FREE GUIDE

UK CBAM and construction: what 2027 means for your margins

A plain-English guide for electrical, M&E and construction contractors

IN BRIEF

- From 1 January 2027 the UK charges a carbon tax on imported aluminium, cement, fertiliser, hydrogen, and iron and steel.
- The importer pays it. Contractors feel it through the prices their suppliers charge.
- Fixed-price jobs that run into 2027 carry the risk. The time to check your exposure is before you price them.

What UK CBAM is

CBAM stands for Carbon Border Adjustment Mechanism. UK manufacturers already pay for the carbon they emit. CBAM applies a matching charge to the same goods when they are made abroad and imported, so that overseas producers cannot undercut UK ones by avoiding a carbon price.

It is a tax, run by HMRC, and it starts on 1 January 2027.

Which goods are covered

Five sectors are in scope from the start: aluminium, cement, fertiliser, hydrogen, and iron and steel. Glass and ceramics were in the original proposal and have been left out for now.

For a contractor, the ones that matter are steel, aluminium and cement. Typical examples are structural steel, reinforcing bar, steel tube and fittings, screws and bolts, aluminium sections and sheet, aluminium wire and uninsulated cable, and cement. Whether a particular product is caught depends on its customs commodity code, which your supplier can confirm.

Goods of UK origin are outside CBAM, because their makers already pay the UK carbon price. A product made in the UK from imported steel or aluminium can still carry the cost. Imports from every other country are covered, including the EU.

Who pays

The importer pays. A business must register with HMRC once its imports of in-scope goods reach £50,000 over the previous 12 months, or are expected to within the next 30 days. Only imports from 1 January 2027 count towards it.

The first accounting period is the whole of 2027, and the first return and payment are due by the end of May 2028. After that, returns are quarterly. The tax builds up on every shipment from 1 January 2027, so expect suppliers to price it in from that date.

The charge is worked out from the emissions created in making the goods and a rate for each sector that follows the UK carbon price. Where a carbon price has already been paid in the country of origin, the importer can claim relief for it.

How the cost reaches a contractor

Most contractors will never register for CBAM. They buy from merchants, stockholders and distributors, who either import directly or buy from someone who does. Each of those businesses decides how much of the new cost to pass on.

The size of the increase will vary by product. Where an importer uses verified emissions data from the mill, higher-emission steel attracts a bigger charge. Otherwise a default value for the product applies. No single percentage applies across the board, so treat any headline figure with caution.

Why fixed-price contracts carry the risk

A job priced in 2026 and built in 2027 was costed on today's material prices. If the price of steel or aluminium products rises partway through, and the contract has no way to recover it, the difference comes out of your margin.

Two situations need a close look:

- Contracts already signed that run past January 2027 with no fluctuation clause.
- Supplier quotations that expire before the materials are called off.

What to do now

1. **Size your exposure**
   List what you spent in the last 12 months on steel, aluminium and cement products, by supplier.

2 **Ask your suppliers three questions**

Where is the product made? Is it in scope of UK CBAM? How and when will the cost be reflected in your prices?

3 **Check your contracts**

For work running into 2027, find out who carries a material price rise. On new tenders, state your assumption on CBAM in writing and keep quotation validity short.

4 **Look at alternatives**

Goods of UK origin carry no CBAM charge. Ask whether a lower-carbon import with verified emissions data would cost less.

5 **If you import directly, check the threshold**

Once your imports of in-scope goods reach £50,000 in 12 months, registering with HMRC is your responsibility.

Your next step

Book a free 20-minute margin review. We will look at where CBAM could reach your costs and what you can do about it before it does.

Book a free review

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