



Border Carbon Adjustments: Act II Scene 1

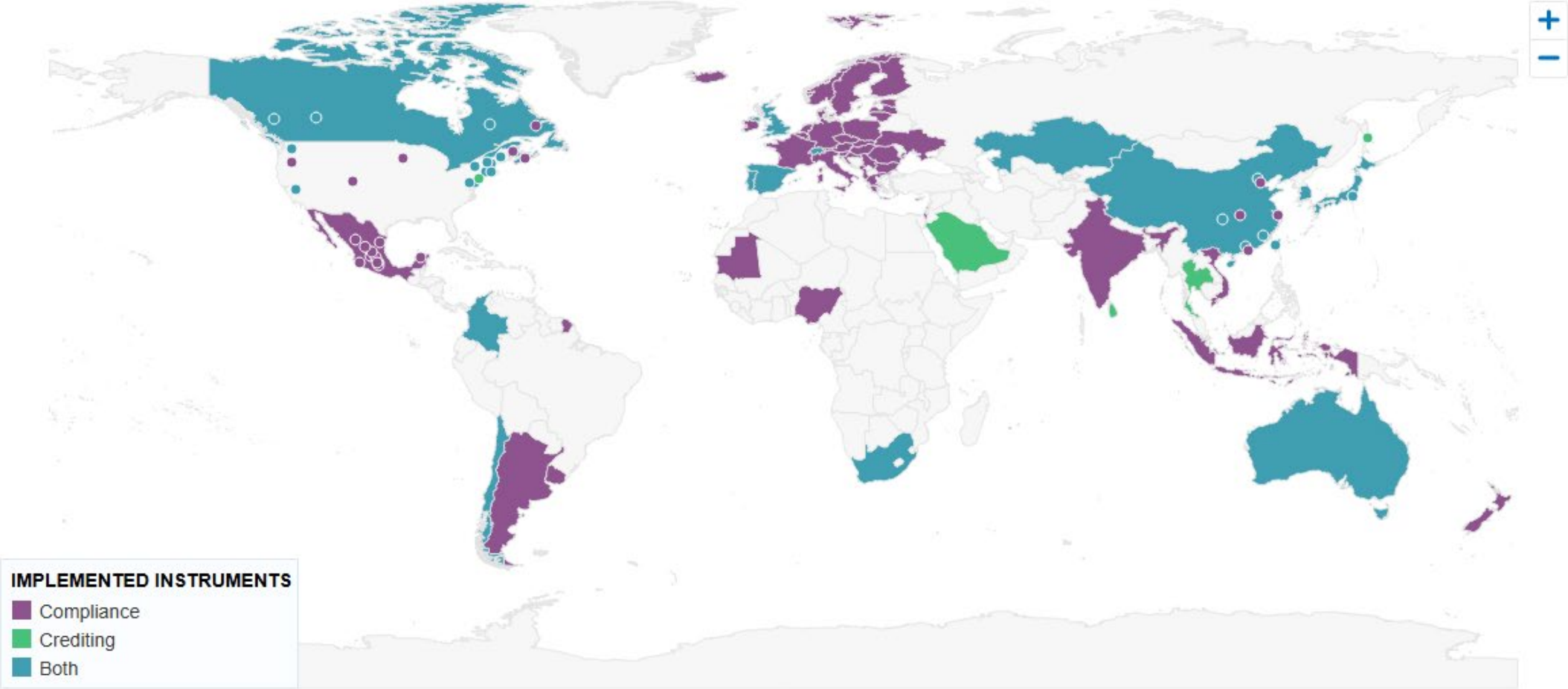
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A world of different carbon pricing

Carbon pricing instruments around the world, 2026

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Map shows jurisdictions that have implemented Direct Carbon Pricing Instruments - Compliance instruments (Emissions Trading Systems (ETS) and Carbon taxes) and/or domestic carbon crediting mechanisms, subject to any filters applied. The year can be adjusted using the slider below the map.



Border Carbon Adjustments

IN FORCE / CONFIRMED

EU

Definitive phase since Jan 2026

Serbia

In force since Jan 2026

UK

Launches Jan 2027

UNDER DISCUSSION

Australia

Carbon Leakage Review (Feb 2025)
recommends cement/clinker BCA

Chinese Taipei

Cement-sector pilot from 2027

Canada

BCA consulted (2021); not adopted

Türkiye

Exposure-driven scoping

SPECIAL CASES

Norway, Iceland

Already in EU ETS via EEA (since 2008)
*CBAM incorporation into EEA
planned/under discussion*

United States

No federal Carbon Pricing, nor BCA in
force
*Multiple bipartisan bills: PROVE IT,
FPFA, CCA — none enacted*

The evolving political story

Act 1

Developing countries at UNFCCC argue unilateral trade measures are inconsistent with climate principles (CBDR-RC). At the WTO they argue border carbon adjustments are protectionist trade barriers.

Act 2

Scene 1: Conversations increasingly focus on compliance and interoperability.

- WTO Committee on Trade and Environment
- IFCMA and other 'clubs'
- Bilateral trade agreements (eg EU-India FTA)

The technical story - global stakeholders' advice

1. Measuring GHG emissions embodied in goods

=> Maximise interoperability, consider transition periods, keep treatment non-discriminatory

2. Coverage of goods and emissions scope

=> Cover only those goods with real leakage risk, keep scopes of emissions covered congruent

3. Use of revenues

=> Focus on the administrative costs of compliance for foreign producers, and focus on SMEs

4. Crediting for carbon prices paid

=> Focus on explicit prices paid.

5. Treatment of exports

=> Politics vs WTO law.

6. Special treatment, exemptions

=> No blanket exceptions for countries, but targeted support for SMEs.

Interoperability of BCAs

Focus on the compliance chain: Measurement, Reporting and Verification

Measurement

- Define a set of 'modules': eg feedstock production, direct emissions from production, electricity emissions
- Aim for carbon accounting standards similar enough to avoid wholly different reporting within the same module

Reporting

- Coordinate reporting requirements across regimes eg firm information, goods produced, production processes, timelines for reporting.

Verification

- Mutual recognition between BCA regimes of accredited verifiers



Thank You!

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