



**Dr Andrew Roberts**  
**Director – Special Projects**

Fuels Industry UK  
1st Floor  
1-2 Castle Lane  
London  
SW1E 6DR

Direct telephone: 020 7269 7602  
Switchboard: 020 7269 7600  
E: [andy.roberts@fuelsindustryuk.org](mailto:andy.roberts@fuelsindustryuk.org)

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**Via email:** [cbampolicyteam@hmrc.gov.uk](mailto:cbampolicyteam@hmrc.gov.uk)

Lucia Suggitt  
CBAM Policy Development Team  
HM Revenue and Customs  
3/58, 100 Parliament Street  
London  
SW1A 2BQ

### **Fuels Industry UK response to consultation “Introduction of a UK carbon border adjustment mechanism from 2027”**

Fuels Industry UK strongly supports introduction of a well-designed carbon border adjustment mechanism (CBAM) to address high UK Emissions Trading Scheme (UK ETS) compliance costs and loss of competitiveness against international competitors with no or significantly lower carbon costs.

Carbon and investment leakage risks are very real for the UK refining sector. With continuing concerns regarding UK ETS compliance costs not incurred by refineries operating in many other countries, poor UK positioning in the international business environment and uncertainty around refinery margins, the UK refining and downstream fuels sector is also faced with unprecedented challenges to meet the Net Zero ambition by 2050. It has a critical role to play in continuing to

provide energy security during an orderly transition, but at the same time is seeking to secure investment funding for large-scale carbon capture, hydrogen production and supply projects, and in new technologies required to deliver Net Zero.

It is therefore critical that the UK Government creates a competitive business environment that continues to provide high levels of UK energy security, supports investment in decarbonisation and new technologies required to deliver Net Zero, and maintains economic activity, employment and growth in the UK.

The current assessment of carbon leakage risk using trade exposure as one of the key metrics measures only the exposure to imports, but the assessment must also consider exposure to competition in export markets. Many industries (for example the car industry) can only successfully operate in the UK if they have viable export routes, as well the indigenous UK market. Refiners also operate on the same basis, with a need for exports to maintain viable UK operations – in 2023, the value of refined oil exports was £13.18 billion<sup>1</sup>. Continuation of free allowance allocation under the UK ETS must therefore continue to support exports and investment in UK manufacturing industries to avoid deindustrialisation. Free allowance allocation under the UK ETS is currently the only carbon and investment leakage mitigation policy measure available for the UK refineries.

We understand that, in making the decision on sectoral scope for the UK CBAM to be implemented by 2027, the government considered inclusion in the UK ETS, carbon leakage risk and the feasibility and effectiveness of applying a CBAM. The refining sector is within scope of the UK ETS and is acknowledged to be at high risk of carbon leakage, but we understand that HM Treasury have concerns about importers' ability to determine the level of embedded carbon of imported goods at a product level. Therefore, the government chose not to include the refining sector in the initial scope of the UK CBAM.

Extension of the UK CBAM to petroleum products should be pursued as a priority to mitigate against carbon and investment leakage risks that would otherwise challenge energy security and delivery of the UK's Net Zero ambitions.

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<sup>1</sup> [ONS UK trade data](#), March 2024.

Fuels Industry UK welcomes the opportunity to respond to the consultation - our responses to the questions posed are given in Attachment 1. We look forward to continued engagement with HM Treasury and HM Revenue and Customs to facilitate early inclusion of the refining sector and petroleum products under the UK CBAM.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'A Roberts', written in a cursive style.

Dr Andrew Roberts  
**Director – Special Projects**

cc:	Michael Botten	Department for Energy Security and Net Zero
	Michael Duggan	Department for Energy Security and Net Zero
	Simon Stoddart	Department for Energy Security and Net Zero
	Emilio Marin	Department for Energy Security and Net Zero
	Neil Hodgson	Department for Business and Trade

## **Attachment 1**

### **Fuels Industry UK response to consultation: “Introduction of a UK carbon border adjustment mechanism from January 2027”**

#### **Preliminary Questions**

##### Question i

Name: Andrew Roberts  
e-Mail: [andy.roberts@fuelsindustryuk.org](mailto:andy.roberts@fuelsindustryuk.org)  
Postal address: 1-2 Castle Lane  
Victoria  
London  
SW1E 6DR  
Telephone: (O) 020 7269 7602  
(M) 07795 631 206  
Job title: Director – Special Projects

##### Question ii

Fuels Industry UK is a trade association representing the eight main oil refining and marketing companies operating in the UK. The Fuels Industry UK member companies – bp, EET Fuels, Esso Petroleum, Petroineos, Phillips 66, Prax Refining, Shell and Valero – are together responsible for the sourcing and supply of product meeting over 85% of UK inland demand, accounting for a third of total primary UK energy<sup>2</sup>.

##### Question iii

Not applicable.

##### Question iv

Not applicable.

##### Question v

See response to Question ii.

##### Question vi

Fuels Industry UK does not consider this response to be confidential.

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<sup>2</sup> [DESNZ Digest of UK Energy Statistics \(DUKES\) 2023.](#)

## Consultation Questions

Question 1: Do you agree that the list of commodity codes in Annex A an accurate reflection of the policy intent described above? Please provide supporting evidence.

Fuels Industry UK are unable to comment on whether the list of commodity codes listed in Annex A accurately reflects the policy intent for the aluminium, ceramics, fertiliser, glass, iron, or steel sectors, as our member companies are not involved in activities carried out within these sectors.

However, our members are actively pursuing development of low carbon hydrogen production (as well as already being a significant producer of hydrogen for use in refining processes). The hydrogen commodity code listed in Annex A is as recorded in the HMRC UK Integrated Online Tariff<sup>3</sup>, which we assume is the reference for commodity codes under a potential UK CBAM, unless the goods are at risk of onward movement to the EU, in which case the Northern Ireland Online Tariff<sup>4</sup> should be used. Here, the commodity code 28041000 is applicable for hydrogen according to the description given under Chapter Note 1a as “separate chemical elements and separate chemically defined compounds, whether or not containing impurities;”.

Given the relative immaturity of the hydrogen market, and the fact that it will develop over time, the commodity code list should be reviewed periodically to ensure that it remains fit for purpose, for example, if it became appropriate to separate different purity levels or to be consistent with revised EU commodity codes.

Question 2: Are there any relevant commodity codes omitted or any that should be excluded? Please provide supporting evidence.

As discussed in our response to Question 1 we are unable to comment on the list of codes that are listed in Annex A apart from hydrogen.

Question 3: Do you have any concerns on the feasibility of any of the commodity codes in Annex A being within scope of the CBAM? Please provide supporting evidence.

Fuels Industry UK is unable to comment on the feasibility of including products identified by the specific commodity codes listed in Annex A under the initial scope of the UK CBAM.

However, as outlined in the covering letter, Fuels Industry UK is seeking to identify ways in which the scope of the UK CBAM could be expanded to include petroleum

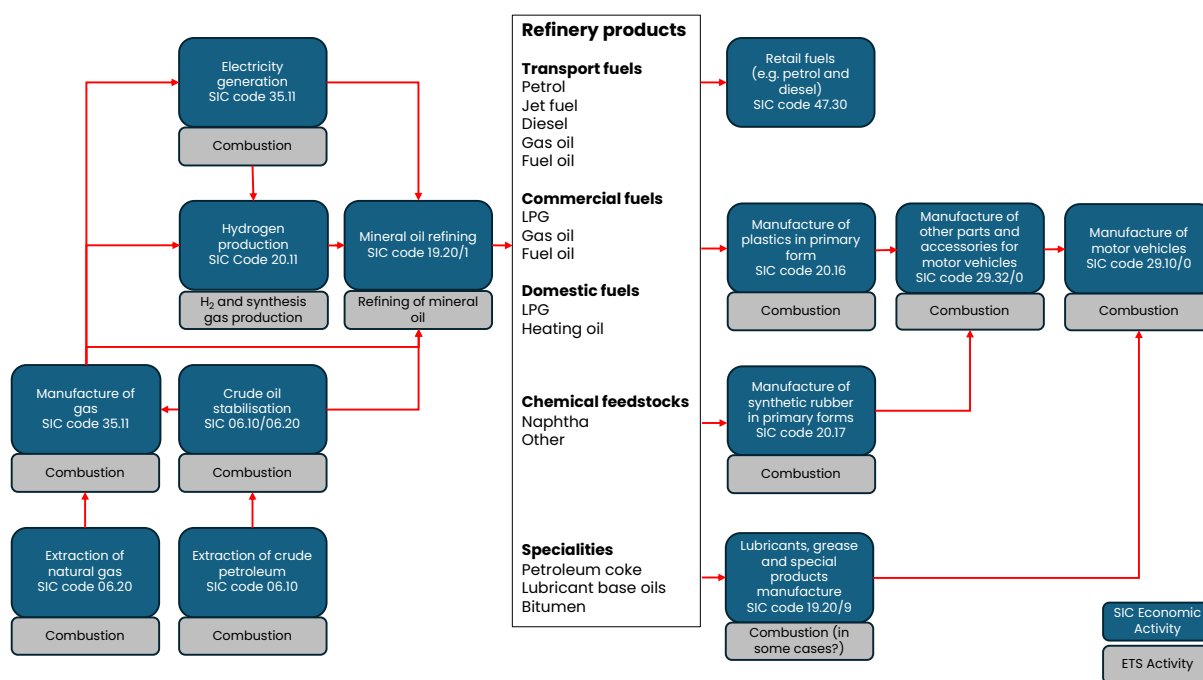
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<sup>3</sup> The HMRC [UK Integrated Online Tariff](#).

<sup>4</sup> The HMRC [Northern Ireland Integrated Online Tariff](#).

products. Here a number of issues associated with feasibility have been identified, mainly due to the challenges associated with determination of embodied emissions at a product level, but also where the proposed treatment of “precursor” and “complex” goods is likely to introduce high levels of complexity. As an example, a simplified diagram of the supply chain for petroleum products and selected end use applications is shown in Diagram 1.

**Diagram 1. Simplified supply chain for petroleum products**



In this example, all of the main refinery inputs – crude and refinery intermediate feedstocks, electricity and hydrogen (which may also be produced and used internally by the refinery) – are covered by the UK ETS, although the risk of carbon leakage for crude oil and electricity production may not justify inclusion under a CBAM. Similarly, many refinery products are used as feedstocks by other sectors and also covered by the UK ETS. This confirms the importance of mapping products and commodity codes against ETS activities and shows the complexity associated with categorisation of “precursor” and “complex” goods, especially for formulated products blended or manufactured using components produced by a number of different sectors.

Clearly, in this particular example, a more pragmatic approach is required than proposed in the consultation document. With the refining sector having one of the highest exposures to carbon leakage (higher than all of the sectors currently included under the UK CBAM proposals), a more straightforward approach would be to restrict application of a CBAM to a limited number of products, for example, petrol, jet fuel/kerosene and diesel/gas oil and key blending components, which account for the major portion of refinery production, with a high proportion of product volumes used directly in end use applications. An initial assessment of

the relevant commodity codes for refinery products proposed for inclusion under the UK CBAM is given in Appendix 1. These cover almost 90% of UK imports of petroleum products (Table 1).

**Table 1. Key petroleum product production and demand – 2022**

Product	UK Domestic production		UK Total inland demand	
	kt	%	kt	%
LPG	1682	3.1	2777	4.7
Naphtha	1511	2.8	52	0.1
Petrol	15762	29.2	10941	18.4
Jet fuel	3490	6.5	9585	16.1
Heating oil (kerosene)	2042	3.8	2901	4.9
Diesel	13585	25.2	23558	39.6
Gas oil	6043	11.2	2959	5.0
Fuel oil	3409	6.3	492	0.8
Lubricant base oils	287	0.5	279	0.5
Bitumen	520	1.0	1563	2.6
Petroleum coke	1590	2.9	1310	2.2
Imports subject to UK CBAM (Note 2)	25597	88.2		
Exports of UK CBAM products (Note 2)	16026	76.1		

*Data source: DESNZ DUKES Table 3.2*

Note 1. Production total is for petrol, jet fuel, diesel and gas oil; inland demand total is for transport sector use including LPG and fuel oil.

Note 2. Imports/exports with commodity codes proposed for inclusion (see Appendix 1)

The challenges posed where imported non-CBAM and Imported and/or domestically produced CBAM goods are blended or combined to produce a different CBAM good are likely to be found across many sectors. Fuels Industry UK therefore suggests development of commodity code mapping to monitor and understand the potential risk of circumvention in such cases where non-CBAM and CBAM goods are blended or combined to produce a different CBAM good. Changes in the level of imports under these commodity codes should be monitored to provide an evidence base used to inform future CBAM policy targeting circumvention.

Question 4: Do you agree that scrap aluminium, scrap glass and scrap iron & steel do not pose a carbon leakage risk and should not be within scope of the CBAM? If not, please provide evidence to support your response.

Fuels Industry UK cannot comment on whether scrap aluminium, scrap glass and scrap iron and steel pose, or do not pose a carbon leakage risk. However, we would ask that the definitions of scrap material are carefully considered to ensure that circumvention is not possible – for example by claiming that steel imports

requiring minimal, if any, processing within the UK are not simply labelled as scrap to avoid CBAM payments.

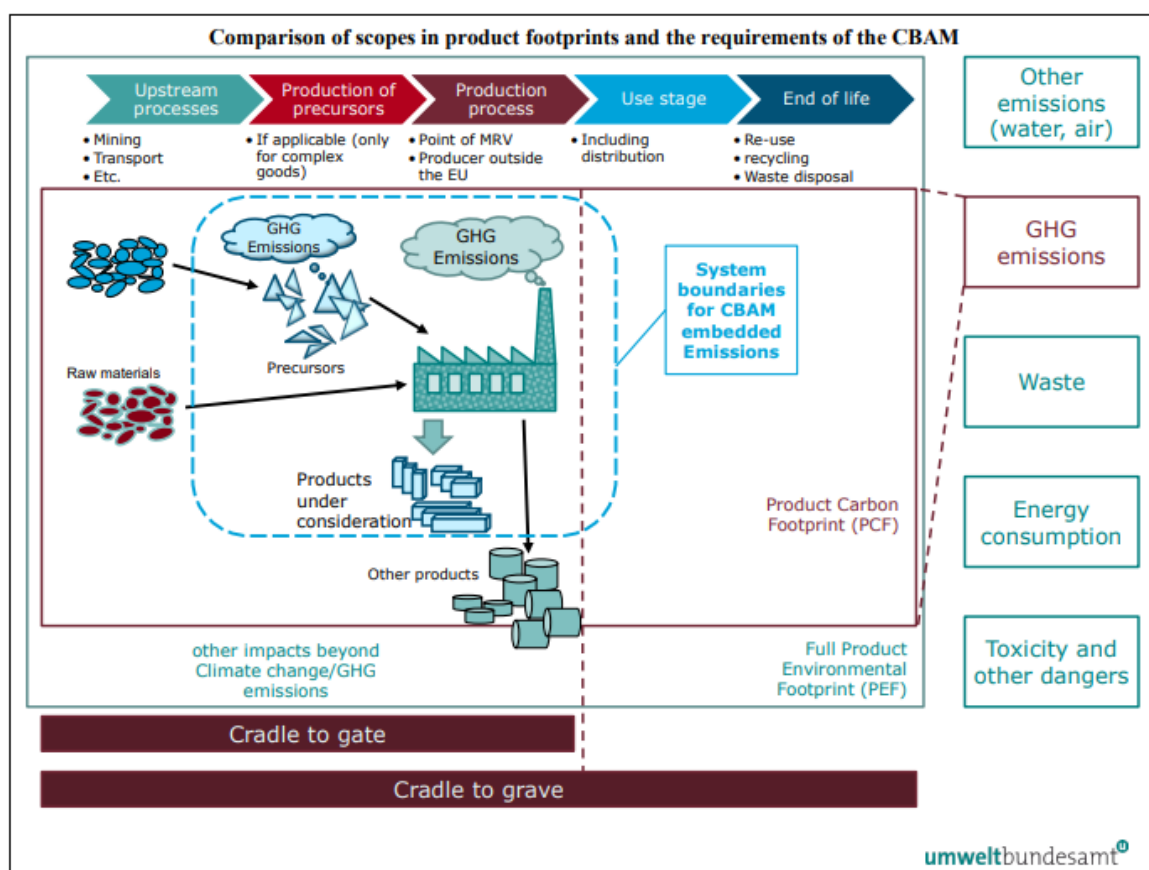
This principle should apply for all goods covered, or exempted, under the UK CBAM to avoid distortions and circumvention (see Appendix 1 concerning waste oils).

Question 5: Do you agree that the government’s definitions of ‘direct’ and ‘indirect’ emissions accurately describe the embodied emissions a CBAM ought to place a carbon price on, in line with those emissions within scope of the UK ETS? If not, please explain why not.

Fuels Industry UK does not agree that the definition of ‘direct’ and ‘indirect’ emissions accurately describes embodied emissions, in particular for complex goods as can be seen from the example given in our response to Question 3.

As in the case of the EU CBAM design (Diagram 2), we note the UK proposes to cover direct and indirect emission for complex products including those direct

**Diagram 2. Comparison of scopes used for emissions footprints under the EU CBAM**



Source: EU Guidance<sup>5</sup>

<sup>5</sup> European Commission, "[Guidance document on CBAM implementation for importers of goods into the EU](#)", December 2023.

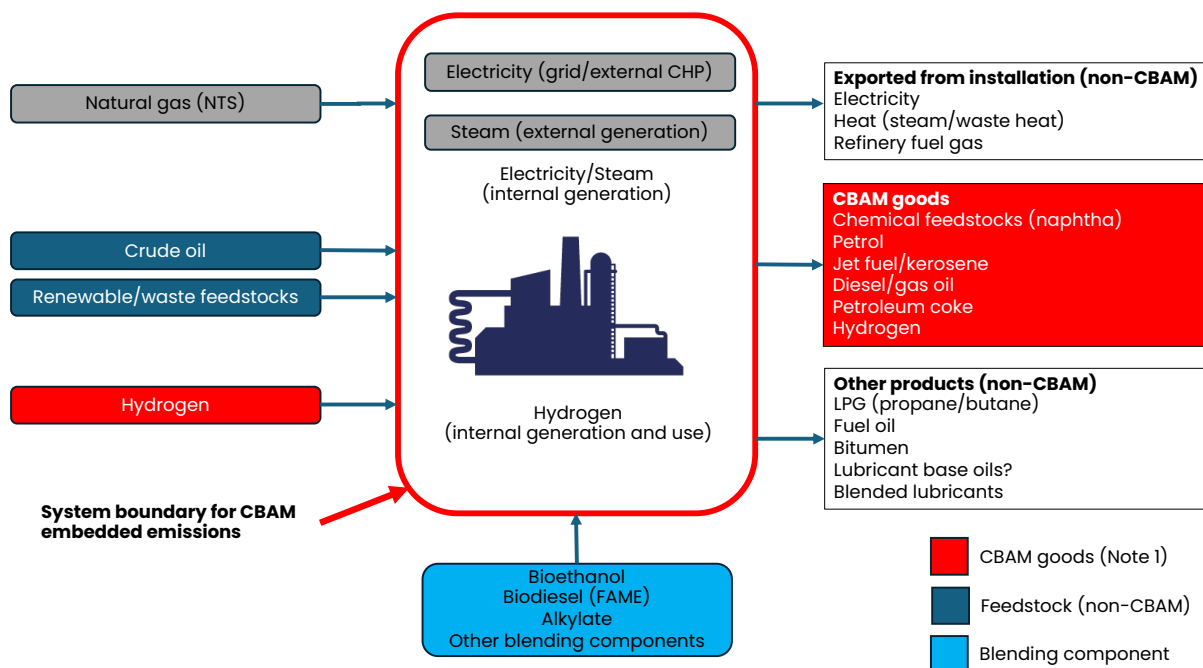


and indirect emissions associated to the ‘precursors’ used to manufacture the complex products (However, the EU CBAM policy makes a clear distinction between ‘precursors’ and ‘raw materials’ and the mining and transportation of the raw materials to the primary processing facility is excluded when accounting for direct and indirect emissions.

This distinction should be made clear in the UK CBAM policy too, to ensure alignment with EU CBAM policy and to fulfil the spirit of accounting mainly for scope 1 and 2 emissions associated with production of imported goods, avoiding the complexity associated with inclusion of scope 3 emissions with the risk of multiple counting and compromises in data quality.

As advised in the response to Question 3, Fuels Industry UK has is seeking to identify ways in which the scope of the UK CBAM could be expanded to include petroleum products. Their inclusion would also require distinction between ‘raw materials’, ‘precursors’ and intermediate feedstocks or blending components to establish pragmatic CBAM system boundaries (Diagram 3), avoiding extreme complexity which would otherwise render operation of the CBAM unworkable (see also response to Question 3 and Diagram 1).

**Diagram 3. CBAM system boundary for petroleum products**



Note 1. See Appendix 1 for commodity codes proposed for inclusion under UK CBAM

We note also that there are differences in the calculation of Scope 1 and 2 emissions with some refineries generating their own electricity and steam from on-site power generation facilities, with others importing electricity from the grid or electricity and/or steam from separate but adjacent facilities. Similar arrangements are also found for hydrogen and in particular, low carbon

hydrogen. Importers would require access to the required information and data to calculate embedded emissions if other than default values for embedded emissions were to be used.

Question 6: Do you foresee any issues with calculating the emissions associated with precursor goods in CBAM goods? Please provide evidence to support your response.

As identified in the responses to Questions 3 and 5, the distinction between 'raw materials', 'precursors' and intermediate feedstocks or blending components will be important when calculating the emissions for CBAM goods. In the case of refined petroleum products this could be made by specifying inputs to the refining process by commodity code, selecting those for which the embodied emissions should be included (e.g. hydrogen, electricity and processed materials from other refineries or sectors). We note also that iron ore and similar mined products are considered non-CBAM raw materials despite having embodied emissions – crude oil should also be considered a raw material on the same basis.

The methodology should also be future proofed to reflect potential inclusion of different feedstocks for low carbon fuels such as bioethanol<sup>6</sup>, hydrogenated vegetable oils (HVO<sup>7</sup>), fatty acid methyl esters (FAME<sup>8</sup>) or sustainable aviation fuel (SAF) components, incorporated to meet obligations such as the Renewable Transport Fuel Obligation (RTFO) and forthcoming SAF mandate due to start in January 2025. However, the inclusion of these should be predicated on whether the associated net production emissions are also sufficiently material to be included under their relevant carbon pricing schemes.

Question 7: Do you foresee any difficulties with the government's proposal to use product level default emissions values calculated in line with global average emissions weighted by the production volumes of the UK's key trading partners? Please outline.

We broadly agree with the proposal to use product level default emission values as described in the consultation document.

However, we note that the European Commission has published default values for the list of products (other than electricity) included under the transitional period for the EU<sup>9</sup>. The publication advises that the values "represent a 'world' average,

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<sup>6</sup> ETIP Bioenergy, "[Bioethanol use in Europe and globally](#)", 2024.

<sup>7</sup> ETIP Bioenergy Fact Sheet, "[Hydrogenated vegetable oil \(HVO\)](#)", 2020.

<sup>8</sup> ETIP Bioenergy Fact Sheet, "[Fatty Acid Methyl Esters](#)", 2011.

<sup>9</sup> European Commission DG Taxation and Customs Union, "[Default values for the transitional period of the CBAM between 1<sup>st</sup> October 2023 and 31 December 2025](#)", December 2023.

weighted by production volumes and are based on estimations on embedded emissions in CBAM goods". These were estimated by the Commission's Joint Research Centre (JRC) using a transparent methodology and publicly available data. More detail is provided in two JRC reports<sup>10,11</sup> focused on the EU's main trading partners, covering around 15 to 20 countries for each sector in the CBAM scope.

Given the trading relationships between the UK and EU and obligations under the EU And UK Trade and Cooperation Agreement, Fuels Industry UK believe the methodologies used for determination of the EU default values are likely to influence the way in which the UK assesses carbon intensity of products included under the UK CBAM, although the scope currently differs.

Recognising the lack of available data, at least in the early years following the introduction of both the EU and UK CBAMs, a hierarchy of default values may provide a more pragmatic solution (Table 1) – see also response to Question 9.

**Table 2. Hierarchy for default values**

<b>Priority</b>	<b>Default value</b>
1	Third quartile or 95% point of global average emissions weighted by the production volumes of the <b>UK's key trading partners</b> over a five-year period.
2	Third quartile or 95% point of global average emissions weighted by the production volumes of the <b>EU's key trading partners</b> (i.e. the EU default values).
3	Third quartile or 95% point of <b>global</b> average emissions.

As regards use of a five-year averaging period for Priority 1 default values, this is proposed to address sectors where the countries of origin for imported products vary constantly from year-to-year.

As for Priority 3, default values should be set robustly to encourage the use of default values higher in the hierarchy or to provide an incentive for importers to demand verified carbon intensity data, to increase the credibility and incentives

<sup>10</sup> Vidovic, D., Marmier, A., Zore, L. and Moya, J., "[Greenhouse gas emission intensities of the steel, fertilisers, aluminium and cement industries in the EU and its main trading partners](#)", Publications Office of the European Union, Luxembourg, 2023, doi: 10.2760/359533, JRC134682.

<sup>11</sup> Dolci, F. and Arrigoni, A., "[Estimation of the global average GHG emission intensity of hydrogen production](#), Publications Office of the European Union, Luxembourg", 2023, doi:10.2760/744837, JRC135067.

for improvement associated with the UK CBAM. We also believe default values lower in the hierarchy should be set taking into account the higher should also reflect the higher MRV costs incurred by UK producers compared to producers overseas subject to much lower MRV costs – the CBAM rate applied is likely to identify where this may be the case.

Question 8: Are there alternative approaches to default emissions values the government ought to consider which neither undermine the environmental integrity of the CBAM nor are punitive in nature? If so, please provide detailed evidence.

Alternative approaches to setting default value have been proposed in the response to Question 7, based on use of a hierarchy. The fundamental objectives should be to:

- Provide an incentive to progress to verified quantification of embedded emissions for the specific product and country or refinery of origin from which the product is imported.
- Implement default values that support the overall policy intent to provide additional protection for UK industry against carbon leakage.
- Establish default values using a robust and transparent methodology.

There is perhaps a further question around use of default values, CBAM rates and the environmental integrity of the CBAM. This concerns where a country imposes an export tax to avoid a CBAM liability at the destination country to increase tax revenue rather than allowing the import country to benefit from income from the CBAM liability. This undermines the environmental integrity of the CBAM providing no incentive for exporting countries to implement an emissions trading scheme or other policy measures to drive decarbonisation.

Question 9: Do you have views on how a percentage-based mark-up (in addition to global average emissions weighted by production volumes of embodied emissions intensities of the UK's key trading partners) could impact the use of default values and actual reported emissions data? Please outline.

As identified in the responses to Questions 7 and 8, default values should be established using a robust and transparent methodology. An arbitrary percentage-based mark-up is unlikely to be robust and may be contested by importers, exporting countries and trade bodies. Instead, third quartile or 95% data point values should be used to provide an incentive for importers to demand verifiable data from overseas producers to prove that their imports have lower levels of embodied carbon than the default values. This is a fundamental principle – providing an incentive for measurement, reporting and verification of emissions is important to deliver the climate change objectives of the policy.

Question 10: Do you have any initial views on the considerations and/or aims of a future review into the use and functionality of default values? Please outline.

Fuels Industry UK suggest that default figures should be reviewed on a regular basis (say every 5 years) as the UK, EU and the rest of the world develop their own decarbonisation plans. Figures should only be updated if there is material change in direct + indirect emissions from imported goods and as data becomes available (eventually including Scope 3 emissions).

Question 11: Do you foresee any issues with a liable person acquiring and providing to HMRC details of emissions embodied in CBAM goods at the end of the accounting period (should they choose to)? Please outline.

As discussed in the responses to Questions 3 and 5, the system boundaries and treatment of “precursor” and “complex” goods must be simplified to avoid high levels of complexity. This will increase the likelihood that a liable person or entity can obtain details of embodied emissions from their suppliers or manufacturers as familiarity with the CBAM methodologies increases. However, we anticipate that in general, this will take time and that default values would have to be retained for some years to avoid trade disruption.

For hydrogen, we anticipate that imports of low carbon hydrogen would need to follow the requirements of the low carbon hydrogen standard<sup>12</sup>, in order to meet the requirements of the UK market. This standard includes rigorous requirements for calculating and reporting embodied emissions.

For refinery products, as explained in the response to Question 3, we propose a simplified approach based on available refinery data and covering only specific commodity codes for products that account for the bulk of refinery production.

Question 12: Do you agree that verification of emissions should be performed by any body accredited by accreditation services which are part of the International Accreditation Forum (IAF), like UKAS in the UK? If not, please explain why not.

Fuels Industry UK broadly agrees that the verification of emissions should be performed by any body accredited by accreditation services which are part of the IAF as proposed.

Question 13: Would the market respond adequately to provide for the accreditation of verifiers by accreditation services and the verification of emissions independent verifiers?

Globally, the accreditation and verification services would be expected to respond to customer demands, so creating the demand for verification of

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<sup>12</sup> DESNZ [Low Carbon Hydrogen Standard](#), 2023.

embodied emissions by importers will by definition Incentivise the verification and accreditation services to respond. The development of ISCC as a verifying scheme (the role Government plays by defining the verification requirement In line with UK ETS reporting standards) allows companies to develop auditors and verifiers to fill this gap. Setting challenging defaults would also reinforce demand for more robust monitoring, reporting and verification of embodied emissions and hasten development of these services.

Question 14: Noting that the government is still developing policy in this area, do you have any initial views on the monitoring, reporting and verification (MRV) rules for the UK CBAM? Please outline.

As explained in the response to Question 9, it is important that incentives are provided for measurement, reporting and verification of emissions and that the MRV rules are robust and transparent to deliver the climate change objectives of the policy. Therefore, we believe that there should be alignment on the MRV requirements for imports and those for emitters operating under the UK ETS system. We note that the International Sustainability and Carbon Certification scheme (ISCC) has proved successful in some areas and would encourage use of such international schemes to provide greater acceptance of the MRV rules.

Fuels Industry UK also see benefits in aligning UK CBAM MRV rules with those introduced under the EU CBAM. Implementation of different rules would create unnecessary complexity for exporters supplying the UK and for importers challenged by the need to understand and potentially comply with both sets of rules.

Question 15: Do you foresee any difficulties in obtaining an accurate weight for CBAM imported goods? If so, please specify the difficulties, why they will arise and any suggestions you might have for dealing with those concerns.

Fuels Industry UK can only respond to this question regarding petroleum products (and associated blending components) which are typically imported into the UK by ship. These imports are usually imported by weight (kt) or volume (km<sup>3</sup>), although the density is almost always stated on the Certificate of Analysis. The volume imported is transferred into tankage using flowmeters and an accurate volume recorded, but this can be readily converted to weight using the density recorded.

Imports of petroleum products enter the UK through bonded warehouses and pass through fiscal standard meters installed at a duty point regulated by HMRC on release to the inland market. We do not foresee any difficulties in obtaining an accurate weight or volume for CBAM imported goods; the volume is already reported to HMRC for excise duty requirements.

The market for hydrogen is still under development; however, the low carbon hydrogen standard includes rigorous metering requirements and we would reasonably expect the CBAM importer to comply with these.

Question 16: If a liable person was required to arrive at the weight of the goods themselves, how would they do that? Please explain how CBAM products that you import are weighed. For example, is the weight arrived by means of a calculation or is it physically weighed?

As identified in the response to Question 15, Fuels Industry UK can only respond to this question regarding petroleum products (and associated blending components) which are typically imported into the UK by ship. These imports are usually imported by weight (kt) or volume (km<sup>3</sup>), although the density is almost always stated on the Certificate of Analysis. The volume imported is transferred into tankage using flowmeters and an accurate volume recorded, but this can be readily converted to weight using the density recorded.

Imports of petroleum products enter the UK through bonded warehouses and pass through fiscal standard meters installed at a duty point regulated by HMRC on release to the inland market. We do not foresee any difficulties in obtaining an accurate weight or volume for CBAM imported goods; the volume is already reported to HMRC for excise duty requirements.

The market for hydrogen is still under development; however, the low carbon hydrogen standard includes rigorous metering requirements, and we would reasonably expect the CBAM importer to comply with these.

Question 17: Is there a UK industry standard weight for the CBAM good you import? If so, please give details.

As identified in the responses to Questions 15 and 16, Fuels Industry UK can only respond to this question with regard to petroleum products (and associated blending components). There is no UK industry standard weight for such products, although the density is usually part of the product specification and/or detailed on the Certificate of Analysis. We believe that metering and reporting practices using fiscal standard meters delivers a high level of accuracy as required by HMRC.

The market for hydrogen is still under development; however, the low carbon hydrogen standard includes rigorous metering requirements, and we would reasonably expect the CBAM importer to comply with these.

Question 18: Do you agree that the CBAM rate calculation set out a fair reflection of the price paid in the production of goods in UK? If not, please explain why not.

The CBAM rate calculation set out would appear to be a fair reflection of the price paid in the production of goods in the UK.

Question 19: Does setting a CBAM rate for each sector on a quarterly basis strike the right balance between tracking the UK ETS market price and giving importers certainty for financial planning? If not, please explain why not.

We agree that this broadly seems an appropriate way to approach the CBAM rate, balancing the certainty for importers while taking account of market fluctuations.

However, this approach may not adequately ensure that UK producers and importers can operate on a level playing field, for example if there is a sudden and significant increase in UK ETS prices which increases costs for UK companies relative to importers. A failure to address this risk may lead to reduced competitiveness for UK companies leading to carbon leakage.

The consultation on UK ETS future markets<sup>13</sup> looked at potential mechanisms for stabilising UK ETS prices, which would work to alleviate the risks discussed above. Fuels Industry UK responded to this consultation in detail<sup>14</sup> and we would strongly recommend that DESNZ take these comments into account in order to provide UK ETS price stability.

Question 20: Are there any other considerations for setting the UK CBAM rate not set out above? Please outline.

Although Fuels Industry UK agrees with the proposal for setting the UK CBAM rate, we note that some Energy Intensive Industry (EII) sectors currently receive support

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<sup>13</sup> DESNZ consultation "[UK Emissions Trading Scheme: future markets policy](#)", 2023.

<sup>14</sup> [Fuels Industry UK response to DESNZ consultation "UK Emissions Trading Scheme: future markets policy"](#), 2024.



under a number of compensation and exemption schemes:

- The EII Indirect ETS and CPS Compensation Scheme<sup>15</sup>
- The EII Renewables Obligation and Feed-in-Tariff Exemption Scheme<sup>16</sup>
- The EII Contracts-for-Difference Exemption Scheme<sup>17</sup>
- The EII Capacity Markets Exemption Scheme<sup>18</sup>
- The EII Network Charges Exemption Scheme<sup>19</sup>

The compensation available to sectors and companies eligible under the EII Indirect ETS and CPS Compensation Scheme effectively reduces the carbon price paid and should also be factored into calculation of the CBAM rate or the compensation scheme policy reviewed. However, other elements of the British Industry Supercharger<sup>20</sup> address further policy costs incorporated into electricity prices and do not impact the UK carbon price paid.

Fuels Industry UK understand that around half of the 27 EU Member States have implemented domestic indirect EU ETS costs compensation schemes complying with the EU ETS State Aid Guidelines. Each of these schemes will require assessment to determine the impact on the net carbon price paid by country in addition to compensation or exemption schemes for other countries from which UK imports are sourced.

Question 21: Are there explicit carbon pricing policies which do not align with our criteria which should be recognised by the UK? Please outline.

For countries where installations covered by carbon pricing policies export significant quantities in comparison to the volume supplied into their inland market, free allowance allocations provided under emissions trading schemes provide a level of export support (the Netherlands and South Korea are two examples for petroleum products). We note that the current UK CBAM proposals do not specifically address export competitiveness for UK producers subject to UK

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<sup>15</sup> See "[Compensation for the indirect costs of the UK ETS and the CPS mechanism: guidance for applicants](#)", May 2024.

<sup>16</sup> See "[Guidance for applicants seeking a certificate for an exemption from the indirect costs of funding Contracts for Difference \(CfD\), the Renewables Obligation \(RO\), the small-scale Feed In Tariff \(FiT\) and the GB Capacity Market \(CM\)](#)", April 2024.

<sup>17</sup> Implemented via [The Electricity Supplier Obligations \(Amendment & Excluded Electricity\) Regulations 2015, UKSI 2015 No. 721](#) (as amended).

<sup>18</sup> Implemented via [The Electricity Capacity \(Supplier Payment etc.\) \(Amended and Excluded Electricity\) Regulations 2024, 2024 No. 434](#).

<sup>19</sup> Implemented via [The Energy-Intensive Industry Electricity Support Payments and Levy Regulations 2024, UKSI 2024 No. 409](#).

<sup>20</sup> Department for Business and Trade, "[British Industry Supercharger gives huge boost to UK businesses](#)", April 2024.

ETS compliance costs and CPS – this should be carefully considered in design of the UK CBAM policy.

Question 22: Are there other recognised forms of evidence which a liable person could provide? Please outline.

Fuels Industry UK is not aware of any further recognised forms of evidence which a liable person could provide.

Question 23: Are there additional considerations or processes that might facilitate the provision of information on the oversea carbon price from producer to liable person, including by mutual agreement with other jurisdictions? Please outline.

There are a limited number of countries worldwide that currently have carbon pricing in place <sup>21</sup>, with the EU bloc having a single scheme under the EU ETS.

Requiring each importer to identify and verify the appropriate overseas carbon price would seem to be a duplication of effort and increases the cost to UK importing companies. Instead, one option may be for HMRC to determine the relevant carbon price by country and sector and to publish the information in a central, publicly available database. This could then be used in importer submissions to create a level playing field for all participants.

Local taxation and compensation or exemption schemes having an impact on the net carbon price should be determined by the Department for Business and Trade, who would then be able to determine whether such measures impact UK competitiveness or lead to market distortion. See also responses to Questions 26 and 27.

Question 24: For operators overseas, do you foresee challenges providing the evidence for importers to comply with the measure? Please outline.

Given the nascent nature of carbon intensity calculations, Fuels Industry UK cannot comment on this in detail. However, we anticipate there may be challenges in providing the data, especially for overseas operators located in countries where emissions reporting is not well developed or required. Excessive data requirements may disincentivise companies importing CBAM goods to the UK, which would have widespread implications for the UK economy, choice and availability of CBAM goods, in particular, complex goods.

However, we believe that some of these issues can be mitigated by providing detailed guidance on CBAM evidence requirements as far in advance of the start of the CBAM as possible to allow companies to prepare. Setting high defaults will

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<sup>21</sup> The World Bank, "[State and Trends of Carbon Pricing Dashboard](#)".

encourage Importers to request the necessary information and data from overseas producers and for this to be made available through their supply chain.

Question 25: Do you foresee challenges with referencing the overseas carbon price on a quarterly basis? Please outline.

The sources of information on overseas carbon prices must clearly be robust, along with the source of information on domestic support mechanisms, availability of carbon credits or adjustments for certain sectors (c.f. free allowance allocations at installation level) etc. This may be more straightforward for some jurisdictions such as the EU or Canada<sup>22, 23</sup>, whilst other jurisdictions may be more opaque and require additional analysis or verification.

Question 26: Do you have views on what types of third parties would be appropriate to verify overseas carbon price? Please outline.

There are a limited number of countries worldwide that currently have carbon pricing in place<sup>24</sup>, with the EU bloc having a single scheme under the EU ETS.

Requiring each importer to identify and verify the appropriate overseas carbon price would seem to be a duplication of effort and increases the cost to UK importing companies.

One option to consider is that HMRC centrally confirm and verify the overseas carbon price by jurisdiction, and publish the information in a central, publicly available database. This could then be used in importer submissions, is easily verifiable and creates a level playing field for all participants.

We understand the point regarding local taxation regimes having an impact on the net carbon price; however, these may be best handled by the Department for Business and Trade who can determine if there is a wider impact on UK competitiveness or market distortion.

Question 27: Do you have views on how the government could decrease the burden on the liable person to evidence an overseas carbon price? Please outline.

Again, there are a limited number of countries worldwide that currently have carbon pricing in place<sup>24</sup>, with the EU bloc having a single scheme under the EU ETS.

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<sup>22</sup> EEX, [EU ETS Auctions, Futures and Options](#).

<sup>23</sup> Government of Canada, "[The federal carbon pollution pricing benchmark](#)".

<sup>24</sup> The World Bank, "[State and Trends of Carbon Pricing Dashboard](#)".

Requiring each importer to identify and verify the appropriate overseas carbon price would seem to be a duplication of effort and increases the cost to UK importing companies.

An alternative option would be for HMRC to confirm and verify the overseas carbon price by jurisdiction, and publish the information in a central, publicly available database. This could then be used in importer submissions, is easily verifiable and creates a level playing field for all participants.

We understand the point regarding local taxation regimes having an impact on the net carbon price; however, these may be best handled by the Department for Business and Trade who can determine if there is a wider impact on UK competitiveness or market distortion.

Question 28: Do you agree that where a CBAM good has been subject to multiple carbon prices, the total carbon price can be offset from the UK CBAM liability? If not, please explain why not.

Fuels Industry UK broadly agrees with this approach, provided that there is sufficient evidence presented that there has been no off-setting within the relevant supply chain. In other words, the importer needs to provide sufficient evidence to demonstrate that the CBAM good has in fact, been subject to the additive carbon price before entering the UK. See also comments in the responses to Question 3 concerning 'precursor' and 'complex' goods and the need to simplify the UK CBAM design.

This ensures that the CBAM scheme operates as intended, and there is no circumvention, to support continuing credibility of the CBAM scheme and preventing carbon leakage.

Question 29: Do you foresee any difficulties with the arrangements for where the tax point arises, including which rates will apply? Please explain where you have any difficulties with the proposed policy.

Fuels Industry UK does not foresee significant difficulties with the arrangements for where the tax point arises.

There have been no material imports of low carbon hydrogen to date, and we have not seen specific HMRC requirements for this; we would ask that once established there is HMRC alignment under the UK CBAM and any additional hydrogen requirements such as excise duty.

The Excise Duty requirements of refined products are covered under the Hydrocarbon Oil Duty Act (HODA)<sup>25</sup>, which sets the requirements for imports as well as for indigenous refined products. This legalisation is well understood by

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<sup>25</sup> [The Hydrocarbon Oil Duties Act 1979](#) (as amended).

companies and has operated effectively for many years. The requirements presented in the CBAM consultation would appear to be aligned with these requirements. However, we would ask that alignment between HODA and the CBAM is confirmed to align the appropriate administrative burdens on companies and ensure consistency of taxation approach for the sector.

Question 30: Do you foresee any risks with our proposal to base the CBAM liability on the CBAM good which is processed into a non-CBAM good before it is released into free circulation? Please explain the risks.

As advised in the response to Question 3, Fuels Industry UK is seeking to identify ways in which the scope of the UK CBAM could be expanded to include petroleum products. Here a number of issues associated with feasibility have been identified where the proposed treatment of “precursor” and “complex” goods is likely to introduce high levels of complexity.

In the case of UK (and for that matter EU refineries), all of the main inputs – crude and refinery intermediate feedstocks, electricity and hydrogen (which may also be produced and used internally by the refinery) – are covered by the UK ETS, although the risk of carbon leakage for crude oil and electricity production may not justify inclusion under a CBAM. Similarly, many refinery products are used as feedstocks by other sectors and also covered by the UK ETS. This confirms the importance of mapping products and commodity codes against ETS activities and shows the complexity associated with categorisation of “precursor” and “complex” goods, especially for formulated products blended or manufactured using components produced by a number of different sectors.

Clearly, in such cases where UK producers are exposed to high risk of carbon leakage, a more pragmatic approach is required than proposed in the consultation document. With the refining sector having one of the highest exposures to carbon leakage (higher than all of the sectors currently included under the UK CBAM proposals), a more straightforward approach would be to restrict application of a CBAM to a limited number of products, for example, petrol, jet fuel/kerosene and diesel/gas oil and key blending components, which account for the major portion of refinery production, with a high proportion of product volumes used directly in end use applications.

Question 31: Do you agree that the proposal for designating the liable person is appropriate or are there likely to be unintended consequences? If you do not agree, please explain your reasons.

Fuels Industry UK broadly agrees that the proposal for designating the liable person is appropriate.

The Excise Duty requirements of refined products are covered by HODA, which sets the requirements for imports as well as for indigenous refined products. This

legalisation is well understood by companies and has operated effectively for many years. The requirements presented in the CBAM consultation would appear to be aligned with these requirements, including the designation of a liable person. However, we would ask that alignment between HODA and the CBAM is confirmed to align the appropriate administrative burdens on companies and ensure consistency of taxation approach for the sector.

Question 32: Do you agree that there should be a minimum threshold below which a person should not be required to register for the CBAM? If not, please explain why not.

Fuels Industry UK agrees that there should be a minimum threshold below which a person should not be required to register for the CBAM.

However, we would ask that the rules regarding how the minimum threshold is applied be made explicitly clear, to avoid either companies having to register where it was not required, or inadvertently failing to register where it was. This should include guidance on what to do if carbon prices fluctuate over the reporting period in question. For consistency, for fossil-based fuels, this minimum limit should be in line with RTFO min threshold.

Question 33: Do you agree that an annual value of £10,000 is an appropriate level at which to set the minimum threshold? If not, please explain where you think it should be set and your reasoning.

For refined products this figure would be significantly below that which would be expected for any imports (for example a single large road tanker containing retail fuel is likely to be liable for CBAM registration) and below the threshold for inclusion under RTFO. However, we would be content with this approach if it is consistent with HODA and is not likely to impose an undue additional burden on obligated companies.

Question 34: Do you agree with the tests set out in Figure 15 for assessing whether a person has met the minimum threshold? If not, please explain how you think the threshold should be assessed.

Fuels Industry UK does not have a firm view on this.

If refined products are included in a UK CBAM, then this figure is significantly below that which would be expected for any imports (for example a single large road tanker is likely to be liable for CBAM registration). However we are content with this approach, it is consistent with HODA and is not likely to impose an undue additional burden on obligated companies.

Question 35: Do you consider the registration and deregistration requirements set out above to be appropriate? If not, please specify why not.

Fuels Industry UK considers that the registration and deregistration requirements are appropriate.

Under HODA, importers of refined products have existing and significant responsibilities to HMRC including registration and the submission of detailed returns. Provided that the registration system for the UK CBAM is appropriately designed, we do not see any significant issues for importers of these goods.

Question 36: Do you foresee any difficulties with the arrangements set out for completing and submitting returns, including the content required on the return? If so, please specify the difficulties and why they would arise.

Fuels Industry UK considers that the registration and deregistration requirements are appropriate.

Under HODA, importers of refined products have existing and significant responsibilities to HMRC including registration and the submission of detailed returns. Provided that the system for completing and submitting returns under the UK CBAM is appropriately designed, we do not see any significant issues for importers of these goods.

Question 37: Do you think that allowing 5 months from the end of the first accounting period until returns are due allows sufficient time for a liable person to obtain data about the carbon content of their CBAM goods? If you think a different period should operate, please explain why.

Given the nascent nature of the CBAM policy, we cannot comment in detail on whether allowing 5 months is an appropriate, and sufficient, time for a liable person to obtain data about the carbon content of their CBAM goods. However, a period of 5 months may be appropriate initially, provided sufficient notice on the UK CBAM introduction is provided. We understand and welcome the approach of a longer period at the start of the introduction in order to establish reporting chains. However, it may be required after the initial period, depending on the maturity of the reporting methodology in exporting countries. We would therefore ask that a review of the reporting timetables is carried out to see if an extended period may be required.

We would also ask that an extended period is used when introducing new sectors into the UK CBAM, rather than using the period applicable at the time. This would ensure that new entrants are also able to establish their reporting chains on the same basis as the initial sectors covered under the UK CBAM.

Question 38: Do you agree with the proposal to move to quarterly accounting period from 2028 and, if not, why not?

Fuels Industry UK agrees with the proposal to move to quarterly accounting from 2028.

Under HODA, importers of refined products have existing and significant responsibilities to HMRC including registration, and the submission of detailed returns. Typically, these returns are made on a monthly, rather than quarterly, basis; however, a quarterly basis would be acceptable if this is consistent with HMRC policy for other sectors.

Provided that the accounting system under the UK CBAM is appropriately designed, we do not see any significant issues for importers of these goods.

Question 39: Do you foresee any difficulties in moving to a system of four fixed accounting periods a year from 2028, with returns/payments generally due a month later? If so, please explain your concerns and any suggestions for dealing with those concerns.

Fuels Industry UK does not foresee any difficulties in moving to a system of four fixed accounting periods a year from 2028, with returns/payments generally due a month later.

Under HODA, importers of refined products have existing and significant responsibilities to HMRC including registration, and the submission of detailed returns for product supplied inland. Fuel excise duty is applied at the duty point which is regulated by HMRC. Typically, these returns are made on a monthly, rather than quarterly, basis, with a reporting period from the 15<sup>th</sup> of month N to the 14<sup>th</sup> of month N+1 and a split period at the end of each year. The same periods also apply for reporting under the RTFO; however, a quarterly basis would be acceptable if it is consistent with HMRC policy for other sectors. There is also a consistent approach to the settlement of excise duty payments with HMRC, on a similar basis.

Provided that the accounting system under the UK CBAM is appropriately designed, we do not see any significant issues for importers of these goods.

Question 40: Do you consider that HMRC's approach to enforcement powers and penalties is appropriate? If not, please specify why.

Fuels Industry UK does not have a firm view on this.

However, we welcome the minded to position regarding consistency in approach with other HMRC measures such as VAT.



Question 41: Do you have any other concerns or suggestions around potential compliance risks? Please outline.

Fuels Industry UK does not have any other concerns or suggestions around potential compliance risks; HMRC compliance is well established for the refined products sector in respect of import tariffs and excise duty and we see the UK CBAM as an extension of these measures.

## Appendix 1

### Initial assessment of commodity codes for refinery products for inclusion under the proposed UK CBAM

Heading	Description	Commodity code	Comments
<b>2709</b>	<b>Petroleum oils and oils obtained from bituminous minerals, crude</b>		
	Natural gas condensates	27090010	Exclude from UK CBAM scope - feedstock
	Petroleum oils and oils obtained from bituminous minerals, crude (excl. natural gas condensates)	27090090	Exclude from UK CBAM scope - feedstock
<b>2710</b>	<b>Petroleum oils and oils obtained from bituminous minerals (other than crude) and preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations, other than those containing biodiesel and other than</b>		
	Light oils of petroleum or bituminous minerals for undergoing a specific process as defined in Additional Note 5 to chapter 27 (excl. containing biodiesel)	27101211	Exclude from UK CBAM scope (Note 1)
	Light oils of petroleum or bituminous minerals, for undergoing chemical transformation (excl. for specific processes specified in Additional Note 5 to chapter 27, and containing biodiesel)	27101215	Exclude from UK CBAM scope (Note 1)
	White spirit	27101221	Exclude from UK CBAM scope (Note 1)
	Special spirits (excl. white spirit) of petroleum or bituminous minerals	27101225	Exclude from UK CBAM scope (Note 1)
	Aviation spirit	27101231	Exclude from UK CBAM scope (Note 1)
	Motor spirit, with a lead content $\leq 0,013$ g/l, with a research octane number "RON" of $< 95$ (excl. containing biodiesel)	27101241	Include in UK CBAM scope
	Motor spirit, with a lead content $\leq 0,013$ g/l, with a research octane number "RON" of $\geq 95$ but $< 98$ (excl. containing biodiesel)	27101245	Include in UK CBAM scope
	Motor spirit, with a lead content $\leq 0,013$ g/l, with a research octane number "RON" of $\geq 98$ (excl. containing biodiesel)	27101249	Include in UK CBAM scope
	Motor spirit, with a lead content $> 0,013$ g/l and a research octane number "RON" of $< 98$ (excl. aviation spirit)	27101251	Include in UK CBAM scope
	Motor spirit, with a lead content $> 0,013$ g/l and a research octane number "RON" of $\geq 98$ (excl. aviation spirit)	27101259	Include in UK CBAM scope
	Jet fuel, spirit type (excl. aviation spirit)	27101270	Exclude from UK CBAM scope (Note 1)

Heading	Description	Commodity code	Comments
<b>2710 (cont.)</b>	<b>Petroleum oils and oils obtained from bituminous minerals (other than crude) and preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations, other than those containing biodiesel and other than</b>		
	Light oils and preparations, of petroleum or bituminous minerals, n.e.s. (excl. containing biodiesel, for undergoing chemical transformation, and special spirits, motor spirit and spirit type jet fuel)	27101290	Exclude from UK CBAM scope (Note 1)
	Medium oils of petroleum or bituminous minerals for undergoing a specific process as defined in Additional Note 5 to chapter 27	27101911	Exclude from UK CBAM scope (Note 1)
	Medium oils of petroleum or bituminous minerals, for undergoing chemical transformation (excl. for specific processes specified in Additional Note 5 to chapter 27)	27101915	Exclude from UK CBAM scope (Note 1)
	Jet fuel, kerosene type	27101921	Include in UK CBAM scope
	Kerosene (excl. jet fuel)	27101925	Include in UK CBAM scope
	Medium oils and preparations, of petroleum or bituminous minerals, n.e.s. (excl. for undergoing chemical transformation, and kerosene)	27101929	Exclude from UK CBAM scope (Note 1)
	Gas oils of petroleum or bituminous minerals for undergoing a specific process as defined in Additional Note 5 to chapter 27	27101931	Include in UK CBAM scope
	Gas oils of petroleum or bituminous minerals, for undergoing chemical transformation (excl. specific processes specified in Additional Note 5 to chapter 27)	27101935	Include in UK CBAM scope
	Gas oils of petroleum or bituminous minerals, with a sulphur content of <= 0,001% by weight (excl. containing biodiesel, and for undergoing chemical transformation)	27101943	Include in UK CBAM scope
	Gas oils of petroleum or bituminous minerals, with a sulphur content of > 0,001% but <= 0,002% by weight (excl. containing biodiesel, and for undergoing chemical transformation)	27101946	Include in UK CBAM scope
	Gas oils of petroleum or bituminous minerals, with a sulphur content of > 0,002% but <= 0,1% by weight (excl. containing biodiesel, and for undergoing chemical transformation)	27101947	Include in UK CBAM scope
	Gas oils of petroleum or bituminous minerals, with a sulphur content of > 0,1% by weight (excl. containing biodiesel, and for undergoing chemical transformation)	27101948	Include in UK CBAM scope

Heading	Description	Commodity code	Comments
2710 (cont.)	<b>Petroleum oils and oils obtained from bituminous minerals (other than crude) and preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations, other than those containing biodiesel and other than</b>		
	Fuel oils of petroleum or bituminous minerals for undergoing a specific process as defined in Additional Note 5 to chapter 27 (excl. containing biodiesel)	27101951	Exclude from UK CBAM scope (Note 1)
	Fuel oils obtained from bituminous materials, for undergoing chemical transformation (excl. for specific processes specified in Additional Note 5 to chapter 27, and containing biodiesel)	27101955	Exclude from UK CBAM scope (Note 1)
	Fuel oils obtained from bituminous materials, with a sulphur content of <= 0,1% by weight (excl. for undergoing chemical transformation, and containing biodiesel)	27101962	Exclude from UK CBAM scope (Note 1)
	Fuel oils obtained from bituminous materials, with a sulphur content of > 0,1% but <= 1% by weight (excl. for undergoing chemical transformation, and containing biodiesel)	27101964	Exclude from UK CBAM scope (Note 1)
	Fuel oils obtained from bituminous materials, with a sulphur content of > 1% by weight (excl. for undergoing chemical transformation, and containing biodiesel)	27101968	Exclude from UK CBAM scope (Note 1)

Heading	Description	Commodity code	Comments
2710 (cont.)	<b>Petroleum oils and oils obtained from bituminous minerals (other than crude) and preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations, other than those containing biodiesel and other than</b>		
	Lubricating oils and other preparations containing by weight $\geq$ 70% of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations, for undergoing a specific process as defined in Additional Note 5 to chapter 27	27101971	Exclude from UK CBAM scope (Note 1)
	Lubricating oils and other preparations containing by weight $\geq$ 70% of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations, for undergoing chemical transformation (excl. specific processes specified in Additional Note 5 to chapter 27)	27101975	Exclude from UK CBAM scope (Note 1)
	Motor oils, compressor lube oils and turbine lube oils containing by weight $\geq$ 70% of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations (excl. for undergoing chemical transformation)	27101981	Exclude from UK CBAM scope - not a refinery product
	Liquids for hydraulic purposes containing by weight $\geq$ 70% of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations (excl. for undergoing chemical transformation)	27101983	Exclude from UK CBAM scope - not a refinery product

Heading	Description	Commodity code	Comments
2710 (cont.)	<b>Petroleum oils and oils obtained from bituminous minerals (other than crude) and preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations, other than those containing biodiesel and other than</b>		
	White oils, liquid paraffin containing by weight $\geq$ 70% of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituent of the preparations (excl. for undergoing chemical transformation)	27101985	Exclude from UK CBAM scope (Note 1)
	Gear oils and reductor oils containing by weight $\geq$ 70% of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituent of the preparations (excl. for undergoing chemical transformation)	27101987	Exclude from UK CBAM scope - not a refinery product
	Metalworking compounds, mould-release oils, anti-corrosion oils containing by weight $\geq$ 70% of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituent of the preparations (excl. for undergoing chemical transformation)	27101991	Exclude from UK CBAM scope - not a refinery product
	Electrical insulating oils containing by weight $\geq$ 70% of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituent of the preparations (excl. for undergoing chemical transformation)	27101993	Exclude from UK CBAM scope - not a refinery product
	Lubricating oils and other heavy oils and preparations n.e.s., containing by weight $\geq$ 70% of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations (excl. for undergoing chemical transformation)	27101999	Exclude from UK CBAM scope - not a refinery product

Heading	Description	Commodity code	Comments
<b>2710 (cont.)</b>	<b>Petroleum oils and oils obtained from bituminous minerals (other than crude) and preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations, other than those containing biodiesel and other than</b>		
	Gas oils of $\geq 70\%$ of petroleum or bituminous minerals, with a sulphur content of $\leq 0,001\%$ by weight, containing biodiesel	27102011	Include in UK CBAM scope
	Gas oils of $\geq 70\%$ of petroleum or bituminous minerals, with a sulphur content of $> 0,001\%$ but $\leq 0,002\%$ by weight, containing biodiesel	27102015	Include in UK CBAM scope
	Gas oils of $\geq 70\%$ of petroleum or bituminous minerals, with a sulphur content of $> 0,002\%$ but $\leq 0,1\%$ by weight, containing biodiesel	27102017	Include in UK CBAM scope
	Gas oils of $\geq 70\%$ of petroleum or bituminous minerals, with a sulphur content of $> 0,1\%$ by weight, containing biodiesel	27102019	Include in UK CBAM scope
	Fuel oils of $\geq 70\%$ of petroleum or bituminous minerals, with a sulphur content of $\leq 0,1\%$ by weight, containing biodiesel	27102031	Exclude from UK CBAM scope (Note 1)
	Fuel oils of $\geq 70\%$ of petroleum or bituminous minerals, with a sulphur content of $> 0,1\%$ but $\leq 1\%$ by weight, containing biodiesel	27102035	Exclude from UK CBAM scope (Note 1)
	Fuel oils of $\geq 70\%$ of petroleum or bituminous minerals, with a sulphur content of $> 1\%$ by weight, containing biodiesel	27102039	Exclude from UK CBAM scope (Note 1)
	Oils of $\geq 70\%$ of petroleum or bituminous minerals, containing biodiesel (excl. gas oils and fuel oils)	27102090	Exclude from UK CBAM scope (Note 1)
	Waste oils containing polychlorinated biphenyls [PCBs], polychlorinated terphenyls [PCTs] or polybrominated biphenyls [PBBs]	27109100	Exclude from UK CBAM scope (Note 2)
	Waste oils containing mainly petroleum or bituminous minerals (excl. those containing polychlorinated biphenyls [PCBs], polychlorinated terphenyls [PCTs] or polybrominated biphenyls [PBBs])	27109900	Exclude from UK CBAM scope (Note 2)

Heading Description		Commodity code	Comments
<b>2711</b>	<b>Petroleum gases and other gaseous hydrocarbons</b>		
	Natural gas, liquefied	27111100	Exclude from UK CBAM scope - not a refinery product
	Propane of a purity of $\geq 99\%$ , for use as a power or heating fuel, liquefied	27111211	Exclude from UK CBAM scope (Note 1)
	Propane of a purity of $\geq 99\%$ , liquefied (excl. for use as a power or heating fuel)	27111219	Exclude from UK CBAM scope (Note 1)
	Propane of a purity of $< 99\%$ , liquefied, for undergoing a specific process as defined in Additional Note 5 to chapter 27	27111291	Exclude from UK CBAM scope (Note 1)
	Propane of a purity of $< 99\%$ , liquefied, for undergoing chemical transformation (excl. processes specified in 2711.12.91)	27111293	Exclude from UK CBAM scope (Note 1)
	Liquid propane of a purity of $> 90\%$ , but $< 99\%$ (excl. for undergoing chemical transformation)	27111294	Exclude from UK CBAM scope (Note 1)
	Liquefied propane of a purity of $\leq 90\%$ (excl. for undergoing chemical transformation)	27111297	Exclude from UK CBAM scope (Note 1)
	Butanes for undergoing a specific process as defined in Additional Note 5 to chapter 27, liquefied (excl. of a purity of $\geq 95\%$ of N-butane or isobutane)	27111310	Exclude from UK CBAM scope (Note 1)
	Butanes for undergoing chemical transformation, liquefied (excl. for specific processes specified in Additional Note 5 to chapter 27 and butanes of a purity of $\geq 95\%$ of N-butane or isobutane)	27111330	Exclude from UK CBAM scope (Note 1)
	Liquefied butane of a purity of $> 90\%$ but $< 95\%$ (excl. for undergoing chemical transformation)	27111391	Exclude from UK CBAM scope (Note 1)
	Liquefied butane of a purity of $\leq 90\%$ (excl. for undergoing chemical transformation)	27111397	Exclude from UK CBAM scope (Note 1)
	Ethylene, propylene, butylene and butadiene, liquefied (excl. ethylene of a purity of $\geq 95\%$ and propylene, butylene and butadiene of a purity of $\geq 90\%$ )	27111400	Exclude from UK CBAM scope (Note 1)
	Gaseous hydrocarbons, liquefied, n.e.s. (excl. natural gas, propane, butane, ethylene, propylene, butylene and butadiene)	27111900	Exclude from UK CBAM scope - not a refinery product
	Natural gas in gaseous state	27112100	Exclude from UK CBAM scope - not a refinery product
	Hydrocarbons in gaseous state, n.e.s. (excl. natural gas)	27112900	Exclude from UK CBAM scope (Note 1)



Heading	Description	Commodity code	Comments
<b>2712</b>	<b>Petroleum jelly; paraffin wax, microcrystalline petroleum wax, slack wax, ozokerite, lignite wax, peat wax, other mineral waxes, and similar products obtained by synthesis or by other processes, whether or not</b>		
	Crude petroleum jelly	27121010	Exclude from UK CBAM scope (Note 1)
	1090 Petroleum jelly (excl. crude)	27121090	Exclude from UK CBAM scope (Note 1)
	Synthetic paraffin wax containing < 0,75% by weight of oil and of a molecular weight of >= 460 but <= 1.560	27122010	Exclude from UK CBAM scope (Note 1)
	Paraffin wax containing < 0,75% by weight of oil (excl. synthetic paraffin wax of a molecular weight of >= 460 but <= 1.560)	27122090	Exclude from UK CBAM scope (Note 1)
	Crude ozokerite, lignite wax or peat wax "natural products"	27129011	Exclude from UK CBAM scope - not a refinery product
	Ozokerite, lignite wax or peat wax "natural products", whether or not coloured (excl. crude)	27129019	Exclude from UK CBAM scope - not a refinery product
	Crude paraffin wax, microcrystalline petroleum wax, slack wax, other mineral waxes, and similar products obtained by synthesis or by other processes, for undergoing a specific process as defined in Additional Note 5 to chapter 27 (excl. petroleum jelly, paraffin wax containing < 0,75% by weight of oil, ozokerite, lignite wax and peat wax)	27129031	Exclude from UK CBAM scope - not a refinery product
	Crude paraffin wax, microcrystalline petroleum wax, slack wax, other mineral waxes, and similar products obtained by synthesis or by other processes, for undergoing chemical transformation (excl. for specific processes specified in Additional Note 5 to chapter 27, petroleum jelly, paraffin wax containing < 0,75% by weight of oil, ozokerite, lignite wax and peat wax)	27129033	Exclude from UK CBAM scope - not a refinery product
	Crude paraffin wax, microcrystalline petroleum wax, slack wax, other mineral waxes, and similar products obtained by synthesis or by other processes (excl. for undergoing chemical transformation, petroleum jelly, paraffin wax containing < 0,75% by weight of oil, ozokerite, lignite wax and peat wax)	27129039	Exclude from UK CBAM scope - not a refinery product
	Blend of 1-alkenes containing by weight >= 80% of 1-alkenes of a chain-length of >= 24 but <= 28 carbon atoms	27129091	Exclude from UK CBAM scope (Note 1)
	Paraffin wax, microcrystalline petroleum wax, slack wax, ozokerite, lignite wax, peat wax, other mineral waxes, and similar products obtained by synthesis or by other processes, whether or not coloured (excl. petroleum jelly, paraffin wax containing < 0,75% by weight of oil and a blend of 1-alkenes containing by weight >= 80% of 1-alkenes of a chain-length of >= 24 but <= 28 carbon atoms)	27129099	Exclude from UK CBAM scope - not a refinery product

Heading	Description	Commodity code	Comments
<b>2713</b>	<b>Petroleum coke, petroleum bitumen and other residues of petroleum oils or of oils obtained from bituminous minerals</b>		
	Petroleum coke, non-calcined	27131100	Exclude from UK CBAM scope (Note 1)
	Petroleum coke, calcined	27131200	Exclude from UK CBAM scope (Note 1)
	Petroleum bitumen	27132000	Exclude from UK CBAM scope (Note 1)
	Residues of petroleum oil or of oil obtained from bituminous minerals for the manufacture of carbon of heading 2803	27139010	Exclude from UK CBAM scope (Note 1)
	Residues of petroleum oil or of oil obtained from bituminous minerals (excl. for the manufacture of carbon of heading 2803, petroleum coke and petroleum bitumen)	27139090	Exclude from UK CBAM scope (Note 1)
<b>2714</b>	<b>Bitumen and asphalt, natural; bituminous or oil-shale and tar sands; asphaltites and asphaltic rocks</b>		
	Bituminous or oil-shale and tar sands	27141000	Exclude from UK CBAM scope - not a refinery product
	Bitumen and asphalt, natural; asphaltites and asphaltic rocks	27149000	Exclude from UK CBAM scope - not a refinery product
<b>2715</b>	<b>Bituminous mixtures based on natural asphalt, on natural bitumen, on petroleum bitumen, on mineral tar or on mineral tar pitch (for example, bituminous mastics, cut-backs)</b>		
	Bituminous mastics, cut-backs and other bituminous mixtures based on natural asphalt, on natural bitumen, on petroleum bitumen, on mineral tar or on mineral tar pitch	27150000	Exclude from UK CBAM scope (Note 1)
<b>2503</b>	<b>Sulphur of all kinds, other than sublimed sulphur, precipitated sulphur and colloidal sulphur</b>		
	Crude or unrefined sulphur	25030010	Exclude from UK CBAM scope (Note 1)
	Other	25030090	Exclude from UK CBAM scope - not a refinery product

Heading	Description	Commodity code	Comments
<b>2902</b>	<b>Cyclic hydrocarbons</b>		
	<b>Cyclanes, cyclenes and cycloterpenes</b>		
	Cyclohexane	29021100	Exclude from UK CBAM scope (Note 1)
	Other	29021900	Exclude from UK CBAM scope (Note 1)
	Benzene	29022000	Exclude from UK CBAM scope (Note 1)
	Toluene	29023000	Exclude from UK CBAM scope (Note 1)
	<b>Xylenes</b>		Exclude from UK CBAM scope (Note 1)
	o-Xylene	29024100	Exclude from UK CBAM scope (Note 1)
	m-Xylene	29024200	Exclude from UK CBAM scope (Note 1)
	p-Xylene	29024300	Exclude from UK CBAM scope (Note 1)
	Mixed xylene isomers	29024400	Exclude from UK CBAM scope (Note 1)
	<b>Styrene</b>	29025000	Exclude from UK CBAM scope - not a refinery product
	<b>Ethylbenzene</b>	29026000	Exclude from UK CBAM scope (Note 1)
	<b>Cumene</b>	29027000	Exclude from UK CBAM scope - not a refinery product
	<b>Other</b>	29029000	Exclude from UK CBAM scope (Note 1)
<b>3826</b>	<b>Biodiesel and mixtures thereof, not containing or containing less than 70% by weight of petroleum oils or oils obtained from bituminous</b>		
	Fatty-acid mono-alkyl esters, containing by weight 96.5% or more of esters (famae)	38260010	Exclude from UK CBAM scope - not a refinery product
<b>2207</b>	<b>Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol or higher; ethyl alcohol and other spirits, denatured, of any strength</b>		
	Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol or higher	22071000	Exclude from UK CBAM scope - not a refinery product
	Ethyl alcohol and other spirits, denatured, of any strength	22072000	Exclude from UK CBAM scope - not a refinery product

Notes.

1. Excluded from CBAM to avoid undue complexity.
2. Excluded from CBAM on the same basis as scrap aluminium, scrap glass and scrap iron and steel. Inclusion would bring highly complex methodological challenges in determination of embedded emissions.

Reference is also made to Additional Note 5 to Chapter 27 of the UK Integrated Online Tariff; this provides a list of operations that must be carried out on substances classified by the commodity codes where this note is referenced – examples include vacuum distillation, fractionation, cracking, reforming, solvent extraction, polymerisation, alkylation, isomerisation and desulphurisation.

