CBAM Technical Consultation Response
Submitted by: Climate Leadership Council
May 18, 2026

Introduction and Summary

These comments are submitted in response to the open consultation initiated on April 9, 2026, on the draft regulations for the UK Carbon Border Adjustment Mechanism (CBAM) (Emissions and Verification). The Climate Leadership Council is a nonprofit think tank based in Washington, DC, dedicated to championing the most effective, fair, and lasting climate solutions. We produce groundbreaking research, educate policymakers, and work with a broad set of stakeholders to advance a common goal: meaningfully reducing global emissions while strengthening the economy.

The United Kingdom's development of a CBAM to extend their domestic carbon pricing to imported products constitutes a meaningful step in the growth of trade-based approaches to addressing greenhouse gas emissions. These comments center on the flawed proposal to use "global default values" for embodied emissions when actual data is not available. Use of global default values is inconsistent with the goal of preventing carbon leakage; unfair to cleaner firms, including U.S. manufacturers; at odds with the legislative mandate for the CBAM; and a bad precedent as other countries around the world develop their own border adjustment policies. The UK CBAM should instead use country-specific default values calculated based on the average emissions intensity of producers of the relevant product in each country.

The Proposed Use of Global Default Values

There are two approaches to determining the emissions intensity of imported products under a CBAM: verified, facility-specific "actual data," and administratively determined default values that estimate the emissions intensity of a good. Border adjustment policies and proposals typically use some combination of the two.

The UK CBAM will permit the use of actual data, although the government has not yet published final rules for how an importer may establish their emissions intensity. Global manufacturers are already producing goods that will eventually be priced by the UK CBAM, and they don't know what emissions they must document or how to report them. Providing actual data in the first year of the CBAM may not be possible without clear and early guidance.

For goods imported without actual data, HM Treasury will assign a default value based on a "global average embodied emissions weighted by production volumes of key UK trading partners."[1] The UK government concluded it was "infeasible"[2] to develop country-specific defaults before the CBAM becomes operational next January but will revisit the question after 2027.[3]

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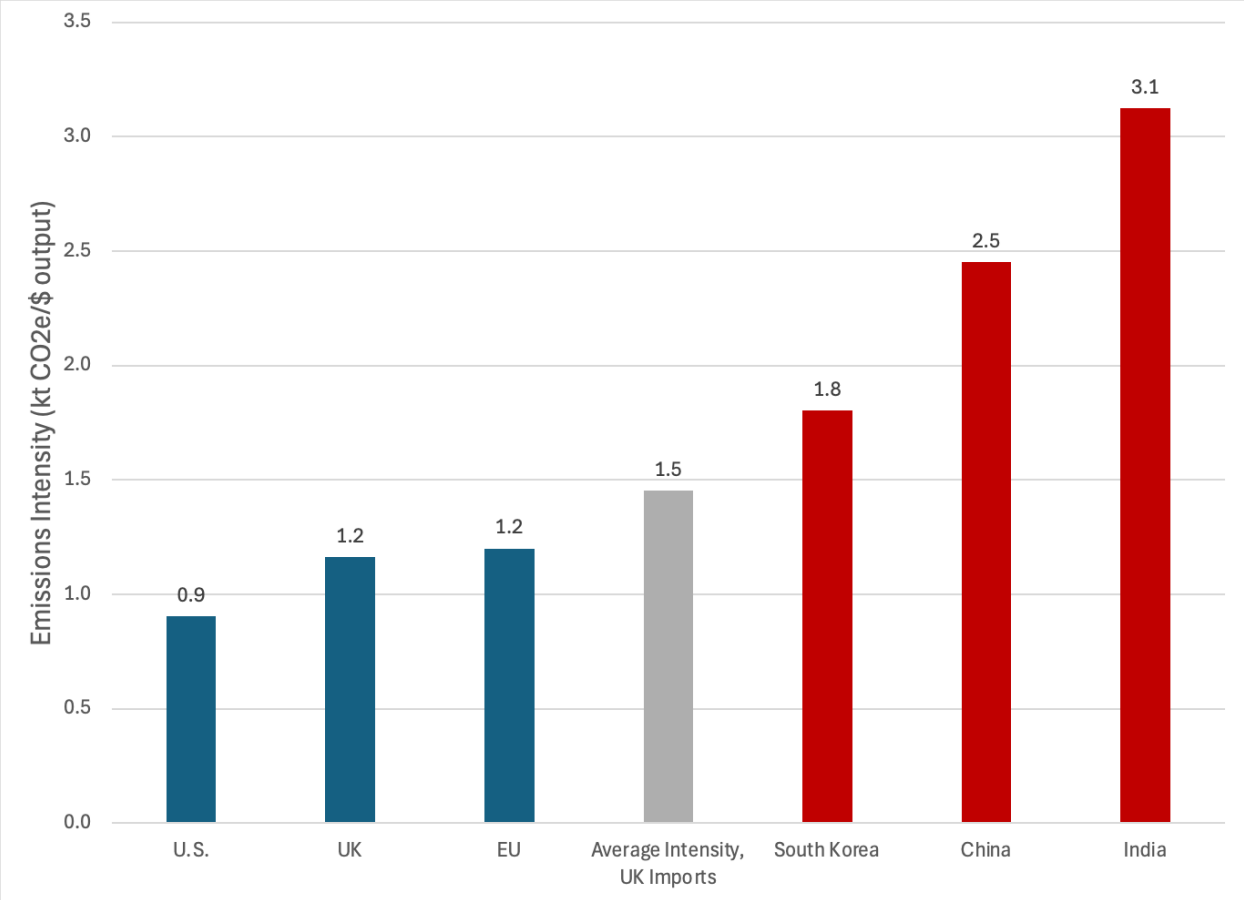
1. Global Default Values Would be Unfair and Promote Carbon Leakage

Global default values would be unfair to low-emissions producers of covered products, including U.S. manufacturers. Emissions intensities for the same product can vary enormously depending on the production process. U.S. manufacturers produce many key industrial goods at emissions intensities well below the global average, while producers in several other major exporting countries operate well above it.

The largest exporters of basic metals to the UK include the European Union (EU), South Korea, China, and India. Table 1 shows the average emissions intensity of UK basic metals imports by partner and includes an import-weighted average.[4] While the EU has a similar emissions intensity to the UK and the U.S., South Korea, China, and India are much more emissions-intensive producers. Their presence in the import mix drives up the average emissions intensity of imports.

Table 1. Emissions intensity of basic metals production, UK and major trading partners



This is a conservative estimate. The UK government apparently intends to pursue an approach that would weight each key trading partner's emissions intensity according to its share of global production volume. China accounts for more than half of all global

steel production. The sheer scale of Chinese excess capacity would further inflate the UK CBAM defaults, amplifying the distortion for cleaner producers.

More efficient producers will be at a disadvantage. Under the UK Emissions Trading Scheme, UK manufacturers will be charged based on their full actual emissions. Imports from the U.S. would be assigned an emissions intensity and pay a CBAM charge well above what their environmental performance would indicate. Less efficient firms will be able to avoid paying for pollution control and will reap the benefit of paying a lower price for entry into the UK market.

Global default values undermine the CBAM's central purpose. By giving high-emissions manufacturers a competitive advantage, global defaults invite the very leakage the policy is meant to prevent and weaken the UK ETS's effectiveness in reducing net emissions.

2. Global Default Values are Inconsistent with the Finance Act 2026

The proposed use of global default values is also inconsistent with the primary legislation for the CBAM. The Finance Act 2026 explicitly provides for the establishment of default values that "vary depending on where the emissions embodied in a CBAM good were emitted."[5] The Act further indicates that the default values should not be set at a level that would be lower than the level of embodied emissions if they were determined using actual emissions data. Using global averages, however, would assign the highest-emissions products a much lower emissions value than actual data. For example, UK Steel estimates that use of global default values could allow the highest emissions Chinese steel to be imported into the UK at an 86% discount of the CBAM price that would be due based on[6] actual emissions data.[7]

3. The Advantages of Defaults Based on Country-Specific Averages

Country-specific default values that reflect the average emissions intensity of production in each country would be fairer, more accurate, and much more effective in addressing leakage than use of global averages. They would also lay the groundwork for interoperable CBAM regimes worldwide. The data is clearly available for country-specific values for the UK's key trade partners, given that the UK proposes to use this data to calculate a weighted average for its global default values (global defaults could still be used for countries for which adequate data is not available).

The country-specific values should be based on the weighted average emissions intensity of production of the relevant product in the country. The EU took the positive step of producing country-specific defaults under its CBAM. As our research has highlighted, however, some of those defaults are based on the most emissions-intensive methods of production, rather than average emissions intensity.[8] Just like global defaults, this approach unfairly penalizes more efficient manufacturers and undermines the environmental goals of the policy. The UK should develop default

values that accurately reflect the average emissions intensity of producers in each country.

More countries, including Taiwan, Norway, Australia, and Canada, are developing CBAMs and will make judgements about setting defaults that will impact U.S. producers.[9] The UK has an opportunity to set a higher, fairer standard from the outset; global defaults would start the program out on the wrong foot.

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[1] HM Revenue & Customs and HM Treasury, *Consultation on the Introduction of a UK Carbon Border Adjustment mechanism from January 2027*, para. 6.17 (March 21, 2024)("UK CBAM consultation"), https://assets.publishing.service.gov.uk/media/65fc11fef1d3a0001132ac6f/Introduction_of_a_UK_carbon_border_adjustment_mechanism_from_January_2027.docx.pdf . *See also Questions for Department for Business and Trade*, UIN HL14543, tabled on 11 February 2026, answered on 20 Feb. 2026 ("The UK CBAM will use one global default emissions value per CBAM good where emissions are not or cannot be provided to determine the CBAM liability. We will work with HM Treasury to assess the impact of this approach and ensure we mitigate the risk of under-pricing the most emissions intensive imports when designing these values."), https://questions-statements.parliament.uk/written-questions/detail/2026-02-11/HL14543 .

[2] UK CBAM consultation, *supra*, para. 6.17.

[3] HM Revenue & Customs and HM Treasury, *Introduction of a UK Carbon Border Adjustment Mechanism from January 2027: Government response to the policy design consultation,* para. 3.36 (Oct. 30, 2024) (**"**The government acknowledges the views from some respondents in favour of default values that account for variances in average emissions intensities between different jurisdictions. Post-2027, the government is considering the feasibility of moving to an alternative approach"), https://assets.publishing.service.gov.uk/media/679cb194a9ee53687470a2fa/Introduction_of_a_UK_Carbon_Border_Adjustment_Mechanism_from_January_2027_-_Government_response_to_the_policy_design_consultation.pdf

[4] These calculations are based on the emissions intensity of CBAM-covered products by dollar value of output by country for which the Climate Leadership Council has emissions intensity data in our carbon advantage literature. A report detailing our analysis is available: https://clcouncil.org/report/americas-carbon-advantage-2025/ Carbon advantage data is relatively aggregated; these figures are for all products that fall within HTS codes associated with "basic metals" listed in the " Introduction of a UK Carbon Border Adjustment Mechanism from January 2027: Government response to the policy design consultation." HTS codes included are those listed for HTS 72, 7601, and 7603. The trade data is sourced from Global Trade Tracker.

[5] Finance Act 2026, Schedule 17, paras. 11(2).

[6] Finance Act 2026, Schedule 17, paras. 11(3) and (4).

[7] *See* UK Steel, *UK CBAM: Risk of Policy-Driven Deindustrialization* (Feb. 2026), https://www.uksteel.org/uk-carbon-border-adjustment-mechanism-1#:~:text=Creating%20a%20level%20playing%20field,high%2Demission%2C%20imported%20steel

[8] *See* Greg Bertelsen, *The EU CBAM's Rocky Debut—and Why the U.S. Should Lead the Next Phase*, Climate Leadership Council (Jan. 28, 2026), https://clcouncil.org/blog/eu-cbam-debut/

[9] *See* Brock Burton, Olivia Windorf, and Jason Ye, *Developments in Border Carbon Adjustments in the 119th Congress and Abroad,* Center for Climate and Energy Solution (January 2026), https://www.c2es.org/wp-content/uploads/2026/01/developments-in-border-carbon-adjustments-in-the-119th-congress-and-abroad.pdf