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Overseas Territories and carbon: Gibraltar, the Falklands and the rest under the UK ETS and CBAM

How the UK and EU carbon markets and the UK carbon border charge treat ships, flights and goods moving between the UK and the British Overseas Territories.

Rules checked 25 November 2026 against legislation.gov.uk, GOV.UK, EUR-Lex and the Government of Gibraltar. General information, not legal, tax or customs advice. The 2028 changes are agreed politically and are not law.

THE SHORT VERSION

- **Shipping today:** a voyage between the UK and any Overseas Territory is outside the UK Emissions Trading Scheme (UK ETS). Time alongside in a UK port is charged in full.
- **Shipping from 1 January 2028:** the UK says half the emissions on those voyages will come in. That is not law yet.
- **Flights:** Gibraltar is the only territory in the UK ETS for aviation, and it is in fully, both ways.
- **Goods:** UK CBAM treats goods arriving from a territory as ordinary imports from 1 January 2027.
- **Gibraltar** has a treaty with the EU, signed on 14 July 2026, that requires a carbon price of its own.

This is the companion to Crown Dependencies, ferries and carbon. The Isle of Man, Jersey and Guernsey are Crown Dependencies, not Overseas Territories, and are covered there.

The position by territory

Territory	UK ETS shipping today	From 2028, if the terms become law	UK ETS flights	Goods into the UK
Gibraltar	Out at sea	50% of UK–Gibraltar voyages	In, both directions	Ordinary imports for UK CBAM
Falkland Islands; St Helena, Ascension and Tristan da Cunha	Out at sea	50%	Out	Ordinary imports
Bermuda, Cayman Islands, British Virgin Islands, Turks and Caicos, Anguilla, Montserrat	Out at sea	50%	Out	Ordinary imports
Sovereign Base Areas in Cyprus	Out at sea	50% in principle	Out	Ordinary imports; inside the EU customs territory

The remaining territories (Pitcairn, the British Indian Ocean Territory, South Georgia and the British Antarctic Territory) have no relevant commercial service with the UK that I could identify.

Ships

The rules are in Schedule 2A to the Greenhouse Gas Emissions Trading Scheme Order 2020, inserted by the Extension to Maritime Activities Order 2026 (SI 2026/392). A voyage counts only if it starts and ends at UK ports of call and does not arrive at a port of call outside the UK's jurisdiction (paragraph 7(2)(c)). A territory port is outside it. Ships of 5,000 gross tonnage and above still pay in full for emissions while alongside in a UK port.

The UK ETS Authority said in July 2025 that it did not intend to include voyages to the Crown Dependencies and Overseas Territories at the 2026 launch and "may consider this in future, particularly if risks of gaming are realised" (interim response).

The government's explainer on the UK–EU linking agreement says that from 1 January 2028 the UK ETS will include half the emissions from international voyages, including journeys between the UK and the Overseas Territories (DESNZ, 20 November 2026). The legal text is not published.

The same explainer promises a temporary relief for passenger and ro-pax voyages to islands with fewer than 200,000 residents. It is unlikely to help the territories as the EU version is written: that covers passenger and ro-pax ships, not freight, and voyages between an island and a port of the same member state (Directive (EU) 2023/959, Article 12(3-d)). Gibraltar is not an island. How the UK version will treat a territory port is not stated.

Flights

Aviation is the one place a territory is already inside the UK scheme. The 2020 Order covers a flight from a UK aerodrome that arrives in the UK, an EEA state, Gibraltar or Switzerland, and a flight arriving in the UK from Gibraltar (SI 2020/1265, Schedule 1). No other territory is named.

So a flight to Gibraltar pays the UK carbon price on all its emissions in both directions, while a ship to Gibraltar pays nothing at sea today and would pay on half from 2028. Flights to the Falklands, Bermuda or the Caribbean territories are outside the scheme.

Gibraltar

- **A treaty with the EU.** The UK and the EU signed an agreement in respect of Gibraltar on 14 July 2026, and it has been applied provisionally since then (Government of Gibraltar; Official Journal, L 2026/1562). I found nothing confirming that it has fully entered into force.
- **A customs union, not membership.** It creates a customs union between the EU and the UK in respect of Gibraltar. Gibraltar stays outside the EU customs territory (Commission proposal COM(2026) 91).
- **A carbon price of its own.** The agreement text attached to the Commission's proposal requires each side to have an effective carbon pricing system, and the UK to ensure that Gibraltar's is equivalent in scope and effectiveness to the EU's over time (Article 220 in that text; the final numbering was not checked). The EU's system is to cover flights between the EEA and Gibraltar, the UK's those between the UK and Gibraltar, with a review in 2030. I found nothing in the parts read on shipping or on CBAM.
- **EU shipping rules.** A ship of 5,000 gross tonnage or more sailing between an EU port and Gibraltar surrenders under the EU ETS for half that voyage. The EU's anti-evasion rule for nearby container transhipment ports lists only East Port Said and Tanger Med (Implementing Regulation (EU) 2023/2297). A stop only to take on fuel is not a port of call, so bunkering at Gibraltar does not change what a voyage is charged.
- **EU CBAM.** Gibraltar is outside the EU customs territory and is not on the EU's list of exempt territories, so its goods are third-country goods for EU CBAM today.

The Sovereign Base Areas

Akrotiri and Dhekelia in Cyprus are different from every other territory. Under the Withdrawal Agreement's Protocol they are part of the customs territory of the EU, and EU customs law applies there (Protocol, Article 2). The Protocol does not mention emissions trading. Whether EU CBAM applies there as customs law is a legal question I have not seen answered.

Goods: UK CBAM

UK CBAM starts on 1 January 2027 for aluminium, cement, fertiliser, hydrogen, and iron and steel. HMRC's policy summary says goods entering the UK from the Overseas Territories will be subject to it (HMRC, updated 23 November 2026). The Finance Act 2026 has special rules for Northern Ireland and the Isle of Man and none for any territory, so territory goods are imports in the ordinary way (section 144).

The draft exemption published on 23 November 2026 is for goods of EU, EEA and Swiss origin, with a framework for countries whose trading schemes are linked to the UK's. No territory has a linked scheme. A warehouse or free zone in a territory changes nothing: the charge follows import into the UK and the origin of the goods.

An academic point on routes

As with the Crown Dependencies, the drafting produces an oddity that I set out as a point about the law, not a route plan. A ship from the UK that makes a genuine cargo or passenger call at Gibraltar on its way to an EU Mediterranean port is, today, on no UK ETS voyage, and the EU ETS reaches only half of the short leg from Gibraltar. Under the 2028 terms each leg would be charged at half, where a direct voyage would be covered in full across the two schemes. This is the ordinary effect of calling at a port outside both schemes, and it is the kind of gap the Authority has said it will monitor. I do not suggest any operator is doing or planning it.

What is not settled

- When the Gibraltar agreement fully enters into force, and what carbon price Gibraltar will adopt under it.
- Whether the 2028 legislation will treat a territory port differently from any other non-UK port.
- Whether EU CBAM applies in the Sovereign Base Areas.
- Which services of 5,000 gross tonnage and above actually run between the UK and a territory. I have not confirmed any from an official source.
- Whether any territory other than Gibraltar plans a carbon price. I found none, but did not search each government's legislation.

These are questions for DESNZ, HMRC, the Foreign, Commonwealth and Development Office and the Government of Gibraltar.

Why it matters in Northern Ireland

Northern Ireland depends on a sea link to the rest of the UK that is inside the UK ETS at sea. From 2028 that crossing would be charged in full, while voyages to the territories and the Crown Dependencies would be charged at half. The government's answer is that a crossing between Great Britain and Ireland would also be covered in full, half by each scheme. The detail is in The Irish Sea carbon bill.

A free 30-minute first call is available through the CBAM Desk.

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