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

Dear Sir or Madam,

Response to the Draft Legislation on the UK Carbon Border Adjustment Mechanism (CBAM)

I write on behalf of the Society of Maritime Industries (SMI) to submit our response to the Government's draft legislation establishing a UK Carbon Border Adjustment Mechanism (CBAM), as set out in the Draft Finance Bill.

SMI is the trade association representing the UK's maritime engineering, scientific and technology industries. Our sector is the second largest component of the UK maritime economy, contributing £35 billion annually and supporting over 217,000 jobs. Our members include shipbuilders, technology innovators, engineering specialists, repair and maintenance firms, and academic and financial service partners.

We recognise the UK Government's leadership in driving Net Zero and welcome the underlying intent of the CBAM in addressing carbon leakage. However, our members wish to highlight several concerns and recommendations related to the current draft legislation:

Risk to Industrial Competitiveness

The goods listed in Schedule 1 of the draft legislation – particularly those in iron, steel and aluminium – are critical inputs to the UK's shipbuilding and marine engineering supply chains. Given the significant reduction in sovereign steelmaking capacity in the UK, many businesses now rely on complex, globally sourced inputs to remain competitive in domestic and international markets. The introduction of CBAM, absent globally harmonised carbon pricing or adequate transitional relief, risks eroding the cost competitiveness of UK maritime firms.

Administrative and Compliance Burden

The proposed compliance regime, including emissions verification, quarterly accounting from 2028, and extensive reporting requirements under Schedule 2, poses a material administrative burden, particularly for SMEs. Our members are concerned that these requirements will divert resources away from innovation and decarbonisation efforts, precisely at a time when the sector is scaling up delivery of low- and zero-emission technologies.

Overlap with UK ETS Extension to Maritime

The maritime sector is due to be included in the UK Emissions Trading Scheme (UK ETS) from 2026. The close timing of CBAM implementation in 2027 may result in overlapping carbon pricing mechanisms within a short window, compounding costs and uncertainty. This could deter investment in low-carbon technologies and shipyard infrastructure.

Recommendations

To support implementation while safeguarding UK maritime capability, SMI recommends the following:

- Introduce transitional reliefs or compensatory support for firms without viable domestic sourcing options for CBAM goods.
- Streamline reporting for SMEs by expanding the use of product-level default values and enabling HMRC-facilitated verification tools.
- Ensure CBAM policy is closely coordinated with wider UK industrial strategies and maritime decarbonisation programmes, including those led by the National Shipbuilding Office and UK SHORE.
- Prioritise international alignment, including equivalence arrangements with the EU CBAM and potential linkage of emissions trading schemes as outlined in Section 14 of the draft legislation.

Our members are committed to supporting the UK's climate objectives, but urge government to take care that CBAM implementation does not inadvertently damage the competitiveness and decarbonisation momentum of maritime engineering and technology firms.

Yours faithfully,

A handwritten signature in black ink, appearing to read "T. Chant", written in a cursive style.

Tom Chant MBE

Chief Executive, Society of Maritime Industries