



The Rt Hon Hilary Benn MP

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**Lord Carlile of Berriew CBE KC, Chair of the
Northern Ireland Scrutiny Committee**

House of Lords
London
SW1A 0PW

By email: hlniscrutiny@parliament.uk

02 February 2025

Our reference: MC/26/49

Dear Alex,

Thank you for your letter dated 21 January requesting more information about the operation of the EU Carbon Border Adjustment Mechanism (CBAM) and its interaction with the Single Electricity Market.

The Government welcomes the opportunity to provide further clarity regarding the electricity markets on the island of Ireland and between the UK and EU, what this means for Northern Ireland businesses, and the ongoing negotiations under the UK-EU Common Understanding.

In response to your question, electricity sent from Great Britain to Northern Ireland does not count as electricity that is sent to an EU-based importer. Northern Ireland is not a member of the EU and the EU CBAM does not apply in Northern Ireland. This means that movements into Northern Ireland of products that are covered by the EU CBAM, including electricity, will not need to comply with EU CBAM requirements.

As regards your query as to how the Government plans to ensure that electricity produced in Great Britain does not subsequently enter the Republic of Ireland, the enforcement of EU CBAM is not for the UK Government to comment on. We have been clear to UK stakeholders that there are no barriers to the movement of

electricity from Great Britain to Northern Ireland, including on the CBAM digital explainer on [business.gov.uk](https://www.business.gov.uk).

In respect of your broader question about the economic impact of EU CBAM on NI-based businesses, we would expect any impacts to be in line with the impacts on other UK businesses, and do not anticipate that NI businesses will face any unique costs that would not arise for GB businesses. While EU importers are responsible for EU CBAM liability, the application of the EU CBAM may create additional costs for some UK businesses related to emissions reporting, verification, and documentation. This will be the case for exporters from across the UK, including Northern Ireland, just as for exporters from other countries outside the EU. The precise cost implications remain uncertain pending further EU guidance on the operationalisation of its CBAM.

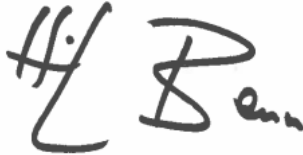
As mentioned, the Government is currently negotiating an agreement to link UK and EU Emissions Trading Schemes, which will meet the conditions for a mutual exemption from our respective CBAMs. This will reduce the bureaucracy and associated costs – facilitating broader UK-EU trade.

You request further detail on how the UK and EU's exploratory talks on the UK's participation in the EU's electricity market may address the issues you discuss in your letter. There is no current or future issue with regard to the ongoing functioning of the Single Electricity Market as a result of the EU CBAM Regulation. The provisions of Article 9 of the Windsor Framework relate to the Single Electricity Market on the island of Ireland. They specifically apply EU wholesale electricity market rules to facilitate the operation of that market. Those rules are implemented in a manner that maintains the conditions for North-South cooperation in energy under the terms of Article 11 (North-South cooperation) of the Windsor Framework, which applies across the provisions in Articles 5-10. The new obligations arising from the UK-EU electricity agreement will apply to the UK as a whole and we will continue to work through the details of the interplay with the Windsor Framework. These arrangements will ensure the ongoing operation of the Single Electricity Market across the island of Ireland.

The Government's priority remains the successful completion of negotiations on electricity and linking Emission Trading Schemes, with a view to securing mutual exemptions from our respective CBAM rules. This will deliver long-term predictability and certainty for businesses trading between the UK and EU and greater consistency on the applicable regulatory frameworks within the UK. The steps we are taking will help deliver lower prices in Northern Ireland and ensure greater security of supply.

I would like to assure the Committee that the Government is pursuing these negotiations with urgency, taking into account Northern Ireland's unique economic position and importance within the UK internal market.

Your Sincerely,

A handwritten signature in black ink, appearing to read 'Hilary Benn', is centered below the text 'Your Sincerely,'.

**THE RT HON HILARY BENN MP
SECRETARY OF STATE FOR NORTHERN IRELAND**