Regulations made by the Treasury and the Commissioners for His Majesty's Revenue and Customs, laid before the House of Commons under section 157(10) of the Finance Act 2026, for approval by resolution of the House of Commons within twenty-eight days beginning with the day on which the Regulations were made, subject to extension for periods of dissolution, prorogation or adjournment for more than four days.

STATUTORY INSTRUMENTS

2026 No. 809

CARBON BORDER ADJUSTMENT MECHANISM

The Carbon Border Adjustment Mechanism (Calculation of CBAM Rate and Determination of Carbon Price Relief) Regulations 2026

Made - - - -	*13th July 2026*
Laid before the House of Commons - - - -	*14th July 2026*
Coming into force - -	*1st January 2027*

The Treasury make these Regulations in exercise of the powers conferred by sections 149(6), 150(2) and 157(2) of the Finance Act 2026(**1**).

The Commissioners for His Majesty's Revenue and Customs make these Regulations in exercise of the powers conferred by sections 154(4) and 157(2) of, and paragraphs 12(1) and 14(1) of Schedule 17 to, the Finance Act 2026.

Part 1

Preliminary matters

Citation and commencement

1. These Regulations may be cited as the Carbon Border Adjustment Mechanism (Calculation of CBAM Rate and Determination of Carbon Price Relief) Regulations 2026 and come into force on 1st January 2027.

(**1**) 2026 c. 11 ("FA 2026").

Interpretation

2. In these Regulations—

"average ETS price" has the meaning given in regulation 3;

"carbon price" means an amount per tonne of carbon dioxide equivalent which is payable in relation to relevant emissions as a result of a carbon pricing scheme;

"carbon pricing scheme" means an emissions trading scheme, a carbon tax or an amount required to be paid in relation to emissions under the law of a country or territory in connection with the importation of goods into that country or territory;

"carbon pricing verification form" has the meaning given in regulation 9;

"effective carbon price" means the price per tonne of carbon dioxide equivalent payable by an installation outside the United Kingdom for relevant emissions, calculated in accordance with regulation 12;

"elements of a qualifying carbon pricing scheme" has the meaning given in regulation 7(2);

"emissions factor" means a value which gives the relationship between the amount of a pollutant produced and the amount of raw material processed or burnt;

"emissions trading scheme" means a scheme in which a cap is set on the total amount of emissions that can be emitted by installations participating in the scheme, which must purchase and surrender allowances to account for each tonne of carbon dioxide equivalent emitted over a period of time specified in the rules of the scheme;

"headline carbon price" means the price per tonne of carbon dioxide equivalent payable under a qualifying carbon pricing scheme prior to accounting for any relevant elements of that scheme which result in a reduction of that price;

"indirect carbon pricing scheme" has the meaning given in regulation 6(1)(c);

"installation" means a stationary industrial unit where CBAM goods(**2**), either solely or alongside other goods, are manufactured or processed;

"precursor good" means a CBAM good which is used in the production of another CBAM good and is identified as relevant to determining the emissions embodied in that CBAM good in the system boundaries document;

"qualifying carbon pricing scheme" has the meaning given in regulation 6;

"relevant elements of a qualifying carbon pricing scheme" has the meaning given in regulation 11;

"relevant emissions" means the specified types of emissions(**3**) produced by the specified production processes for a CBAM good or a precursor good, as the case may be, as set out in the system boundaries document;

"system boundaries document" means the document entitled "Carbon Border Adjustment Mechanism: System Boundaries Document", version 1.00 dated 10th July 2026(**4**) which specifies—

(a) which emissions, including those relevant to the production of precursor goods, are to be taken into account when determining the emissions embodied in a CBAM good(**5**);

(b) which production processes, including production processes of precursor goods, are to be taken into account when determining the emissions embodied in CBAM goods;

(**2**) "CBAM good" has the meaning given by section 143(2) of FA 2026.
(**3**) "Emissions" has the meaning given by section 154(1) of FA 2026.
(**4**) The system boundaries document is available electronically at https://www.gov.uk/government/collections/carbon-border-adjustment-mechanism. A person unable to access the document electronically may access it by inspection free of charge at HMRC, 100 Parliament Street, London, SW1A 2BQ.
(**5**) "Emissions embodied in a CBAM good" has the meaning given by section 148(1) of FA 2026.

(c) which goods are precursor goods for a CBAM good;

(d) how to determine the weight of CBAM goods.

"tonne" means metric tonne, and any figure in tonnes must be rounded to the nearest tonne, unless the context otherwise requires;

"verifier" has the meaning given in regulation 8.

Part 2

Calculation of the CBAM rate

Calculation of the average ETS price

3. Where Step 1 of the calculation set out in section 149(3) of FA 2026 requires the Treasury to calculate the average price per tonne of specified emissions under the UK Emissions Trading Scheme in the quarter preceding quarter Q ("the average ETS price"), that price is to be determined by—

(a) calculating the mean average of all auction clearing prices for UK ETS allowances during the quarter preceding quarter Q, or

(b) if no allowances were sold at auction during the quarter preceding quarter Q, calculating the mean average of all auction clearing prices for UK ETS allowances for the most recent quarter in which allowances were sold at auction.

Adjustment to be applied to the reduction of the average ETS price in relation to free allowances

4.—(1) The factor specified for the purposes of Step 2 of the calculation set out in section 149(3) of FA 2026 is the same factor that is set out in Article 16(14) of Commission Delegated Regulation (EU) 2019/331 determining transitional Union-wide rules for harmonised free allocation of emission allowances pursuant to Article 10a of Directive 2003/87/EC of the European Parliament and of the Council, in relation to the corresponding scheme year(**6**).

(2) For the purposes of paragraph (1), a "scheme year" has the meaning given in regulation 4 of the UK ETS Order(**7**).

Part 3

Availability of carbon price relief

Conditions for claiming carbon price relief

5. An importer may claim carbon price relief to reduce the amount of CBAM charged on emissions where—

(a) a good has been manufactured or processed by an installation participating in a qualifying carbon pricing scheme, including where such participation is on a voluntary basis, and

(b) the requirements relating to verification in Part 4 of these Regulations have been met.

(**6**) EUR 2019/331. Article 16 was amended by S.I. 2026/278. Article 16(14) sets out the UK CBAM reduction factor to be applied to the calculation of the free allowances to which an operator of certain sub-installations operating in a UK CBAM sector is entitled in each of the 2027-2030 scheme years.

(**7**) "UK ETS Order" is defined in section 146(4) of FA 2026.

Qualifying carbon pricing schemes

6.—(1) A qualifying carbon pricing scheme is a carbon pricing scheme—

(a) which is administered by or on behalf of—

(i) a city,

(ii) a province, state, region or a pair or group of provinces, states or regions, howsoever composed,

(iii) a national government, or

(iv) a supra-national organisation,

and in which the use of any revenue collected by the scheme is determined by or on behalf of such city, province, state, region, pair or group of provinces, states or regions, government or supra-national organisation,

(b) which requires that either—

(i) all installations that manufacture or process a CBAM good, or

(ii) all installations that manufacture or process a CBAM good and produce more than a specified level of relevant emissions,

participate in the scheme as a matter of law,

(c) which imposes a cost on relevant emissions produced by participants of the scheme in some or all instances, either directly or indirectly (an "indirect carbon pricing scheme"), though the rules of the scheme may permit participants to fulfil their obligations by means other than payment of that cost, and

(d) the rules, scope and headline carbon price of which are made publicly available by the jurisdiction or entity administering the scheme.

(2) For the purposes of paragraph (1)(c)—

(a) a cost on relevant emissions is imposed directly by charging a price per tonne of carbon dioxide equivalent emitted by an installation during a manufacturing or processing process;

(b) a cost on relevant emissions is imposed indirectly by charging a price for the fossil fuels used at an installation during a manufacturing or processing process which is then multiplied by the applicable emissions factor taken directly from or calculated using the methodology of any of the sources identified in a notice published by the Treasury.

(3) The Treasury may publish a notice specifying the time period within which the information required by paragraph 1(d) must be published by the jurisdiction or entity administering the qualifying carbon pricing scheme.

Part 4

Verification

Verification of certain data used in the calculation of the effective carbon price

7.—(1) The following data used to calculate the effective carbon price of a good must be verified by a person who meets the requirements set out in regulation 8—

(a) the amount, in tonnes of carbon dioxide equivalent, of relevant emissions produced in a calendar year by the installation from which the good was produced;

(b) the number of relevant emissions in that calendar year which were subject to an element of the qualifying carbon pricing scheme;

(c) the monetary support that an installation has received or is due to receive under a support scheme which meets the criteria set out in regulation 11(b);

(d) where the installation has been subject to an indirect carbon pricing scheme, the emissions factors used.

(2) In this regulation—

(a) the "elements of a qualifying carbon pricing scheme" are—

(i) the headline carbon price;

(ii) free allowances;

(iii) the threshold above which a carbon price is charged;

(iv) graduated carbon pricing;

(v) monetary support in the form of rebates or refunds received under a support scheme;

(vi) the payment of a monetary amount to reflect the removal of a quantity of greenhouse gases from the atmosphere.

(b) a "free allowance" is a zero cost allowance per unit of emissions allocated within a carbon pricing scheme;

(c) "graduated carbon pricing" refers to a pricing strategy adopted by a carbon pricing scheme whereby the price increases in proportion to an increase in the level of emissions produced by an installation.

(3) The Commissioners(**8**) may publish a notice specifying the calendar year in relation to which data must be verified in accordance with paragraph (1)

Accreditation

8. The data set out in regulation 7 must be verified by a person ("a verifier") who meets all of the following requirements at the time of verification—

(a) the person is accredited to the relevant standards specified in a notice published by the Commissioners;

(b) the person is accredited by an accreditation body which is a full member of the Global Accreditation Cooperation Incorporated, a New Zealand incorporated society with the incorporation number 50223540;

(c) the person is independent of—

(i) the installation for which the person is verifying elements of the effective carbon price,

(ii) the importer,

(iii) the authorities of the city in which a qualifying carbon pricing scheme administered by or on behalf of a city is based,

(iv) the authorities of the province, state or region in which a qualifying carbon pricing scheme administered by or on behalf of such province, state or region is based or in the case of a pair or group of provinces, states or regions, the authorities of the provinces, states or regions in question,

(v) the state institutions of the country in which a qualifying carbon pricing scheme administered by or on behalf of a city, province state, region or national government

(**8**) "The Commissioners" is defined in section 155(1) of FA 2026 as the Commissioners for His Majesty's Revenue and Customs.

is based, or in the case of a pair or group of provinces states or regions located in different countries, the state institutions of each country,

(vii) the institutions of the supra-national organisation administering a qualifying carbon pricing scheme, where a scheme is administered by or on behalf of such an organisation.

Carbon pricing verification form

9.—(1) An importer who intends to claim carbon price relief in relation to a CBAM good must obtain a carbon pricing verification form that has been completed by a verifier and provided by the verifier to the installation that manufactured the good.

(2) For the purposes of paragraph (1), a "carbon pricing verification form" is a form published by HMRC(**9**) which contains the further information and a declaration to be completed by the verifier, as specified in a notice published by the Commissioners.

Part 5

Calculation of carbon price relief

Responsibility of the importer to calculate relief due

10. An importer who intends to claim carbon price relief in relation to a CBAM good must use the data in the carbon pricing verification form to undertake the calculation of the carbon price relief in accordance with this Part.

Relevant elements of a qualifying carbon pricing scheme

11. The elements of a qualifying carbon pricing scheme that must be taken into account in calculating the effective carbon price for a CBAM good in accordance with regulation 12 ("the relevant elements of a qualifying carbon pricing scheme") are—

(a) the elements identified at regulation 7(2)(a)(i) to (iv);

(b) monetary support in the form of rebates or refunds that an installation has received or is due under a support scheme where—

(i) such support is connected to the emissions produced by the installation,

(ii) details of the support available are set out in publicly available documentation that is linked to the emissions of the installation that is subject to the qualifying carbon pricing scheme, and

(iii) the documentation linked to the scheme has been published by or on behalf of the jurisdiction in which the scheme operates;

(c) the payment of a monetary amount to reflect the removal of a quantity of greenhouse gases from the atmosphere, where—

(i) such payment is recognised by a qualifying carbon pricing scheme,

(ii) the rules of the qualifying carbon pricing scheme permit participants to make such a payment to meet their obligations, and

(iii) the price charged for the removal of greenhouse gases from the atmosphere is publicly available.

(**9**) "HMRC" has the meaning given by section 155 of FA 2026.

Calculation of the effective carbon price

12.—(1) The effective carbon price for a CBAM good must be calculated as follows—

Step 1

Identify the amount, in tonnes of carbon dioxide equivalent, of all relevant emissions produced in a calendar year by the installation from which the good was produced;

Step 2

Identify the amount of the emissions from step 1 which are subject to an element of a qualifying carbon pricing scheme;

Step 3

Multiply the amount of emissions attributable to a relevant element of the qualifying carbon pricing scheme by the applicable price per tonne of carbon dioxide equivalent for those emissions, disregarding monetary support received under a support scheme within the meaning of regulation 11(b), and add the prices together;

Step 4

Divide the step 3 total by the step 1 emissions figure to produce an overall price per tonne of carbon dioxide equivalent;

Step 5

Adjust the step 4 price to reflect any monetary support that an installation has received or is due under a support scheme within the meaning of regulation 11(b) by—

(a) dividing the sum received by the installation in the calendar year to which the step 1 emissions figure relates by that figure, and

(b) deducting the result of that calculation from the step 4 price.

(2) The Commissioners may publish a notice setting out further provision about the data that may be used for the purposes of steps 1 to 5.

(3) Where a CBAM good has been produced using precursor goods manufactured or processed by an installation participating in a qualifying carbon pricing scheme, the effective carbon price for each precursor good must be calculated in accordance with paragraph (1).

Calculation of the carbon price relief due

13.—(1) The carbon price relief due in relation to a CBAM good must be determined according to the following formula—

$$A \times B$$

where—

"A" is the effective carbon price for that good;

"B" is the emissions embodied in that good, disregarding emissions not subject to a qualifying carbon pricing scheme.

(2) The Commissioners may publish a notice setting out further provision about the data and methods of calculating the relief that may be used for the purposes of the formula in paragraph (1).

(3) A notice under paragraph (2) may, among other things—

(a) make provision about how the emissions embodied in a CBAM good are to be calculated where that good has been produced using precursor goods;

(b) make provision about the use of default values to calculate the amount of emissions embodied in a CBAM good.

(4) In this regulation, "default value" means the amount of carbon dioxide equivalent specified for a tonne of CBAM good or precursor good in a notice published by the Treasury under paragraph 11(1) of Schedule 17 to FA 2026.

(5) Where the effective carbon price is not in sterling, the sum obtained by carrying out the paragraph (1) calculation must be converted into its sterling equivalent in accordance with regulation 14.

(6) The maximum sum that may be claimed by way of carbon price relief in relation to a CBAM good is a sum equivalent to the liability to CBAM.

Part 6

Conversion of carbon price relief into sterling

Exchange rate and procedure for currency conversion

14. Where an importer converts the amount of carbon price relief due for the good into its sterling equivalent in accordance with regulation 13(5), the exchange rate that must be used and the procedure to be followed in connection with conversion is that set out in a notice published by the Commissioners.

Part 7

Record keeping

Requirement to keep records relating to the calculation of carbon price relief

15. An importer who claims carbon price relief in respect of a CBAM good must keep—

(a) written records of any evidence which they rely on to show—

(i) that a CBAM good was subject to a qualifying carbon pricing scheme within the meaning of regulation 6, and

(ii) the relevant elements of that scheme within the meaning of regulation 11,

(b) the carbon pricing verification form obtained in accordance with regulation 9,

(c) written records of any evidence which they rely on to show that the effective carbon price for the good has been calculated in accordance with regulation 12, and

(d) written records of any evidence that they rely on to show that the carbon price relief has been calculated in accordance with regulation 13, including records relating to the emissions embodied in a CBAM good that is a precursor good,

for a period of six years beginning with the day after the end of the accounting period to which the return claiming carbon price relief for the good relates.

Taiwo Owatemi
Deirdre Costigan
Two of the Lords Commissioners of His Majesty's Treasury

13th July 2026

Jonathan Athow
Justin Holliday
Two of the Commissioners for His Majesty's Revenue and Customs

13th July 2026

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make provision in connection with the introduction of a new tax called the carbon border adjustment mechanism ("CBAM"). CBAM was introduced by Part 5 of the Finance Act 2026 ("FA 2026").

Part 1 deals with preliminary matters.

Part 2 clarifies two of the steps involved in the calculation of the sectoral domestic price applicable in respect of a CBAM good, which is one element of the calculation of the CBAM rate set out in section 149 of FA 2026.

Part 3 sets out the conditions for claiming carbon price relief and defines qualifying carbon pricing schemes.

Part 4 sets out requirements relating to verification of certain data used in the calculation of the effective carbon price and the accreditation of verifiers and imposes an obligation on importers to obtain a carbon pricing verification form completed by the verifier, where they intend to claim carbon price relief.

Part 5 makes provision about the calculation of the effective carbon price for a CBAM good and the calculation of the carbon price relief due.

Part 6 addresses the conversion of carbon price relief into sterling.

Part 7 makes provision about record keeping requirements in relation to the calculation of carbon price relief.

A notice made under a power created by these Regulations will be published at https://www.gov.uk/government/collections/carbon-border-adjustment-mechanism. A person unable to access the notice electronically may access it by inspection free of charge at HMRC, 100 Parliament Street, London, SW1A 2BQ.

A Tax Information and Impact Note covering this instrument was published on 26th November 2025 alongside Budget 2025 and is available on the website at https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins. It remains an accurate summary of the impacts that apply to this instrument.