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

Tuesday, 28 October 2025

Dear Ms Suggitt,

SMI response to proposals on the introduction of a UK carbon border adjustment mechanism

I write as Chief Executive of the Society of Maritime Industries (SMI) to submit our response to the consultation on the introduction of a UK carbon border adjustment mechanism (CBAM) and share the views of our membership on these policy proposals.

The Society of Maritime Industries is the voice of the maritime engineering, scientific and technology industry – the second largest maritime industry of the United Kingdom after shipping. Our industry adds £35 billion a year to the economy, employing 217,000 people and generating £2 billion in tax revenues for the Exchequer. Our members include shipbuilders, ship repair and maintenance firms, naval architects, maritime technology and engineering specialists, universities and financial services providers.

Decarbonisation is a global effort and international cooperation is necessary to achieving this crucial target. Vessels make up for 3% of the UK's domestic greenhouse gas (GHG) emissions and, over the last three years, maritime businesses have made significant progress in advancing the shift towards green fuels, technologies and infrastructure by co-investing in the development of innovating clean technology solutions in partnership with the Government through the UK Shipping Office for Reducing Emissions (UK SHORE). Our industry understands the importance of our collective ambition to reach Net Zero by 2050 but – most importantly – it is deeply conscious that this cannot happen without first decarbonising the maritime sector.

We have attached SMI's full response to HMRC's and HM Treasury's consultation in the annex to this introductory letter. While our members acknowledge the role of a future UK CBAM in furthering international action on decarbonisation, SMI would like to highlight a number of consequences that the introduction of such a mechanism would have on our maritime sector and, more specifically, the maritime engineering, scientific and technology community.

Firstly, our members believe that the implementation of the proposed UK CBAM will negatively affect the competitiveness of domestic maritime businesses on the international stage vis-à-vis other maritime jurisdictions. The reduction of a sovereign UK steelmaking capability over recent years has meant that many maritime businesses have restructured their respective supply chains to ensure they can delivery world-beating products to international markets in an efficient way. Therefore, there is widespread concern that the introduction of a UK CBAM could undermine the viability of many globally renowned maritime businesses in the absence of a sovereign capability for domestic steel production in the UK.

Secondly, our members think that the implementation of the proposed UK CBAM will bring about a significant number of regulatory requirements that will inevitably add further pressure on their day-to-

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day operations to ensure compliance with this mechanism. While we understand that introducing such a mechanism to improve the UK's leadership and international credentials to tackle carbon emissions will inevitably involve additional implementation costs, our members would like to work with the Government to find a way to minimise this disruption.

If that would be helpful, perhaps your team could liaise with SMI's Policy & Research Manager, Giorgio Buttironi, at Giorgio.buttironi@maritimeindustries.org

Yours sincerely,

A handwritten signature in black ink, appearing to read "T. Chant".

Tom Chant MBE
Chief Executive
Society of Maritime Industries

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.

SMI agrees that the list of commodity codes in Annex A provides an accurate reflection of the policy intent to mitigate the risk of carbon leakage.

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

SMI does not think the consultation has omitted any particular commodity codes in a manner which is inconsistent with the intent of this proposed measure.

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.

As the voice the maritime engineering, scientific and technology industry, SMI's members include a wide range of maritime businesses such as shipbuilders, ship repairers, maritime technology and engineering specialists.

The reduction of a sovereign UK steelmaking capability over recent years has meant that many maritime businesses have restructured their respective supply chains to ensure they can delivery world-beating products to international markets in an efficient way.

Therefore, the inclusion of commodities in sectors such as iron & steel and aluminium within the scope of a UK CBAM poses a number of questions for our members about the future economic viability of their respective supply chains and their capacity to remain competitive in international markets without the certainty that a similar carbon pricing model is coherently applied and enforced across the world to ensure a level playing field for businesses in our industry, regardless of where they are based.

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.

SMI agrees with this assessment.

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.

SMI agrees with the Government's definitions of 'direct' and 'indirect' emissions for the purpose of identifying 'embodied emissions' in materials that fall under the scope of the proposed UK CBAM.

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.

SMI does not foresee any issues with calculating the emissions associated with precursor goods in CBAM goods.

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.

SMI does not foresee any issues with this approach.

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.

SMI cannot think of any alternative approaches to the above-mentioned.

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.

SMI believes that the initial 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 remains the most intuitive and efficient approach.

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.

SMI thinks that regular reviews into the functionality and suitability of this approach are essential to the correct operation of a UK CBAM.

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.

SMI does not 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.

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

While SMI understand why verification of emissions should be performed by anybody accredited by accreditation services which are part of the International Accreditation Forum (IAF), we would like to reiterate our concerns about imposing an additional regulatory burden on maritime businesses without extensive consultation and engagement with industry.

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

SMI is not in a position to provide an accurate response to this question.

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.

SMI does not have a view in this matter.

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.

SMI does not foresee any difficulty in obtaining an accurate weight for CBAM imported goods.

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?

SMI believes that a liable person within our industry would be able to assess the weight of imported goods within the scope of CBAM by means of calculation.

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

SMI is not in a position to provide an accurate response to this question.

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.

SMI is not in a position to provide an accurate response to this question.

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.

SMI is not in a position to provide an accurate response to this question.

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

SMI is not aware of any such considerations.

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

SMI is not in a position to provide an accurate response to this question.

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

SMI is not in a position to provide an accurate response to this question.

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.

SMI is not in a position to provide an accurate response to this question.

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

SMI is not in a position to provide an accurate response to this question.

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

SMI is not in a position to provide an accurate response to this question.

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

SMI is not in a position to provide an accurate response to this question.

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.

SMI is not in a position to provide an accurate response to this question.

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.

SMI agrees that the total carbon price should be offset from the UK CBAM liability where a CBAM good has been subject to multiple carbon prices.

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.

SMI does not foresee any difficulties with the proposed arrangements.

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.

SMI does not foresee any difficulties with the proposed arrangements.

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.

SMI is not in a position to provide an accurate response to this question.

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.

SMI agrees with the principle of a minimum threshold below which a person should not be required to register for the CBAM.

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.

SMI does not have a view on the annual value of such a threshold.

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.

SMI agrees with the tests set out in Figure 15 for assessing whether a person has met the minimum threshold.

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

SMI thinks that the abovementioned registration and deregistration requirements are appropriate.

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.

SMI is not in a position to provide an accurate response to this question.

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.

SMI is not in a position to provide an accurate response to this question.

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

SMI does not agree with moving to quarterly accounting period from 2028 because it would constitute an additional regulatory burden on maritime businesses.

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.

As mentioned in our answer to Question 38, SMI believes that moving to a system of four accounting periods from 2028 would impose an additional regulatory burden on maritime businesses, little over a year after the extension of the UK ETS to include the maritime sector.

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

SMI is not in a position to provide an accurate response to this question.

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

SMI does not have any other concerns.