UK CBAM · FOR SUPPLIERS AND UK IMPORTERS

UK CBAM's default value: the number you're assigned if you say nothing

Driftwatch · driftwatch.co.uk/cbam-supplier-verification

Most explanations of UK CBAM stop at "importers will pay a carbon charge from January 2027." That's true, and it's also the least useful part of the story, because it tells you nothing about the number the charge is actually based on, or why that number is a live, contested figure rather than a settled fact. This is for whichever side of the transaction you're on, supplier or UK importer, because the same number determines what either of you pays or is paid.

How the charge is actually worked out

UK CBAM is not a flat tariff on a tonne of steel or a litre of ammonia. It's a charge on the gap between two carbon prices: the UK carbon price that a UK producer of the same goods already pays through the UK Emissions Trading Scheme and the Carbon Price Support mechanism, and whatever carbon price, if any, was already paid on the goods at the point they were produced overseas. If a supplier's home country already prices carbon at a comparable level, the CBAM charge shrinks accordingly. If it doesn't, the full UK carbon price differential applies to the emissions embedded in that shipment.

That means the charge is a function of two separate variables the importer usually doesn't hold themselves: the carbon intensity of the specific goods, and any carbon price already paid on them at origin. Both come from the supplier, or from a default value assigned in the supplier's place.

What a default value is, and isn't

When an importer has no verified emissions data for a shipment, UK CBAM doesn't leave the calculation blank. It substitutes a default value, a figure set at the national and sector average emissions intensity for that product and country of origin. This is the part almost every general explainer glosses over, and it's the part that actually decides whether either side of the transaction has an incentive to act.

A default value is not a discount, and it is not neutral. It is a deliberately conservative, cautious figure, calibrated so it doesn't systematically understate emissions across an entire sector. That has a direct, asymmetric consequence:

- If your facility runs cleaner than your country's sector average, the default overstates your actual emissions, and your buyer pays a CBAM charge higher than your real numbers would justify.
- If your facility runs closer to, or above, the sector average, the default may understate what your true position would show, in which case supplying verified data could raise the charge, not lower it.
- Either way, the default value is the outcome of nobody providing better information, not a safe harbour. Both sides are exposed to a figure neither of them chose.

> ***"The default value isn't there to be fair to any one supplier. It exists so the system has a number when nobody supplies one."***

A worked example (illustrative only)

The actual UK ETS price, Carbon Price Support rate and sector-specific default values will be published closer to 2027 and will move over time, so the figures below are illustrative only, built to show the mechanism, not to quote real rates.

UK carbon price applied to domestic producers (per tonne CO2e)	A
Carbon price already paid at origin, if any	B
CBAM rate applied to the shipment	A – B
Embedded emissions used in the calculation	Verified figure, or default value if none supplied
Charge payable	**(A – B) × embedded emissions**

Two shipments with identical volumes and identical origin can carry different charges purely because one arrived with verified production data and the other fell back to a default. That gap is the entire commercial argument for verification, on both sides of the sale.

The emission shuffling problem

Because default values are set at a national and sector average rather than facility by facility, they create an incentive that policy researchers, including the Chartered Institute of Taxation, have flagged directly: goods can be routed through whichever jurisdiction carries the lowest average, or through an intermediary, rather than through the facility that actually produced them, a pattern usually called emission shuffling. A cleaner producer in a higher-average country has no mechanism to prove it unless they supply their own data, and a less efficient producer in a lower-average country benefits from an average they individually don't meet.

This is precisely why the calculation isn't settled once at launch and left alone. Default values and reporting periods are reviewed on a recurring basis as better data becomes available across sectors, which means a default that's favourable this reporting period may not stay that way, and a supplier who assumed the default was “close enough” has no early warning when it moves against them.

What to do before January 2027

Neither side benefits from waiting for the default value to be published and then reacting to it. The groundwork that actually changes your position is the same work either way, gathering real production and emissions data before it's needed, not after a charge has already landed.

IF YOU'RE A SUPPLIER

- Production volumes by product line, for the specific goods exported to the UK
- Fuel and electricity consumption, with grid mix or source where relevant
- Direct process emissions data, where your sector involves them
- Any environmental or carbon reporting you already hold
- Confirmation of any carbon price already applied at origin

IF YOU'RE A UK IMPORTER

- Track CBAM goods imports against the £50,000 rolling 12-month threshold now
- Identify which suppliers, by spend and volume, would move your number most
- Ask those suppliers directly whether they can produce verified data, and by when
- Build a data clause into contracts being renewed between now and 2027
- Decide, per supplier, whether commissioning verification on their behalf is worth it

Whichever side initiates it, the work is the same underlying task, replacing an assigned average with a number that actually reflects the shipment, verified in a way a customs authority and a buyer's compliance team can both stand behind. That's the gap between a default value and a defensible one, and it's open to either side to close.

Driftwatch verifies embedded emissions at the point of production for suppliers exporting into the UK, and for the UK importers who buy from them. Get in touch at hello@driftwatch.co.uk or driftwatch.co.uk/cbam-supplier-verification.
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