

# CBAM: A Trade-based Carbon Pricing Instrument to Incentivize Global Climate Ambition

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## Glossary

°C	Degrees Celsius
€/t	Euros per metric ton
AD	Activity data
BF	Blast furnace
BOF	Basic oxygen furnace
CBAM	Carbon Border Adjustment Mechanism
CC	Carbon content
CGD	Center for Global Development
CF	CBAM factor
CN	Combined Nomenclature
CO <sub>2</sub> e	Carbon dioxide equivalent
EEA	European Economic Area
EF	Emissions factor
ETS	Emissions Trading System
EU	European Union
EuroStat	Statistical Office of the European Union
Gg	Gigagrams
GHG	Greenhouse gas
ICAP	International Carbon Action Partnership
IPCC	Intergovernmental Panel on Climate Change
JRC	Joint Research Center
kg	Kilograms
kPa	Kilopascals
mm	millimeters
MMt	Million metric tons
MRV	Monitoring, reporting, and verification
MWh	Megawatt-hours
NA	Not available
NCV	Net calorific value
PCF	Product carbon footprint
S. No.	Serial number
t	Metric tons
tCO <sub>2</sub>	Metric tons of carbon dioxide
tCO <sub>2</sub> e	Metric tons of carbon dioxide equivalent
t C/t	Metric tons of carbon per metric ton of product
t/y	Metric tons per year
TJ	Terajoules
TWh	Terawatt-hours
WTO	World Trade Organization
Y	Year

# Abstract

The Carbon Border Adjustment Mechanism (CBAM) is the EU's new carbon tax, designed to be in alignment with the EU's domestic Emissions Trading System (ETS). The CBAM started its data reporting in October 2023 and will put a financial obligation on the EU's importers from January 2026; therefore, there is a broad interest in exploring the CBAM and understanding how it will affect the relevant trade partners and trade flows. In this review, we present a retrospective look at the background and development of the CBAM, providing a summary of its main regulations. Also, we examined its carbon emissions scope through an example illustration, developed the formula for calculating the carbon border tax applicable to CBAM goods, and highlighted the major CBAM goods trade partners per sector, based on the 2024 trade data, with their respective carbon pricing status. We conducted two case studies, for pig iron and gray Portland cement, to investigate the possible impact on the import costs. This review gives a general overview of the CBAM as a climate change policy instrument, which is a starting point for further sector and jurisdiction-specific studies.

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