

CBAM: an opportunity for generating higher revenue from Indian steel export through market diversification

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Ever since the European Union (EU) notified the Carbon Border Adjustment Mechanism (CBAM) in mid-2023, Indian steel industry has proactively been examining ways to meet the challenges. This border tax is a tariff on carbon-intensive products in the product groups like iron and steel, electricity, aluminium, cement, fertilizers and hydrogen imported to the EU. From January 1, 2026 the EU will start collecting the carbon tax on each consignment of steel items.

Official data shows that with a major share in the Indian steel export basket, the Flat-rolled products (Hot-rolled and Cold-rolled) are the principal export products of the country. India exports different Hot-rolled products to more than 100 countries across the world; nonetheless only 5 EU countries, namely Italy, Belgium, Spain, Greece and Poland accounted for 25% share of its Hot-rolled exports during FY: 22-23. This high level of market concentration would have a distortionary effect of CBAM on Indian steelmakers if they do not diversify their export destinations.

India is presently known as one of the most important players in the global economic landscape pursuing negotiation with many untapped markets in Africa, Latin America and Middle East. The government of India along with the domestic steel industry will soon introduce Made-In-India branded steel products to the world market leaving a scope for Indian steelmakers to expand their businesses abroad.

In this favourable situation, few small but less stringent countries like Benin, Congo, Egypt, Mexico, Qatar, Somalia Turkiye and United Arab Emirates were found to be the potential markets for the Indian steel exporters to reduce the CBAM shock. In FY 22-23, India exported different Hot-Rolled products, albeit in low volume (13,617.3 ton) to these countries at an average price of Rs. 76,700 per ton whereas the country exported the same products in high volume (91,410.5 ton) at a price of Rs. 66,695 per ton to the EU countries (**Table-1**). Indian steel sector could have advantageously generated an additional revenue of Rs. 91 crores (approx.) from exporting the select HR products to the cited countries in Africa, Latin America and Middle East in lieu of the EU countries when an upward trend of Indian Rupee depreciation (**Fig.1**) was observed.

Table 1: Indian export prices of Hot-rolled products during FY 22-23

Sl. No.	Hot-rolled products specification and HS code	Export destinations: EU countries		Export destinations: countries in Africa, Latin America and Middle East	
		Countries	FoB prices (in Rs/Ton)	Countries	FoB prices (in Rs/Ton)
1	Hot Rolled Strip (thickness >= 3 mm but < 4.75 mm): 72082640	ITALY	62,673.90	EGYPT A RP	82,181.00
		BELGIUM	81,731.00		
		SPAIN	64,161.70		
2	Hot Rolled Strip (thickness < 3 mm): 72082740	ITALY	64,010.90	EGYPT A RP	82,180.90
		SPAIN	73,522.70		
3	Hot Rolled Universal plates (thickness > 10 mm): 72083620	ITALY	61,931.50	MEXICO	65,278.10
				SOMALIA	68,125.80
4	Hot Rolled Sheets (thickness > 10 mm): 72083630	ITALY	68,172.00	U ARAB EMTS	1,04,436.20
		BELGIUM	75,000.60		
5	Other Hot Rolled products (thickness >= 4.75 mm but < 10 mm): 72083790	BELGIUM	62,869.80	BENIN	88,431.50
		GREECE	77,456.40		
6	Other Hot Rolled products (thickness < 3 mm): 72083990	GREECE	77,095.90	CONGO D. REP.	1,12,818.90
7	Hot Rolled products of stainless steel (thickness >= 3 mm but < 4.75 mm): 72191300	POLAND	1,77,057.10	TURKIYE	2,09,594.30
8	Hot Rolled products of stainless steel (thickness <	ITALY	1,86,838.50	QATAR	3,68,500.90

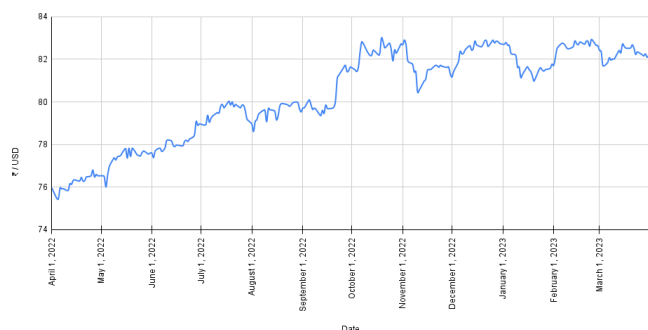
	3mm):72191400			
Average FoB Price (in Rs/Ton): EU countries	66,695	Average FoB Price (in Rs/Ton): countries in Africa, LA, ME	76,700	
Quantity (in Ton) exported the EU countries	91,410.5	Quantity (in Ton) exported to the countries in Africa, LA, ME	13,617.3	

Source : M/o Commerce and Industries

The Harmonised System(HS) of global trade is a standard numerical method for classifying traded products

Free on Board or FoB price of an item is set by factoring its production cost, profit, domestic transport costs, costs incurred in placing the item in the ship for export, storage and warehousing, port handling, brokerage fees, service charges etc-

Fig 1: Currency Fluctuation Curve (2022-23) -Rupee vs. US Dollar



The high GDP growth (**Table-2**) in most of the small potential countries amidst the macroeconomic challenges in 2022 and the China's strategy to curtail its crude steel production (**Table-3**) showed the potentiality of Indian steel products that would capture the heart of the international market.

Sl. No.	Countries	2018	2022	Growth rate (%)
1	India	2,589.0	2,961.5	14.39
2	Benin	13.3	16.8	26.32
3	Congo	42.6	52.4	23.00
4	Egypt	377.1	453.8	20.34
5	Mexico	1,282.7	1,284.9	0.17
6	Qatar	166.2	170.9	2.83
7	Somalia	8.4	9.0	7.14
8	Turkiye	989.0	1,194.4	20.77
9	UAE	398.9	431.4	8.15

Source: World Bank

Table-3: China's crude steel production (in Million Ton) over the years					
Country	Item	2020	2021	2022	2023
China	Crude Steel	1064.77	1035.24	1019.08	1019.08
Source: World Steel Association					

Thus, the CBAM will only have a small effect on Indian steel trade if the country can spread her wings to the right destination with the right products.

(Views expressed here are personal)

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