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Green Protectionism: How CBAM Lets Europe Charge Others for Emissions It Creates

The EU's Carbon Border Adjustment Mechanism (CBAM), introduced under Regulation (EU), will impose carbon-based charges on imports of high emission goods such as iron, steel, aluminium, cement, fertilisers, electricity, and hydrogen. While reporting obligations began in 2023, full financial liabilities start in 2026. This poses significant risks for India, one of the EU's major steel suppliers. A recent study estimates CBAM duties of roughly $202.4/tonne, equal to about 16% of the average value of Indian steel exports to Europe. It is projected that 15-40% of India's steel exports could be directly affected. With nearly two-thirds of India's steel exports destined for the EU, the impact will be far deeper than from US tariffs. In parallel, the EU plans a 47% cut in duty-free quotas for Indian steel from 2026, with potential tariffs of up to 50% on out-of-quota shipments, compounding competitiveness pressures.

Indian steelmakers, particularly BF-BOF producers, will face higher landed costs, stricter emissions reporting, and possible diversion of exports to non-EU markets. India has criticised CBAM as a trade barrier and is seeking clarity and transition support through ongoing negotiations. Overall, CBAM represents both a financial and strategic challenge for India's steel and broader industrial exports.

Carbon emissions, although are essential but incomplete indicators of environmental impact. Focusing solely on carbon overlooks harmful pollutants like particulate matter ($PM_{2.5}$), sulphur dioxide (SO_2), nitrogen oxides (NO_x), and carbon monoxide (CO), which pose immediate health risks but do not significantly affect climate change. Carbon-only metrics also ignore wider ecological damage such as water depletion, deforestation, biodiversity loss, and toxic chemical pollution, meaning a low-carbon activity can still be environmentally harmful. Additionally, carbon accounting relies on 100-year global warming potential (GWP) values, which downplay the short-term impact of potent gases like methane. Overall, exclusive reliance on carbon metrics can mislead sustainability decisions. On a broader level, Europe's CBAM duties across multiple sectors function less as genuine climate action and more as another strategy to outsource emissions while preserving its reputation as the world's green champion.

A major contradiction at the heart of global climate change is the way Europe positions itself as a climate leader while shifting a substantial portion of its real carbon footprint onto Asian economies. At first glance, Europe appears to have successfully reduced emissions over the past two decades. However, much of this success is the result of offshoring carbon-intensive production, importing emissions through manufactured goods, and shaping global climate narratives that emphasize the responsibilities of developing nations.

1. Offshoring Heavy Industry Under the Guise of Decarbonisation

Since the early 2000s, Europe has progressively tightened environmental regulations, increasing the cost of operating energy-intensive facilities domestically. As a result, major industries, steel, petrochemicals, textiles, electronics, and even automotive components, have increasingly shifted production to Asia, especially China, India, and Southeast Asia.

This has allowed Europe to report declining territorial emissions while continuing to consume large volumes of high-carbon goods produced elsewhere. Studies consistently show that over one-third of the EU's real consumption-based carbon footprint is emitted outside Europe, largely in Asia where these goods are manufactured. In effect, Europe appears "greener" only because the emissions have been outsourced.

2. Trade Structures Reinforce Carbon Imbalance

Europe imports vast quantities of chemicals, plastics, refined metals, rare earths, and other intermediates, most of which are produced in countries with coal-heavy power systems. Yet these imported emissions do not count toward Europe's totals under international reporting standards.

At the same time, Europe's energy transition, EV batteries, wind turbine components, solar panels, relies overwhelmingly on Asian manufacturing. China, for example, accounts for over 80% of global solar panel production. Europe benefits from cheap green-tech production while Asia absorbs the accompanying emissions, pollution, and resource depletion.

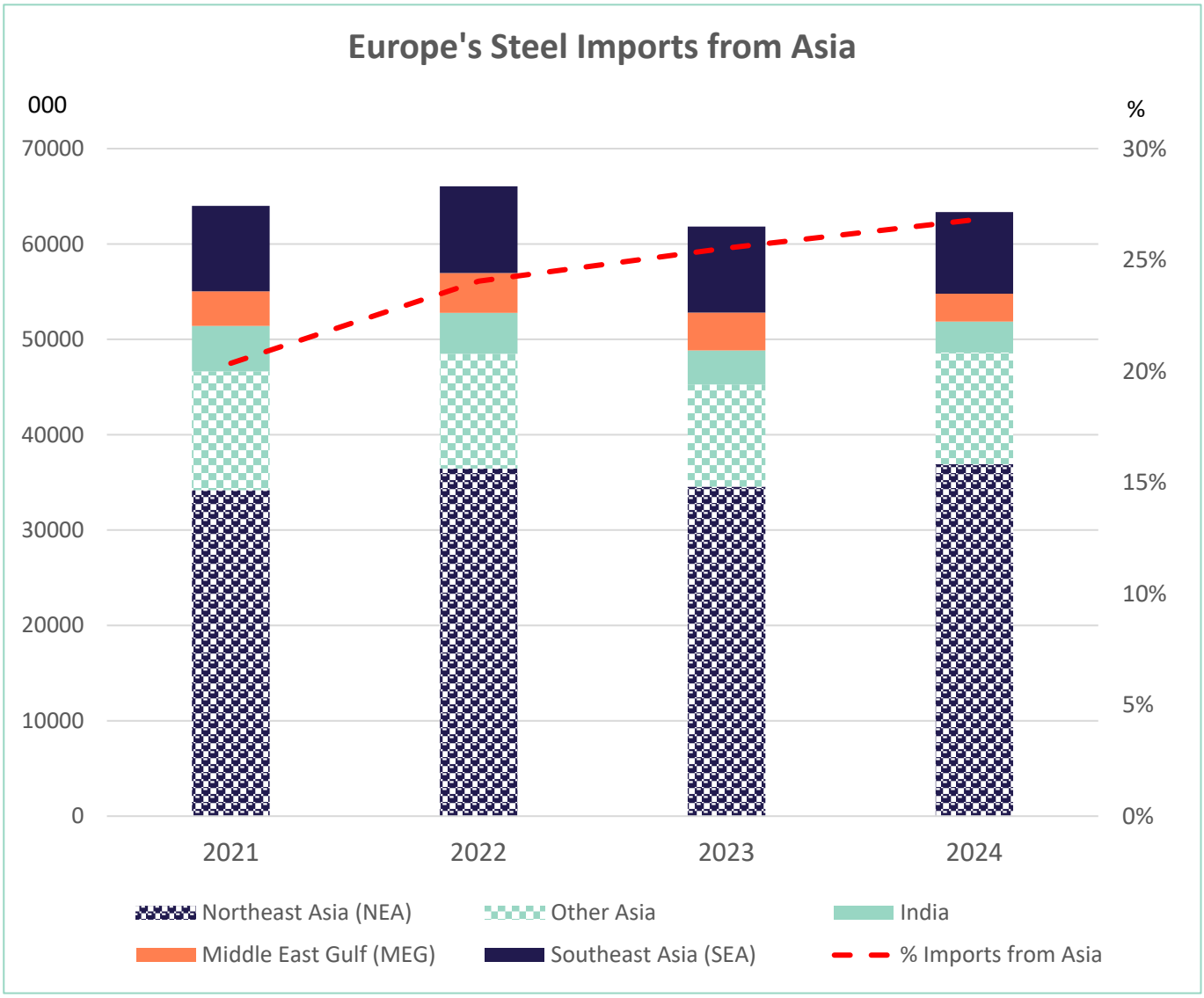
3. The Narrative of Responsibility and Climate Diplomacy

Europe often labels China and India as the world's biggest polluters, but this narrative ignores key context. Asia manufactures a large share of the goods consumed in Europe and the US, meaning many Asian emissions are driven by Western demand. Europe's per-capita emissions are still higher than those of most Asian nations, and the majority of historical CO_2 emissions came from Western industrialisation. Yet Europe presents itself as a climate leader while portraying Asia as falling behind, overlooking the significant emissions embedded in the products it imports. This selective framing shifts responsibility and obscures Europe's true consumption-based footprint.

4. Border Carbon Adjustment: A Tool of Responsibility Shifting

The EU's Carbon Border Adjustment Mechanism (CBAM) is presented as a climate measure, but practically it shifts blame and costs onto Asian exporters. CBAM penalises Asia for producing the goods Europe demands, while doing little to address Europe's historical or consumption-based emissions. Many Asian economies view CBAM as a form of green protectionism disguised as climate leadership.

Refer to the graph on the next page to view Europe's steel imports from Asia.


Europe's Steel Imports from Asia
000
%
70000
60000
50000
40000
30000
20000
10000
0
30%
25%
20%
15%
10%
5%
0%
2021
2022
2023
2024
Northeast Asia (NEA)
Other Asia
India
Middle East Gulf (MEG)
Southeast Asia (SEA)
% Imports from Asia

SHORT TERM OUTLOOK – OIL TANKER MARKET

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