

Respond to the technical consultation on the draft regulations for the Carbon Border Adjustment Mechanism (CBAM) (Emissions and Verification).

I welcome the government's work in producing a draft framework for measuring embodied emissions and for monitoring and verifying emissions data before UK CBAM takes effect on 1 January 2027. The success of the regime will depend not only on whether the legal drafting is accurate, but also on whether importers, overseas producers, and supply-chain participants can understand the requirements and produce compliant submissions without disproportionate cost or avoidable ambiguity.

My comments address two main areas: system boundaries and secondary operational considerations.

Under system boundaries, I wish to raise two points.

First, the system boundary definitions must be operationally testable, not merely legally stated. Alignment with UK ETS principles provides the regime with a coherent baseline, but it does not resolve the practical questions that liable persons will face. For example, where a single overseas installation produces both CBAM-liable steel and non-liable downstream fabricated components in a continuous process, the regulation should specify how the boundary is drawn between those outputs and how shared fuel or energy inputs are allocated. Likewise, where precursor goods such as pig iron or hot-rolled coil pass through multiple installations before reaching their final form, the regulation should state explicitly which installation is responsible for reporting each share of embodied emissions and what documentary evidence is required to support that allocation. In my view, the draft remains too abstract at this point. Businesses need to see what a compliant return looks like in practice, including examples for a complex steel mill and a simpler cement plant.

Second, the verification framework would benefit from clearer operational guidance on how materiality will be applied in practice. The draft framework introduces a verification standard that is appropriately rigorous for a tax compliance regime, and HMRC's published material indicates that verifiers must assess whether misstatements are material. This is a sound foundation. However, importers and verifiers would benefit from more explicit guidance on how materiality should be interpreted across sectors, product types, and evidence scenarios, particularly during the first year of implementation. HMRC should clarify how it expects verifiers to treat cases where data gaps arise from an overseas supplier's limited metering capability rather than from any failure by the liable person to seek the information. It would also be helpful to explain how non-material discrepancies should be documented, when they should trigger adjustment, and how first-year good-faith efforts will be treated during compliance activity. A time-limited transitional compliance position for the first 12 months of the live regime would help importers establish supply-chain data processes without creating unnecessary uncertainty.

Under secondary operational considerations, I would raise two further points.

First, there is a significant risk that default values will become a permanent crutch unless HMRC is transparent about how they are calculated and adopts a defined review cycle. The availability of government default values is a necessary part of a workable CBAM regime where verified actual emissions data is not yet available from an overseas producer. However, the level at which those defaults are set will directly shape behaviour, reporting incentives, and the fairness of the resulting carbon charge. If a default value for basic oxygen furnace steel is set too high, it may impose a carbon cost substantially above the actual embedded carbon in cleaner overseas production, creating distortion rather than correction. If it is set too low, it may undercharge high-emitting imports and weaken the incentive to move to verified data.

HMRC should therefore publish:

- (a) the statistical or benchmark dataset used to derive each sector's default value;
- (b) the percentile or adjustment factor applied;
- (c) the frequency at which defaults will be recalculated, for example annually following each UK ETS reporting cycle; and
- (d) the specific procedural steps a liable person must take to transition from a default value to verified actual data, including which verifier accreditation standard applies, what audit trail is required, and how many prior reporting periods must be covered when switching.

Second, the record-keeping obligations require structured submission tools, not only a list of required documents. The draft sets out categories of records and evidence that liable persons must retain and be able to produce. That is necessary, but a list of document types does not prevent a common source of compliance failure: a liable person may collect the right categories of document, but in inconsistent formats, at inconsistent levels of granularity, or without the specific data fields that a compliance check will require.

HMRC should publish:

- (a) a machine-readable digital template for each CBAM goods category, specifying field names, units of measurement, required decimal precision, and the production stage at which each data point must be captured;
- (b) a pre-submission checklist that allows a liable person or their agent to verify completeness before filing; and
- (c) a validation tool, even a simple spreadsheet-based one, that flags missing fields or unit inconsistencies before the return is submitted.

These tools would reduce the volume of post-submission queries, lower the administrative burden on HMRC compliance officers, and produce a more consistent dataset across reporters.

In summary, I support the policy objective of the draft regulations. My main concern is that, without these practical tools, templates, clear boundary examples, and transparent default methodologies, the administrative burden will fall most heavily on those trying hardest to comply. The most useful next step would be practical guidance: sector-specific examples, simple production-flow diagrams, clearer materiality guidance, and structured templates that businesses can use before submission. A regime built around these features is more likely to produce emissions data that is accurate, consistent, and defensible across a diverse importer population.

Thank you for the opportunity to comment.

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