



Department for  
Business, Energy  
& Industrial Strategy

SIR WILLIAM CASH MP  
EUROPEAN SCRUTINY COMMITTEE  
HOUSE OF COMMONS  
LONDON  
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**The Rt Hon Greg Hands MP**  
Minister of State for Energy, Clean Growth  
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Your ref: YOUR\_REF\_DUMMY

16/03/2022

**10871/21: Proposal for a Regulation establishing a carbon border adjustment mechanism (41916)**

Dear Sir William,

Thank you for your letter dated 9 February 2022 regarding the EU Carbon Border Adjustment Mechanism (CBAM).

You ask about the progress of negotiations on the EU CBAM. It is our understanding that negotiations are progressing at pace and the proposal is likely to evolve further during the legislative process. While the Government shares the EU's concerns on the risk carbon leakage poses to global decarbonisation efforts, measures to address carbon leakage should be targeted and proportionate. This includes ensuring that businesses have sufficient time to prepare for the implementation of any novel measure, and not adversely impacting climate-ambitious trading partners. We expect the EU to take into account the UK's ambitious carbon pricing regime in its implementation of the CBAM, and will continue to engage with the Commission on how this will function in practice.

Furthermore, you ask about the informal technical discussions between the EU and the UK since the Trade Specialised Committee on Goods. Officials from HM Treasury met with counterparts in the European Commission's Directorate-General for Taxation and Customs Union in November to discuss the details of the EU's CBAM proposal. This conversation was productive and focused on bettering the UK's understanding of the proposed Regulation, including which elements of the CBAM would likely be implemented through secondary legislation later in 2022. The Government will follow further legislative developments closely and continue to engage with the Commission on this point, including the manner in which the UK ETS will be taken into account.

Finally, you ask about potential EU-UK discussions on the possible application of the Regulation under the Northern Ireland Protocol within the Joint Consultative Working Group. These meetings are subject to rules of confidentiality and as such I am unable to comment on any ongoing or upcoming discussions in this Committee.

I hope you will find this reply helpful.

I am copying this letter to Darren Jones MP, Chair of the Business, Energy and Industrial Strategy Committee and Rebecca Davies, Clerk of that Committee; to Rt Hon. Philip Dunne MP, Chair of the Environmental Audit Committee and Martyn Atkins, Clerk of that Committee; to Angus Brendan MacNeil MP, Chair of the International Trade Committee and Eligio Cerval-Pena, Clerk of that Committee; to Simon Hoare MP, Chair of the Northern Ireland Affairs Committee and Stephen Habberley, Clerk of that Committee; to Pete Wishart MP, Chair of

the Scottish Affairs Committee and Leoni Kurt, Clerk of that Committee; to Rt Hon. Mel Stride MP, Chair of the Treasury Committee, and Kenneth Fox, Clerk of that Committee; to Rt Hon. Stephen Crabb MP, Chair of the Welsh Affairs Committee and Dr Adam Evans, Clerk of that Committee; to Lord Kinnoull, Chair of the House of Lords European Affairs Committee, and to Nick Boorer, that Committee's Clerk; to Lord Jay, Chair of the House of Lords European Affairs Sub-Committee on the Protocol on Ireland/Northern Ireland, that Committee's Clerk.

Yours ever

A handwritten signature in blue ink, appearing to read 'G Hands', with a long horizontal flourish extending to the right.

**THE RT HON GREG HANDS MP**  
Minister of State for Energy, Clean Growth and Climate Change