INETTT
International Network of Energy Transition Think Tanks

Flex and Trade: Stories from Asia

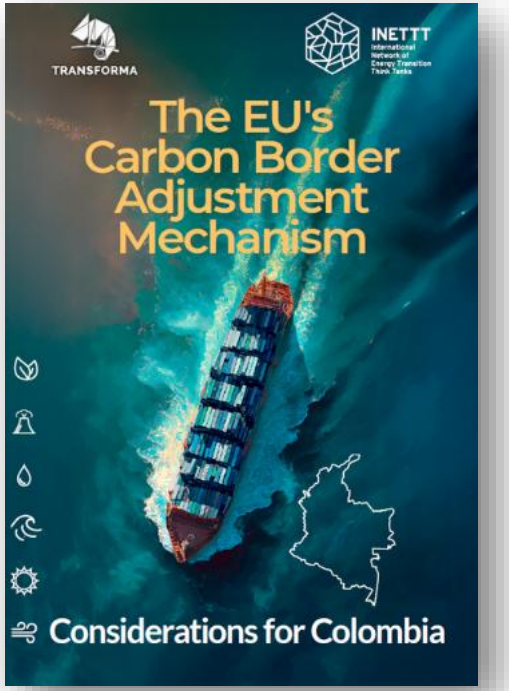
The Carbon Border Adjustment Mechanism and its Impacts

Ranisha Basnet, Corinna Fürst (INETTT)

INETTT Members (E+, IDEA, IESR, SHURA, Transforma)

5 October 2026

CBAM case studies

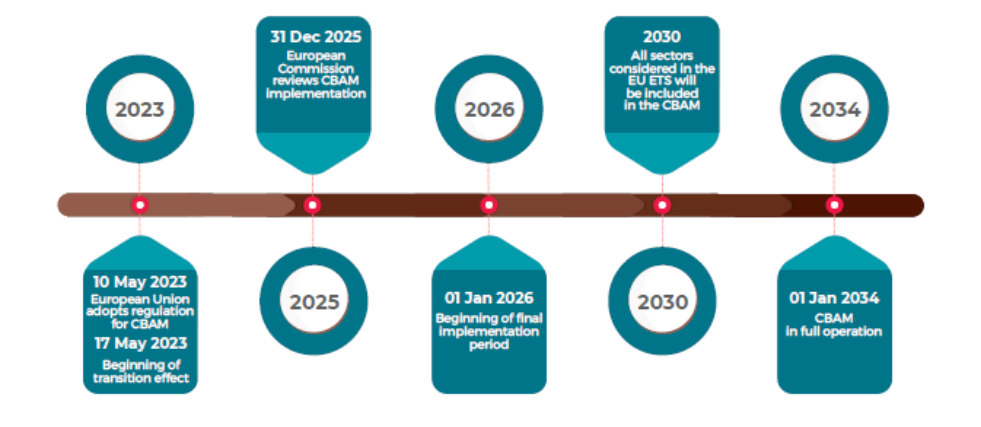


What is CBAM?

Background on CBAM

CBAM Timeline:

- Definitive regime started in 2026 with obligations for importers, including authorisation requirements, reporting obligations and the purchase and surrender of CBAM certificates
- Until full operation in 2034 the volume of required certificates will rise progressively



Mechanism:

- EU ETS establishes a carbon price on goods and services across the 27 member countries
- Creates economic incentives for progressive decarbonisation
- Complementing this framework, CBAM obliges EU-based importers to buy carbon certificates

INETTT
International Network of Energy Transition Think Tanks

Impacts of CBAM on exporting countries

Impact of CBAM

ECONOMIC IMPACT

Limited overall impact of CBAM on the economy

Brazil: CBAM products = 5.8% of exports (2020–22) to the EU, 0.15% of GDP

Colombia: CBAM products = 3.4% of total CBAM-covered goods exports to the EU

Mexico: CBAM products = 0.91% of exports to the EU (2023), 0.02% of GDP

Türkiye: CBAM products = 3% of Türkiye's total exports

Limited impact at GDP but this is not the whole story!

Understanding regional and local impacts

SECTORAL CONCENTRATION

Impacts are highly concentrated.

Brazil: iron, steel and aluminium are most affected

Colombia: iron and steel account for major share of exports to the EU (21%)

Mexico: iron and steel represents 77.4% of CBAM-affected exports to the EU in 2023

Türkiye: metals dominate exposure

CBAM-affected products	CO2 emission intensity (kgCO2e/USD)			
	EU	Brazil	Mexico	Türkiye
Iron and steel	0.16	0.37	0.37	2.00
Aluminium	0.05	0.67	0.07	8.97
Fertilisers	0.61	0.25	0.49	0.98
Cement	4.82	4.92	4.97	1.04

Understanding regional and local impacts

GEOGRAPHIC CLUSTERING

Impacted sectors are often geographically clustered

Brazil: southern and eastern regions

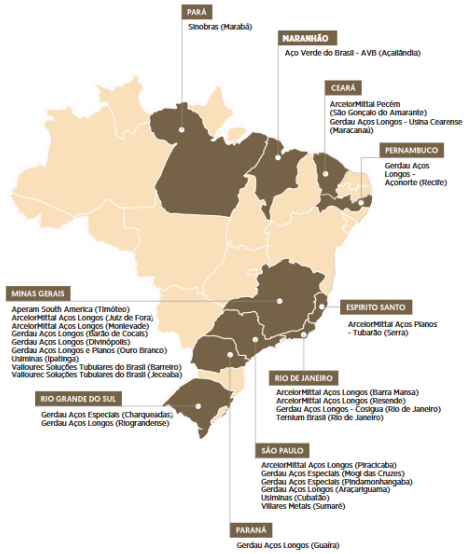
Colombia: Córdoba accounts for 95% of mapped exports

Mexico: Nuevo León, a northern state is most exposed – contributing to 8% of national GDP

Türkiye: Provinves like Zonguldak, Karabük and Bartın

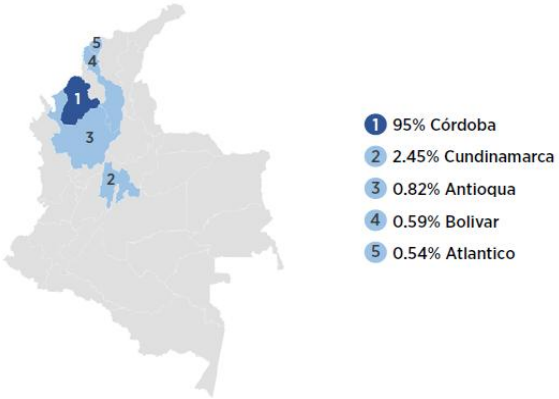
Brazil:

Geographic distribution of Brazil's steel industry



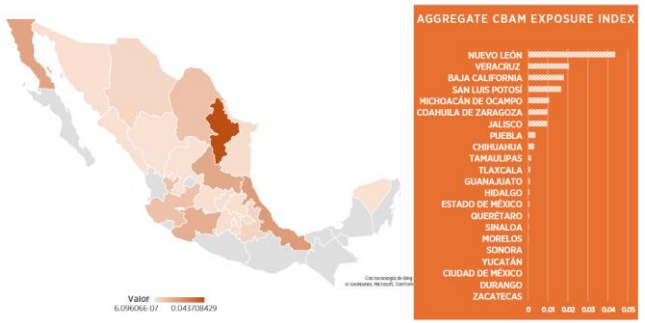
Colombia:

CBAM-covered exports by Colombian departments (2013-2023)



Mexico:

Sub-national CBAM exposure index



INETTT
International Network of Energy Transition Think Tanks

Understanding regional and local impacts

EMPLOYMENT IMPACT

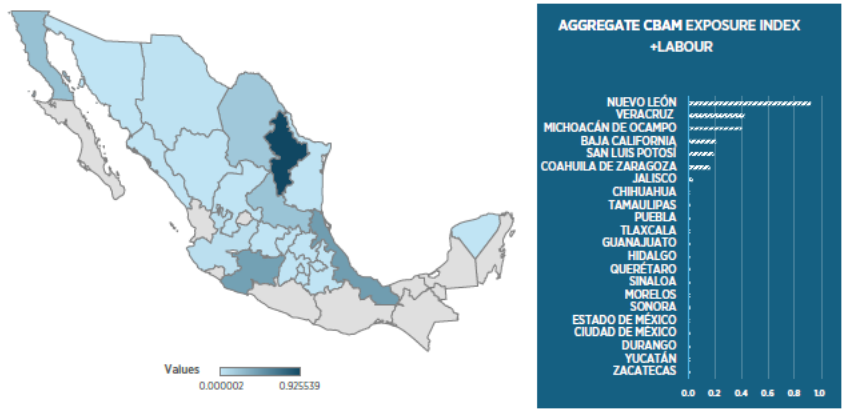
Expected to be modest at national level across countries but potentially significant for specific regions/municipalities.
Certain industries could face significant job risks, especially SMEs

Brazil: Steel and aluminium industry directly employ 258,000 people
Colombia: Montelibano municipality is home to Cerro Matoso S.A., one of the world's largest ferronickel producers
Mexico: in Nuevo León supplies 30% of Mexico's total iron and steel exports to the EU
Türkiye: CBAM-affected sectors employ about 160,000 people concentrated in specific districts

For local economies heavily dependent on CBAM-affected exports, the additional cost from CBAM could have ripple effects on employment, public revenues and broader local economy.

Mexico:

Sub-national CBAM exposure index, including the labour component



Source: International Network of Energy Transition Think Tanks (INETTT) and Instituto de Desarrollo, Energía y Ambiente (IDEA) (2026)

INETTT
International Network of Energy Transition Think Tanks

Understanding regional and local impacts

ECONOMIC IMPACT

Limited overall impact of CBAM on the national economy

SECTORAL CONCENTRATION

Impacts are highly concentrated in specific sectors

EMPLOYMENT IMPACT

Expected to be modest across countries but significant for local economies dependent on CBAM-affected exports

GEOGRAPHIC CLUSTERING

Impacted sectors are often geographically clustered

Need for a just transition approach:

- requalification
- local economic diversification
- financing tools for SMEs
- recycling of revenues to the exporting countries

INETTT International Network of Energy Transition Think Tanks

Institutional Readiness

Assumption: harmonised and centralised institutions and regulator maturity in the exporting countries.

Reality: often fragmented ecosystem and lack institutional readiness and coordination.

Common challenges across countries:

- Product-level MRV system
- Interoperable MRV system
- Fragmented methods
- Limited technical capacity
- Limited financial capacity

Institutional Readiness

Country	Readiness snapshot	MRV and data systems	Carbon pricing / policy framework
Brazil	Moderate but uneven readiness	National emissions inventory exists, but product-level traceability remains limited; systems are not yet integrated with customs data; relies on standard values	Not fully CBAM-aligned carbon price regime yet.
Colombia	Moderate readiness, but significant institutional gaps	National climate policies are relatively robust, and a mandatory emissions registry and ETS are being developed, but product-level MRV and traceability remain weak	Climate policy architecture is advancing, but implementation is still not yet sufficient for automated product-level CBAM compliance
Mexico	Mixed readiness	The national emissions registry (RENE) exists, but it mainly covers larger installations and leaves most SMEs outside formal MRV. It relies on standard value and includes only sectoral-level data.	Carbon tax and ETS pilot exist, but sectoral traceability and verification capacity are still limited
Türkiye	Highest institutional readiness among the five	EU-aligned MRV system has been in place since 2014/2015 and covers all CBAM-affected sectors	National ETS planned for 2026, with policy architecture already closer to EU requirements than peers

Key takeaways

- Limited impact at national level but significant for certain regions and industries.
- A broader adaption of similar border carbon mechanisms by other countries would amplify the effects.
- Expansion of EU CBAM to other products would increase the impact on the exporting countries.
- Support is critical for exporting countries: technical assistance for MRV and financial support (recycling part of CBAM revenue under the common but differentiated responsibilities).

INETTT
International Network of Energy Transition Think Tanks

Ranisha Basnet

Ranisha.basnet@inettt.org

Corinna Fürst

Corinna.fuerst@inettt.org

www.inettt.org