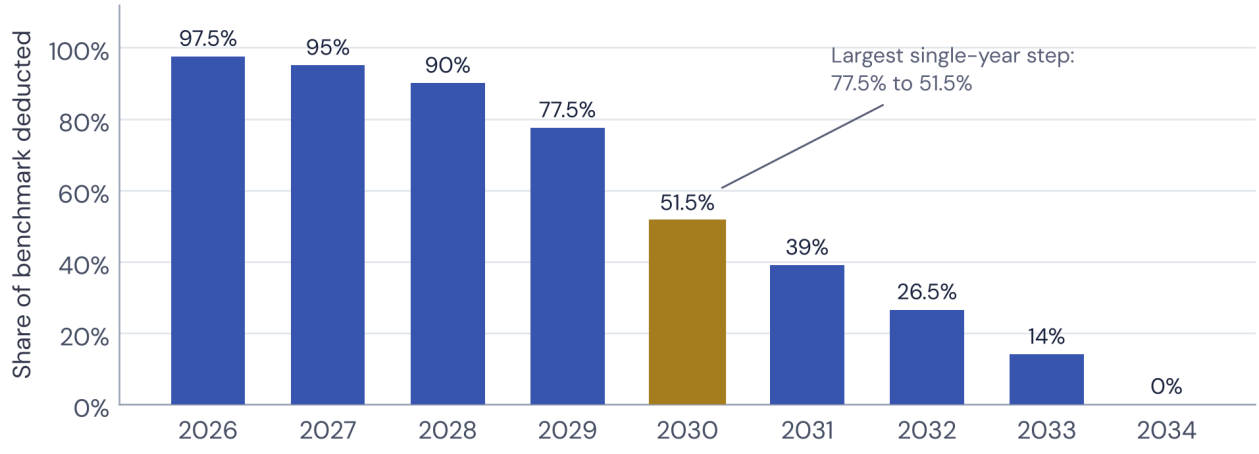
Free allocation phase-out and default value mark-ups, 2026 to 2034

Year	CBAM factor (share of benchmark deducted)	Default value mark-up (steel, aluminium)	Milestone
2026	97.5%	10%	First liability year; Q1 and Q2 prices published
2027	95.0%	20%	Certificate sales open in February; first declaration and surrender on 30 September; weekly pricing; updated benchmarks
2028	90.0%	30%	Proposed start of the downstream extension
2029	77.5%	30%	
2030	51.5%	30%	Largest single-year reduction in the deduction
2031	39.0%	30%	
2032	26.5%	30%	
2033	14.0%	30%	
2034	0%	30%	Free allocation ends; full exposure

Source: Directive 2003/87/EC, Article 10a(1a); Implementing Regulations (EU) 2025/2620 and 2025/2621; Regulation (EU) 2025/2083.[3,8,10]

FIGURE 1

Share of the CBAM benchmark deducted from the certificate obligation, 2026 to 2034



Source: Directive 2003/87/EC, Article 10a(1a), as amended.[8]

2 The Cost Arithmetic: Why the 2.5 Per Cent Figure Misleads

Public discussion has often treated 2026 as a near-costless year, on the reasoning that only 2.5 per cent of free allocation is withdrawn. That reasoning holds only for goods whose embedded emissions sit at the EU benchmark. The deduction covers benchmark-level emissions, so every tonne above the benchmark is priced in full from the first day of the definitive period[6,11]. For high-intensity producers, the 2026 bill is set mainly by the distance between their emissions and the benchmark, and only marginally by the phase-in schedule.

Table 2 applies the rules to Indian hot-rolled flat steel (CN 7208), India's largest CBAM-exposed product line[12]. It compares three declaration paths: the India-specific default value of 4.28 tCO_2e per tonne with the applicable mark-up[9,13]; verified emissions at India's sector-average intensity of 2.54 tCO_2 per tonne of crude steel[12]; and verified emissions at 2.10, an illustrative value for an efficient integrated mill.

TABLE 2

CBAM charge on Indian hot-rolled coil by declaration path (€ per tonne, constant price of €75.32)

Year	CBAM factor	Default value (with mark-up)	Verified: 2.54 tCO_2/t	Verified: 2.10 tCO_2/t
2026	97.5%	254	91	58
2027	95.0%	289	93	60
2028	90.0%	326	98	65
2030	51.5%	366	138	105
2032	26.5%	392	164	131
2034	0%	419	191	158

Note: Benchmark held at the provisional 2026 value of 1.370 tCO_2e per tonne; cross-sectoral correction factor set at one; no deduction for a carbon price paid in India. The default path reproduces the €254.13 per tonne reported for Q1 2026 imports[11].

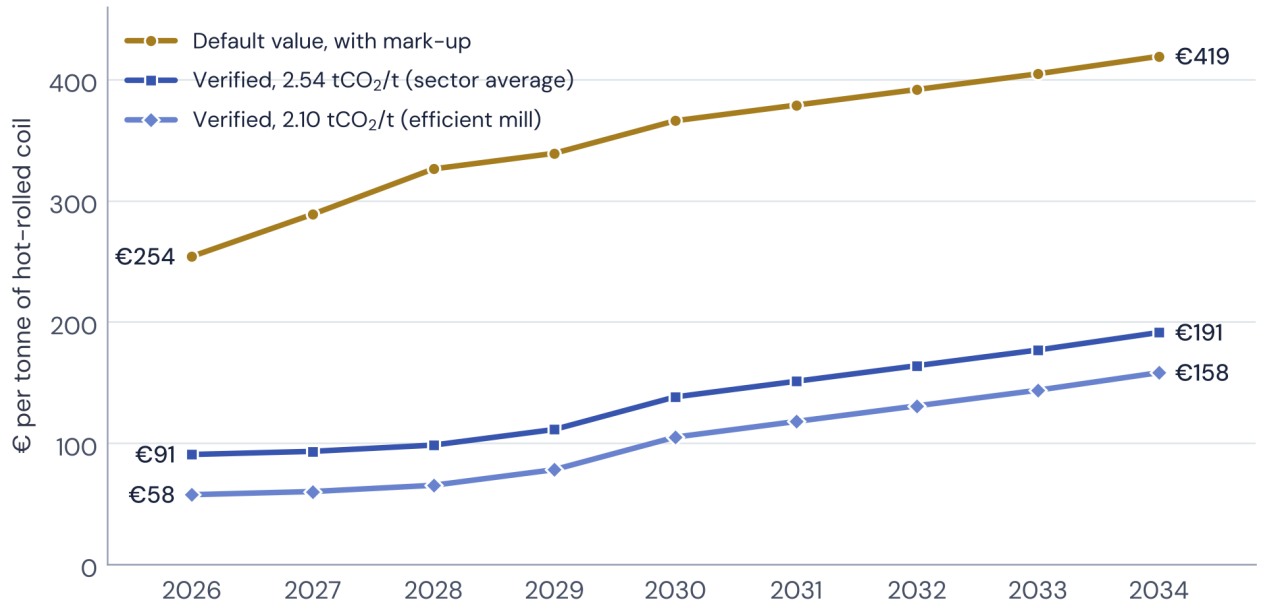
Source: SCRF calculations based on Implementing Regulations (EU) 2025/2620 and 2025/2621, Commission certificate prices and Sandbag (2026).[4,6,9,12]

Three results follow. First, the default path is punitive by design. At about €254 per tonne in 2026, the charge equals more than half the delivered price of Indian hot-rolled coil, which traded near US$510 per tonne CFR for first-quarter 2026 arrival[7], or about €446 at the July 2026 exchange rate[14]. Second, verification alone lowers the 2026 charge by about €163 per tonne, a saving larger than the entire charge on the verified sector-average path in every year to 2031. Third, the phase-in schedule matters most after 2029. On the verified sector-average path, the charge rises from €91 in 2026 to €138 in 2030 and €191 in 2034 at constant prices; at an allowance price of €130, the 2034 figure would reach about €330 per tonne.

The near-term policy problem is therefore one of evidence. Until 2030, the cost of Indian steel at the EU border depends chiefly on the quality and recognition of emissions data; from 2030, the decarbonisation trajectory of the plants serving the EU market becomes the dominant variable.

FIGURE 2

CBAM charge on Indian hot-rolled coil by declaration path, 2026 to 2034 (€ per tonne)



Source: SCRF calculations; assumptions as in Table 2.

3 Sector Exposure

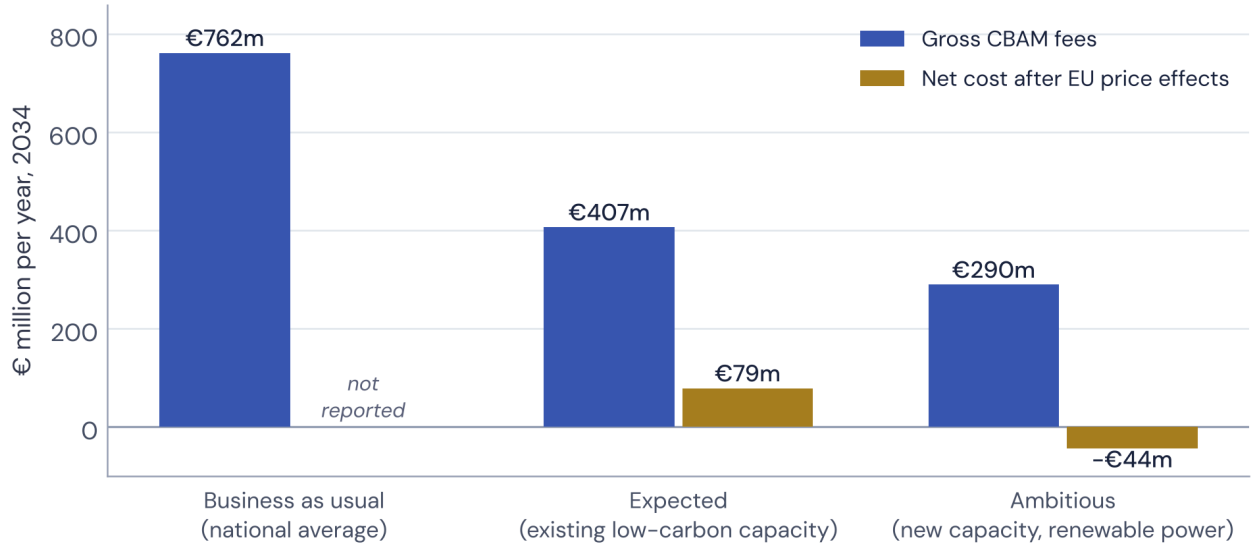
3.1 Aggregate scale

India's CBAM-covered exports to the EU were worth €5.09 billion in 2025, about 8 per cent of its €62.4 billion goods exports to the Union, after a 17 per cent decline between 2023 and 2025[12]. Iron and steel dominate. CSEP's general-equilibrium analysis placed CBAM-exposed exports at about 0.2 per cent of GDP, with iron and steel accounting for 90 per cent[15].

Sandbag's August 2026 assessment estimates gross CBAM fees on India's current-scope exports at €762 million a year by 2034, assuming national-average intensities and a carbon price of €80. The estimate falls to €407 million when EU-bound exports are drawn from India's existing lower-emission capacity, and to €290 million under an ambitious decarbonisation scenario[12]. Net of the higher EU selling prices that the carbon price itself induces, the expected-scenario cost is €79 million, and the ambitious scenario yields a net gain of €44 million[12].

FIGURE 3

Estimated CBAM fees on India's current-scope exports to the EU in 2034, by scenario (€ million)



Source: Sandbag (2026), at €80 per tonne of CO_2 and constant 2025 trade. Net cost for the business-as-usual scenario is not reported.[12]

The spread between scenarios is the central finding. India's exposure depends less on its national average than on which plants serve the European market and whether their emissions are verified. National averages conceal a wide range of production routes, from gas-based direct reduction to coal-based DRI, and the most efficient Indian mills already operate well below the sector mean[12].

TABLE 3

India's CBAM exposure by sector

Sector	EU-bound exports, 2025	Emissions priced under CBAM	India default value, 2026 (with mark-up)	Exposure
Iron and steel	4.00 Mt (flat 2.6 Mt; long 0.83 Mt; other 0.57 Mt)	Direct	Hot-rolled coil 4.71 tCO_2e/t; DRI 4.62 tCO_2e/t	High: over 90% of liability
Aluminium	About 252,000 t	Direct only	Unwrought 2.06 tCO_2e/t; foil 4.54 tCO_2e/t	Moderate; sensitive to any inclusion of indirect emissions
Cement	About 84,000 t	Direct and indirect	Not material	Low
Fertilisers	Marginal	Direct and indirect	Not material	Low direct exposure; relevant through the CCTS

Source: Sandbag (2026); Fastmarkets (2026); Argus Media (2025); Implementing Regulation (EU) 2025/2621. Steel volumes include semi-finished products, ferro-alloys and pig iron.[9,12,13,16]

3.2 Steel

India produced about 170 million tonnes of crude steel in 2025-26 against installed capacity of about 220 million tonnes, and became a marginal net exporter of finished steel during the year[17]. Exports account for only 3 to 5 per cent of finished steel output, but the EU absorbed close to 40 per cent of them in 2025[18]. For the producers that serve it, the European market carries weight well beyond its share of national output.

EU-bound shipments contracted before any CBAM liability existed. Indian exports of iron and steel (HS 72) to the EU fell 35.1 per cent in 2024-25 to US$3.05 billion[19], and steel volumes in January to August 2025 were 31.4 per cent below the same period of 2024[20]. These declines coincided with weak EU steel demand and tighter safeguard access from April 2025[21], so they cannot be attributed to CBAM alone.

From 1 July 2026, Regulation (EU) 2026/1384 replaced the steel safeguard with a permanent tariff-rate quota regime. Total duty-free volume is 18.3 million tonnes a year, about 47 per cent below 2024 safeguard levels; volumes above quota pay a 50 per cent duty; and importers must document the country of melt and pour from 1 October 2026[22]. India's country-specific quota falls from 2.79 million to 1.94 million tonnes, a cut of about 30 per cent that leaves it roughly 19 per cent below India's 2025 exports of 2.4 million tonnes of finished steel[21], and Crisil expects India's total steel exports to fall by 25 to 30 per cent in 2026-27[18]. The two instruments compound: the quota caps duty-free volume, and CBAM prices the carbon in what remains. Within the quota, verified low-carbon tonnage becomes the most valuable tonnage an exporter can offer.

India's Green Steel Taxonomy, released in December 2024, rates steel below 2.2 tCO_2e per tonne of finished steel as green, with three tiers and five-star status below 1.6[23]. It is the first national definition of its kind and gives Indian producers a domestic standard for carbon performance; by May 2026, 94 producers had received Green Steel Certificates[24]. Its accounting boundary covers Scope 1, Scope 2 and part of Scope 3 per tonne of finished steel[23], whereas CBAM prices direct embedded emissions per tonne of product against route-specific benchmarks[6]. A taxonomy certificate therefore cannot serve as CBAM evidence without restatement. A CBAM-compatible annex to each certificate would let a single verification serve both purposes.

3.3 Aluminium

India supplied about 252,000 tonnes of CBAM-covered aluminium to the EU in 2025[12]. CBAM currently prices only direct emissions for aluminium, which matters greatly for India: smelters draw largely on captive coal power, and total intensity has been estimated at 21 to 22 tCO_2 per tonne, most of it from electricity[25]. India's default value for unwrought aluminium is 1.87 tCO_2e per tonne before mark-up[16], implying a gross charge of about €155 per tonne at 2026 defaults and the second-quarter price, before the free allocation adjustment[26].

The Commission's review of the mechanism identifies indirect emissions as a candidate for future extension[27]. Inclusion for aluminium would raise India's priced emissions per tonne roughly tenfold. Renewable power procurement for smelters is therefore a hedge against regulatory change as well as a decarbonisation measure, and it is most valuable when contracted before the review concludes.

3.4 Fertilisers, cement and hydrogen

India is a large net importer of fertilisers and a marginal supplier to the EU, so its direct CBAM exposure in the sector is limited. CSEP's modelling finds that fertiliser exports could rise under a domestic carbon price whose revenue is recycled into energy efficiency[15]. The sector's policy relevance lies in the domestic carbon market: final CCTS targets for fertilisers remain pending[28], and the sector offers an early opportunity to demonstrate credible monitoring and enforcement. Cement and hydrogen exports to the EU are not material at present.

3.5 The downstream extension

On 17 December 2025 the Commission proposed extending CBAM from 1 January 2028 to about 180 downstream steel- and aluminium-intensive products, from fasteners and wire to components for heavy machinery[29]. The Council agreed a general approach in June 2026 with a modestly wider list, and Parliament's lead committee voted in July 2026 for a considerably broader scope of about 457 product types, ahead of a plenary vote scheduled for September[30,31]. The final list will be settled in trilogue.

Sandbag estimates that the extension as proposed would add about €35 million in gross fees for India[12]. The administrative reach is wider than the fiscal sum. Many Indian engineering exporters are MSMEs without installation-level emissions data, and each will face the choice between default values and the cost of tracing emissions through its steel and aluminium suppliers.

4 The Carbon Rent: Who Collects It and What Is at Stake

Article 9 of the CBAM Regulation allows a declarant to deduct a carbon price effectively paid in the country of origin[1]. A domestic carbon price can therefore retain within India revenue that would otherwise accrue to EU budgets. The mechanism governs where the carbon payment on Indian exports is collected as well as how large it is.

The sums are material for the firms concerned and small for the public finances. Gross fees of €0.4 billion to €0.8 billion a year at full phase-in[12] equal about 0.01 to 0.02 per cent of India's 2025-26 nominal GDP of ₹346.36 lakh crore[32], at an illustrative rate of ₹100 per euro. At an allowance price of €130, the business-as-usual figure remains below 0.04 per cent of GDP. The revenue that a domestic carbon price would raise comes overwhelmingly from output sold within India, since EU-bound steel represents about 2.5 per cent of finished steel production[12]. The fiscal case for domestic carbon pricing therefore rests on the domestic base and on the investment signal it sends; retention of CBAM revenue is a secondary benefit.

The draft implementing act on carbon prices paid abroad, published for consultation on 13 May 2026, sets the conditions for deduction[33]. The price must arise from a binding mechanism; rebates or compensation that lower the effective price must be netted out; and where an importer declares default emissions, the deduction can rest only on default carbon prices determined by the Commission for the country concerned[33]. Two consequences follow for India. Deduction is useful only alongside verified actual emissions, which reinforces the priority of monitoring and verification. And under an intensity-based baseline-and-credit scheme, the carbon price effectively paid is confined to the shortfall that a non-compliant entity covers by buying credits.

> **ILLUSTRATION: THE DEDUCTION VALUE OF AN INTENSITY TARGET**
>
> Consider a steel plant with an intensity of 2.54 tCO_2 per tonne and a target 3 per cent lower, within the 2 to 5 per cent range reported for leading producers in 2026-27[34]. If the plant makes no improvement, it must buy credits for about 0.076 tCO_2 per tonne of steel.
>
> At a credit price of €10, the carbon price effectively paid is about €0.76 per tonne of steel, against a 2026 CBAM charge of about €91 per tonne on the verified path. At €50 per credit, the deduction would be about €3.81 per tonne. A plant that meets its target pays no carbon price, and one that outperforms it earns credits whose sale reduces its net carbon cost below zero.

The deduction route will carry weight only once the domestic price is high, broad and paid. Until then, the fastest way to lower the EU charge on Indian steel is lower verified emissions. The most durable way to keep carbon revenue at home is a CCTS that progressively prices a meaningful share of emissions, through tighter targets, a price floor and, in time, partial auctioning.

5 India's Carbon Credit Trading Scheme: State of Play

India has built the institutional architecture of a compliance carbon market within three years. Table 4 records the position at the end of August 2026. With steel included, about 745 entities across eight sectors will hold binding intensity targets, giving India one of the broadest compliance markets among emerging economies[35].

TABLE 4

CCTS milestones as at August 2026

Milestone	Date	Significance
CCTS notified	28 June 2023	Framework under the Energy Conservation (Amendment) Act, 2022
Compliance procedure (BEE)	July 2024	Monitoring, reporting and verification rules
Targets, first batch	8 October 2025	282 entities: aluminium, cement, chlor-alkali, pulp and paper
Targets, second batch	13 January 2026	208 entities: refineries, petrochemicals, textiles, secondary aluminium; 490 in total
CERC trading regulations	27 February 2026	Rules for exchange trading of Carbon Credit Certificates
Indian Carbon Market portal	21 March 2026	Registry, credit issuance and accreditation of verifiers
Iron and steel targets (revised draft)	26 June 2026; published 2 July	255 entities; compliance from FY2026-27 against an FY2023-24 baseline
Fertiliser targets	Pending	Final targets not yet notified
First compliance date	31 July 2026	Submissions for FY2025-26
First credit issuance and trading	Expected October 2026 to January 2027	Issuance after verification; exchange trading to follow

Source: IMPRI (2026); PIB (2026); Khaitan & Co (2026); ICAP (2026); Down To Earth (2026); Business Standard (2026).[28,35,36,37,38,39]

5.1 Design questions for the first cycles

- **Stringency.** Final targets for the first sectors require intensity reductions of roughly 3 to 15 per cent over two years[36], and leading steel and cement producers face reductions of 2 to 5 per cent by 2026-27[34]. Targets close to business-as-usual risk a surplus of credits and a weak price.
- **Price discovery and stability.** No market price yet exists. A transparent floor, or a corridor with a floor and a ceiling, would give investors a planning variable and give the EU a verifiable effective price for Article 9.
- **Enforcement.** Non-compliance attracts environmental compensation at twice the average credit price[40]. Under the predecessor Perform, Achieve and Trade scheme, certificate trading fell short of the volumes mandated[41]. The first CCTS cycle will be read by the Commission and by investors as a test of enforcement.
- **Data interoperability.** The CCTS monitors gate-to-gate emissions at the installation; CBAM requires product-level embedded emissions including precursors. A single data model mapped to both would spare the 255 steel entities a duplicated verification burden.
- **Coverage.** Steel enters from FY2026-27 and fertilisers remain pending. The power sector, which accounts for nearly 40 per cent of India's greenhouse gas emissions, sits outside the initial boundary[41].

6 Market Access and the Negotiating Track

India and the EU concluded their free trade agreement on 27 January 2026. The agreement grants no exemption from CBAM[42]. It contains a forward-looking most-favoured-nation assurance under which any CBAM flexibility extended to another partner applies to India[43], commitments to technical cooperation, and EU support of up to €500 million for India's green transition[44]. The assurance converts any future concession won by another partner into an Indian entitlement; its value depends on India's capacity to identify and invoke such concessions promptly.

The most valuable concessions are methodological. The FTA annexes already contemplate cooperation on using CCTS data to update India's country-specific default values[45], and the Commission will review its implementing and delegated acts during 2027 in light of the first year of operation[46]. Recognition of CCTS-verified data, acceptance of Indian accredited verifiers and route-appropriate treatment of coal-based direct reduction would each lower costs without diluting the mechanism, which makes each more negotiable than an exemption.

India has raised concerns about CBAM's compatibility with WTO rules and with the principle of common but differentiated responsibilities and respective capabilities, including through 29 interventions at the WTO Committee on Trade and Environment between 2020 and 2024[47]. That track preserves India's legal position. Its timelines are long relative to the 2026 to 2034 phase-in, and it is best pursued alongside the domestic measures set out below.

7 Financing the Transition

The decarbonisation of Indian steel is a capital allocation task of national scale. The Ministry of Steel's 2024 roadmap estimates US$283 billion to decarbonise existing capacity over the long term, including more than US$13 billion to bring smaller mills to best available technology[48]. Dedicated public support remains small relative to that need: the Ministry has advanced a National Mission for Sustainable Steel of about ₹5,000 crore while preparing a broader Green Steel Mission[49].

CBAM converts three financing gaps directly into export margin, and each suits a different instrument.

- **Monitoring and verification.** Small outlays with rapid payback, suited to grants and concessional credit lines for MSMEs through refinancing institutions and state agencies.
- **Efficiency and fuel switching in existing plants.** Suited to sustainability-linked loans and bonds whose performance targets are defined in CBAM-compatible intensity, so that the same metric serves lenders and the border.
- **New low-carbon capacity.** Gas-based and hydrogen-ready direct reduction and scrap-based electric arc furnaces require blended structures in which public lenders and development finance institutions absorb first-loss or offtake risk.

India's draft Climate Finance Taxonomy, released for consultation in May 2025, covers iron and steel among the hard-to-abate sectors[50]. The final technical criteria for steel will determine whether transition finance for Indian mills is recognised by international lenders. Calibrating those criteria to verified intensity, reported on a CBAM-compatible basis, would let one dataset serve trade compliance, carbon market compliance and finance eligibility.

8 Recommendations

The six recommendations below are ordered by the speed with which they reduce the cost of CBAM for Indian exporters.

TABLE 5

Recommendations

Recommendation	Lead institutions	Timing	Rationale
1. National CBAM verification programme. Fund installation-level monitoring and accredited verification for EU-facing steel and aluminium exporters, prioritising MSMEs.	Ministry of Steel; Ministry of Commerce and Industry; BEE; SIDBI	Q4 2026 to 2027	Verification lowers the 2026 charge on default-declared coil by about €163 per tonne, more than any domestic price deduction before 2030.
2. Recognition of Indian data. Seek use of CCTS-verified data in the 2027 revision of India's default values, building on the FTA cooperation provisions.	Ministry of Commerce and Industry; MoEFCC; BEE	Before the 2027 review	Lower country defaults reduce costs for every exporter unable to verify, especially MSMEs.
3. A published target trajectory. Finalise steel and fertiliser targets and publish a declining intensity path to 2030.	MoEFCC; BEE	Steel targets by end-2026	A known trajectory gives investors a planning horizon and the market a source of scarcity.
4. Price floor and enforcement. Introduce a transparent floor or corridor for Carbon Credit Certificates and apply environmental compensation from the first cycle.	CERC; BEE; Ministry of Power	Before first trading	A floor creates a verifiable effective price for Article 9 and guards against surplus.
5. One verification, three uses. Add a CBAM-compatible annex to each Green Steel Certificate and align taxonomy accounting with CBAM boundaries.	Ministry of Steel; NISST	2027	A single dataset would serve domestic labelling, CBAM declarations and finance eligibility.
6. Steel transition finance window. Combine concessional public finance with development finance, tied to verified intensity outcomes.	Department of Economic Affairs; public financial institutions; multilateral development banks	2026 to 2028	The cost of capital is the binding constraint on new low-carbon capacity.

Source: SCRF Policy Lab.

9 Conclusion

CBAM is now a priced reality for Indian steel and aluminium. The first two quarterly prices have fixed the 2026 charge, the EU's new steel regime has reduced the duty-free volume available to Indian mills, and the downstream extension is moving towards trilogue. The arithmetic in this brief shows that the charge on high-intensity goods is substantial from the first year, and that its size depends chiefly on two variables within India's control: the quality of emissions data and the carbon intensity of the plants that serve the European market.

The macroeconomic stakes are modest and the sectoral stakes are acute. That combination calls for targeted measures: a verification programme that reaches smaller exporters, a carbon market whose targets tighten on a published path and whose price is discoverable, and finance structured around verified performance. These measures also serve India's wider industrial strategy, since the same data and the same price signal will govern access to the United Kingdom's CBAM, expected from 2027[51], and to the procurement standards of buyers worldwide.

India enters this period with assets few emerging economies possess: a national definition of green steel, a compliance carbon market that will soon cover about 745 entities, and producers already operating well below the national average intensity. The task for 2026 and 2027 is to convert those assets into evidence recognised at the border.

Methodological Note

- **Data cut-off.** Information is current to 31 August 2026. Later developments, including subsequent quarterly certificate prices and trilogue outcomes, are outside the scope of this edition.
- **Certificate price.** The reference price of €75.32 per tonne of CO_2 is the average of the Q1 and Q2 2026 prices published by the Commission. Sensitivities use €80 (Sandbag scenarios) and €130 (market projections for 2030).
- **Per-tonne calculations.** Charges follow the formula in Section 1, with the provisional 2026 CBAM benchmark for blast furnace hot-rolled flat steel (1.370 tCO_2e per tonne) held constant, the cross-sectoral correction factor set at one, and no deduction for a carbon price paid in India. Benchmarks are due to be updated for 2027 imports and may fall, which would raise the charges shown.
- **Intensities.** The sector-average value of 2.54 tCO_2 per tonne of crude steel is applied to hot-rolled coil without adjustment for rolling emissions; the 2.10 value is illustrative.
- **Exchange rates.** US dollar conversions use €75.28 = US$86.11 (July 2026). The rupee comparison with GDP uses an illustrative ₹100 per euro; a rate ten per cent higher or lower does not change the order of magnitude.
- **Trade volumes.** Sandbag's figure of 4.00 million tonnes of CBAM-covered steel includes semi-finished products, ferro-alloys and pig iron. The figure of 2.4 million tonnes used for the quota comparison refers to finished steel.

References

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