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Dear Alex,

Thank you for your letter of 11 February regarding the EU Carbon Border Adjustment Mechanism (CBAM) and its implications for Northern Ireland. I appreciate the Committee's continued scrutiny of this complex and evolving area.

I would like to address the omission in my previous correspondence relating to the European Commission's December 2025 announcement regarding electricity treatment under EU CBAM. This was a development over the turn of the year and I regret that while the Financial Secretary to the Treasury, Lord Livermore, had updated Parliament on this detail on 21 January, I did not include this in my response back to the Committee. To confirm this development, while the EU CBAM will apply, the Commission's proposed amendments clarify that electricity exports from the UK to the EU should not face a CBAM charge based on current carbon prices. This is a welcome confirmation of the position we have maintained throughout, that the Single Electricity Market (SEM) continues to function as normal and that movements of electricity from Great Britain to Northern Ireland are internal to the UK and do not attract EU CBAM liability.

I do note that the Committee has expressed scepticism that the situation is as straightforward as the Government suggests. I want to be clear, while the EU CBAM does not apply in Northern Ireland, we acknowledge that while its introduction in the EU can affect all UK businesses exporting covered goods, Northern Ireland businesses may be uniquely affected due to the land border. The December announcement on UK electricity under the EU CBAM is a welcome and pragmatic development while the Government pursues a permanent solution through our wider reset of the UK-EU relationship.

As we noted previously, these issues are fundamentally bound up in our ongoing negotiations on Emissions Trading Scheme (ETS) linking and a whole-UK electricity agreement. Our priority is to secure mutual exemptions from our respective CBAMs, which would provide long-term certainty for all UK businesses, including in Northern Ireland. These agreements are being pursued because they are in the interest of the UK as a whole, supporting a more efficient and cheaper path to net zero and energy security, and accounting for the unique Northern Ireland dimensions.

Regarding the Committee's questions on the economic impact and costs for Northern Ireland businesses, providing precise figures remains challenging as previously mentioned. Under the EU CBAM, liability rests with the EU importer, not the UK exporter. Any costs to Northern Ireland or Great Britain businesses are indirect, primarily arising from information requests from their EU customers for emissions reporting and verification. As the EU continues to publish further implementing acts and guidance, this remains a moving picture and one that is impossible to provide definitive cost estimates without the risk of misleading the Committee. The aforementioned December announcement by the Commission included eight implementing acts and two additional legislative proposals, representing significant changes to the regulatory landscape.

I trust that this additional context provides the Committee with the clarity it requires. The specific Northern Ireland dimension is inextricably linked to a broader UK-EU negotiation that seeks to protect and benefit businesses and consumers across the entirety of the UK.

I hope this is helpful.

Yours sincerely,

Hilary Benn

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