



The EU's carbon border adjustment mechanism: How to make it work for developing countries

by Sam Lowe, 22 April 2021

The EU's proposed carbon border adjustment mechanism (CBAM) could see up to \$16 billion of developing country exports to the EU hit with an additional charge.¹

To ensure developing countries are not unfairly penalised, the EU should exempt countries currently benefiting from its unilateral trade preference schemes from its CBAM, argues Sam Lowe in a new policy brief for the Centre for European Reform in partnership with the Open Society Policy Institute, ['The EU's carbon border adjustment mechanism: How to make it work for developing countries'](#).

The EU plans to introduce a CBAM by the end of 2021 to ensure its efforts to combat climate change are effective, and do not just lead to energy-intensive industries relocating to jurisdictions with less stringent emission regimes. But the author explains that the low volumes of carbon-intensive imports from developing countries mean there would be little risk that a blanket exemption would encourage carbon leakage, or discourage decarbonisation efforts.

He puts forward the following recommendations for the CBAM's implementation, in keeping with the EU's existing approach to development and trade and in line with the international climate negotiations' principle of 'common but differentiated responsibilities and respective capabilities':

- ★ Exports from the 46 least developed countries covered by the EU's 'Everything But Arms' scheme, enjoying duty and quota-free access to the EU market, should be fully exempt from the EU's CBAM.
- ★ Exports from 23 lower-middle-income countries covered by the EU's Generalised System of Preferences (GSP and GSP+) schemes, benefitting from conditional (and partial) preferential access to the EU, should be exempted from the CBAM up until the point they account for a significant share of EU imports.
- ★ To guard against carbon leakage, the EU should design safeguard provisions that could be triggered in the event of a surge in imports of carbon-intensive goods from an exempt country.

"While a CBAM could have an important role to play in delivering the EU's climate ambitions, it should not penalise developing countries and their exporters, who have historically contributed a much smaller share of cumulative global carbon emissions. Exempting developing country exporters from the EU's CBAM is the right thing to do, and can be done in a way entirely consistent with the EU's existing approach to trade and development," said Sam Lowe, author of the report and senior research fellow at the Centre for European Reform.

1. 'Developing countries' includes the 69 countries currently benefiting from the EU's Standard GSP, GSP+ and EBA unilateral preference schemes. The \$16bn figure assumes the CBAM is applied to the imports of all goods currently covered by the EU's Emissions Trading System in 2019.

Note for editors:

For further information on the new research and to request an interview with Sam Lowe [@SamuelMarcLowe](#), please contact Rosie Giorgi in the CER press office on pressoffice@cer.eu or +44 (207) 233 1199.

The Centre for European Reform is a think-tank devoted to making the EU work better and strengthening its role in the world. The CER is pro-European but not uncritical. Follow us on Twitter: [@CER_EU](#)