



Citizens' Climate Lobby

What Are Carbon Border Adjustment Mechanisms?

The fastest way to tamp down carbon emissions is to target the highest-polluting sources. Countries like the United States that have invested in cleaner, more efficient innovations for these products should not be at a competitive disadvantage with those who have not. One way to level the playing field is to place a carbon border adjustment mechanism (CBAM) on goods from countries whose products have a higher carbon footprint. A CBAM could account for differences in the higher carbon goods from countries with higher emissions per ton of product and reward the most efficient producers while providing an economic incentive for other nations and industries to take steps to cut their emissions.

Important CBAM Updates

- The European Union (EU) is on track to implement their CBAM starting in 2023. Companies will have a reporting requirement in that year for aluminum, fertilizer, electricity, cement, iron and steel.
- In 2025 or 2026, countries exporting covered goods to the EU will be required to buy EU carbon certificates – currently around \$100 per metric ton of CO₂ – to pay for the difference between carbon footprints. Countries that have a domestic carbon price can also deduct that from the price they would have to pay.
- Canada is considering a similar move, which would replace a current policy of free allowances for their carbon-intensive industries (no final decision has been made yet).

“If we had a border carbon adjustment, it would help our workers, help our industry, incentivize them to do it right.”

— **Senator Bill Cassidy**

“When you let polluters sell in your market without a border adjustment you are losing U.S. jobs in the competing industries and essentially you are subsidizing the polluters. This makes no sense,”

— **Robert Lighthizer**
Former President Trump’s top trade adviser

“We have an opportunity to counter Putin’s playbook with a bold initiative consistent with European priorities: a transatlantic climate and trade initiative that would cut global greenhouse gas emissions, increase energy security, and reduce Russia’s power to coerce Europe.”

More About CBAMs

U.S. goods tend to have significantly lower carbon footprints than similar goods in many countries. Depending on the approach a CBAM can be keyed to: (a) the carbon footprint of the product, (b) explicit carbon pricing, or (c) a combination of the two. World Trade Organization (WTO) rules do stipulate that foreign and domestic trade must be treated equally between nations (GATT Article III and GATS Article XVII). Any American CBAM should be designed with this in mind. Observing how the EU handles their CBAM rollout with respect to WTO rules should help inform this question.

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