

# EU CBAM: IMPLICATIONS FOR DEVELOPING COUNTRIES

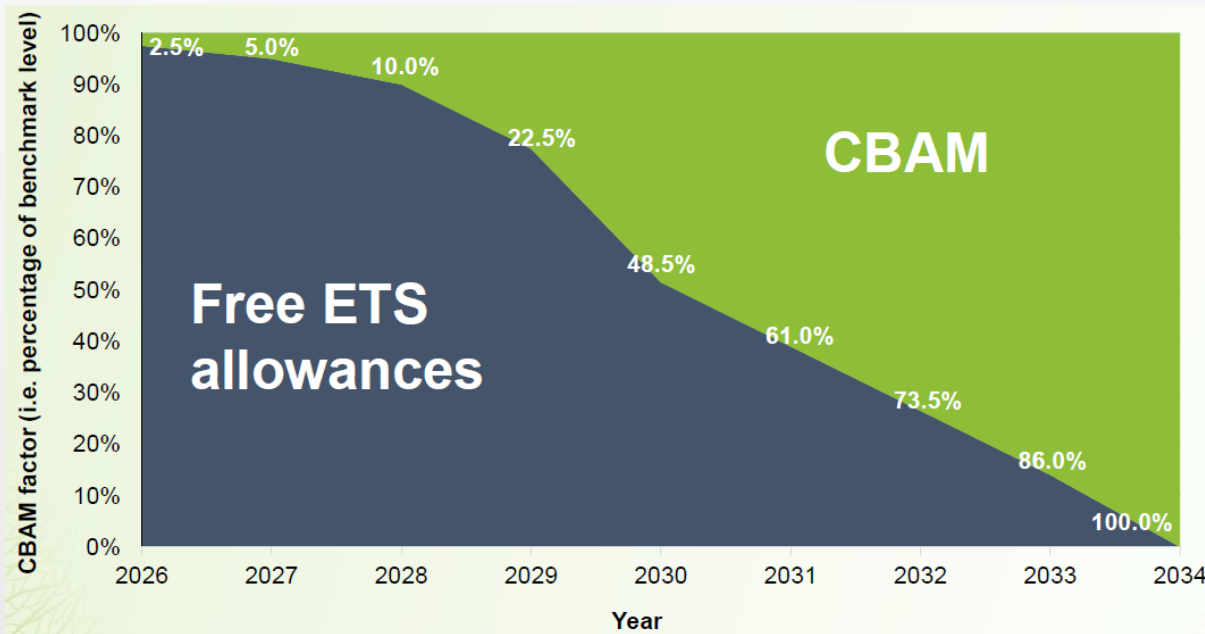
March 19, 2026

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# EU CBAM

Part of EU Green Deal "Fit for 55" reform to increase ambition and raise prices in the EU Emissions Trading System (ETS)



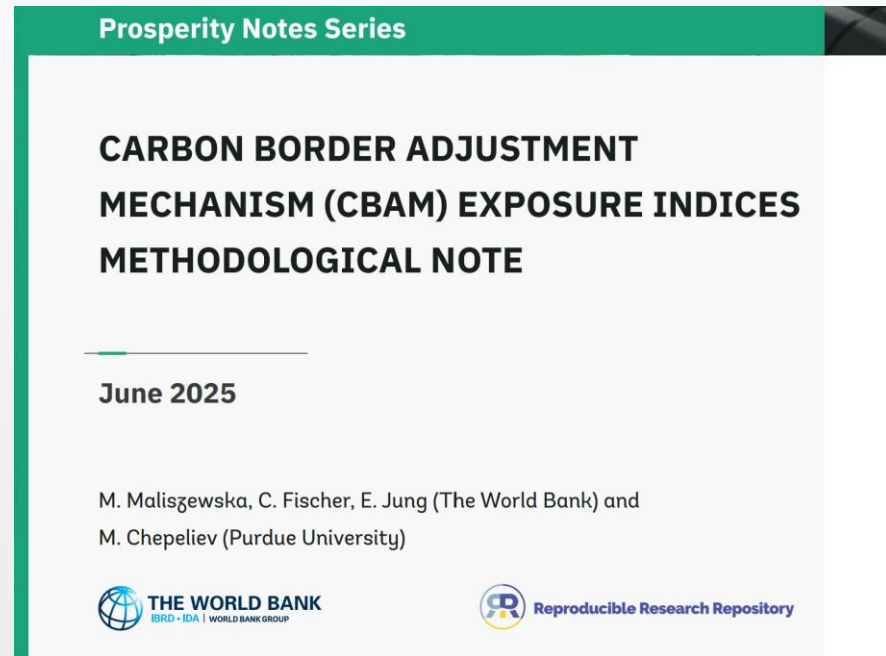
Source: European Commission



- To address carbon leakage, starting in 2026, EU will phase in CBAM – application of EU ETS prices to emissions embodied in certain imports – alongside phaseout of free allowances to domestic industry
- All suppliers to EU markets will need to compete based on relative carbon intensity

# CBAM Trade Exposure Index (TEI)

*Simple measures designed to identify countries with a high potential exposure to CBAM*



More details at:

[CBAM Prosperity Methodological Note](#)

[CBAM Dashboard](#)

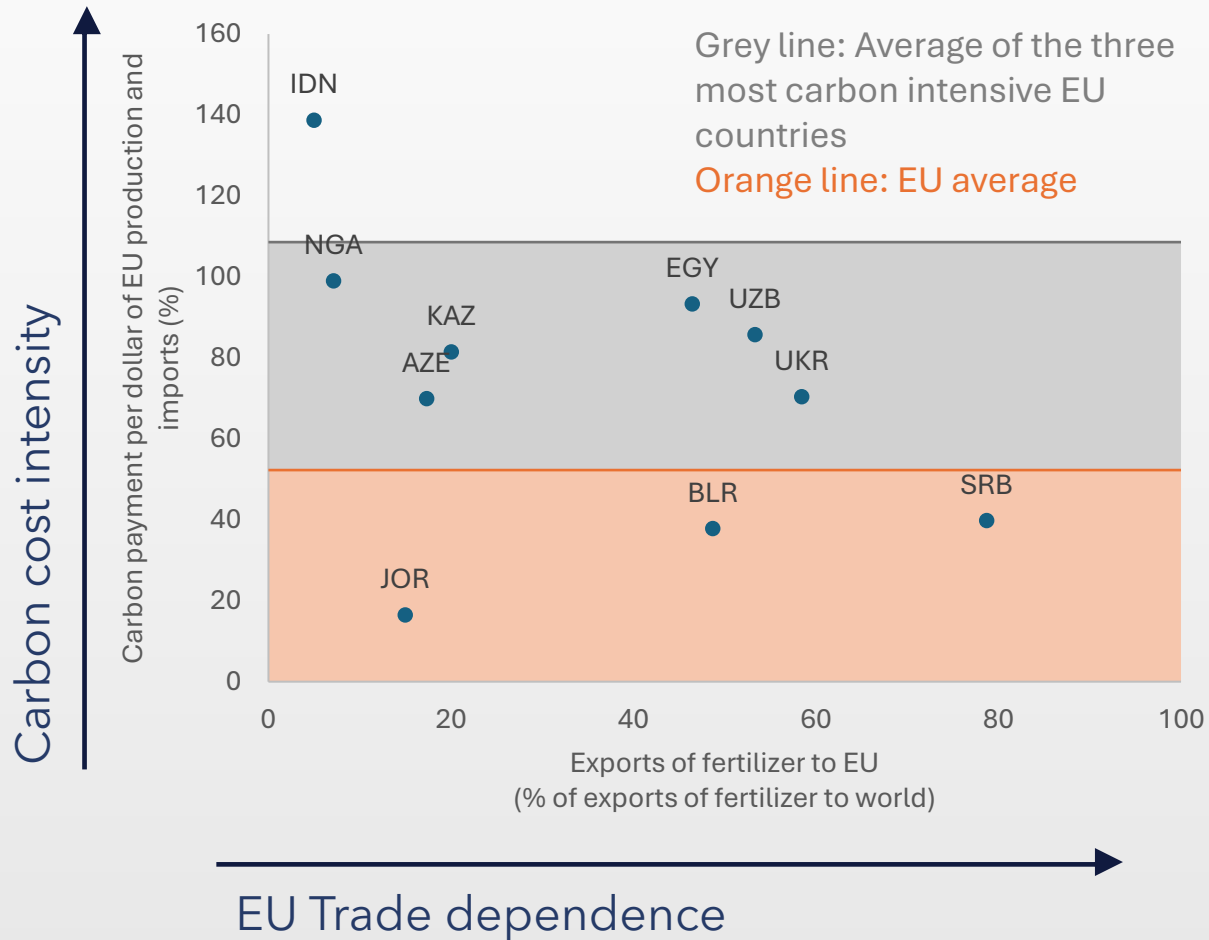
[WB Blog entry on CBAM exposure](#)

- **Trade Exposure Index** provides an insight into countries' relative competitiveness on the EU market
- Product of 2 components:
  - 1) Emissions intensity of production, relative to typical EU counterparts
  - 2) Intensity of trade dependence on EU (share of product exports)

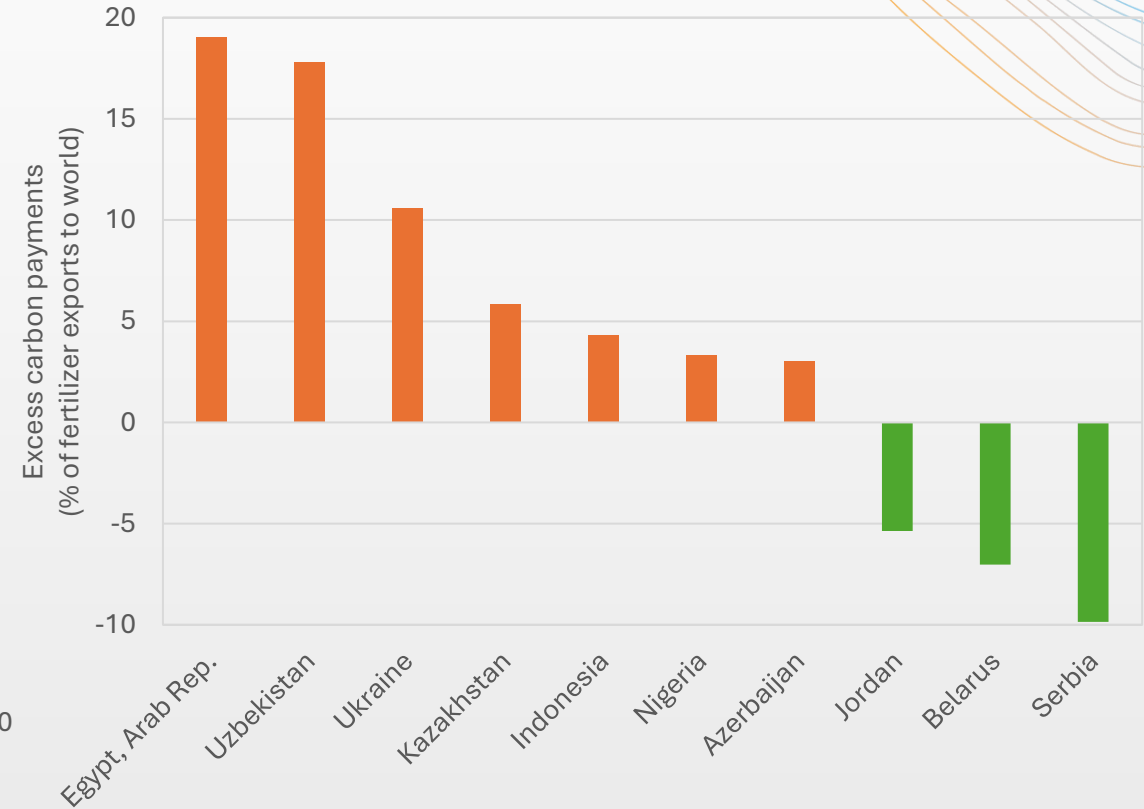
CAVEATS: Our measures are drawn from sector-wide averages, not individual firms' emissions. Results can vary significantly with the use of different data sources.  
(This analysis uses 2017 Emission intensity data from GTAP11-CE and 2022 trade data from WITS.)

# CBAM TEI: Fertilizer example using sector-average data

Carbon cost intensity and EU trade dependence



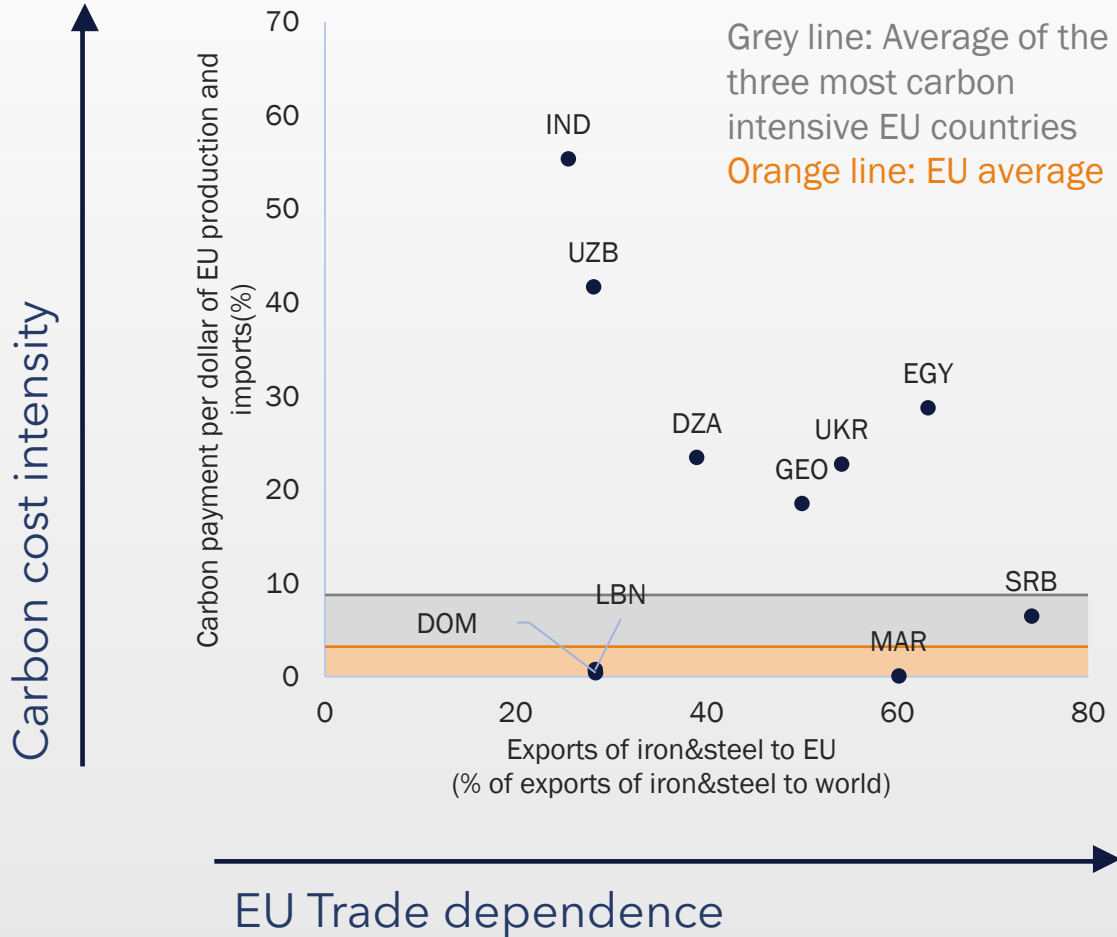
CBAM Trade Exposure Index



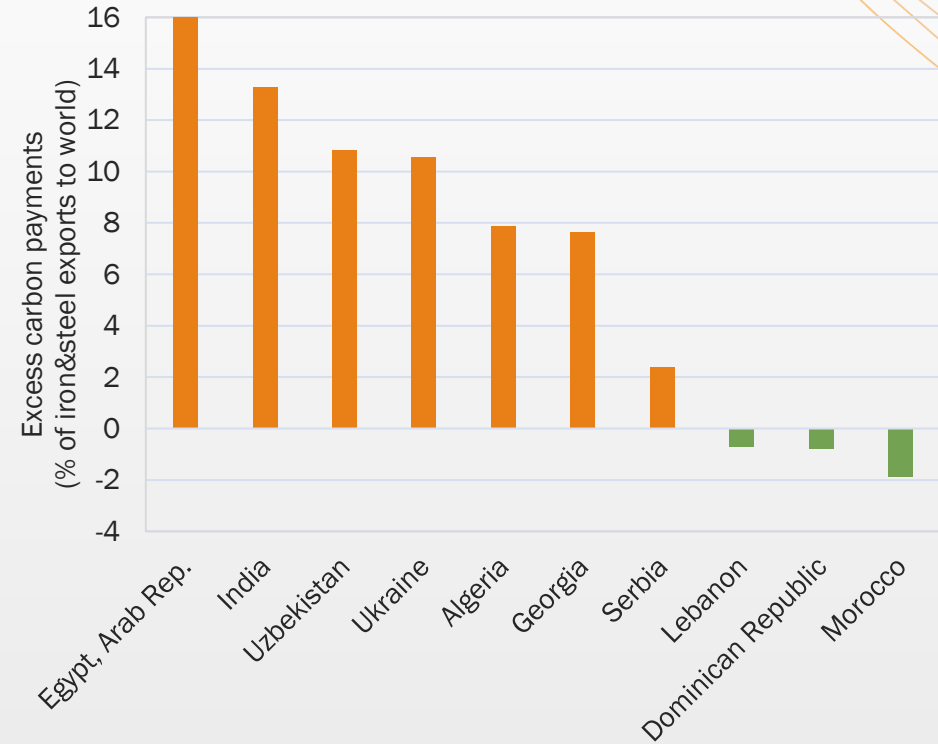
Some countries have sectors that are highly exposed and will need attention;  
Others may gain competitiveness, being relatively low-carbon intensive.

# CBAM TEI: Iron and steel example using sector-average data

Carbon cost intensity and EU trade dependence

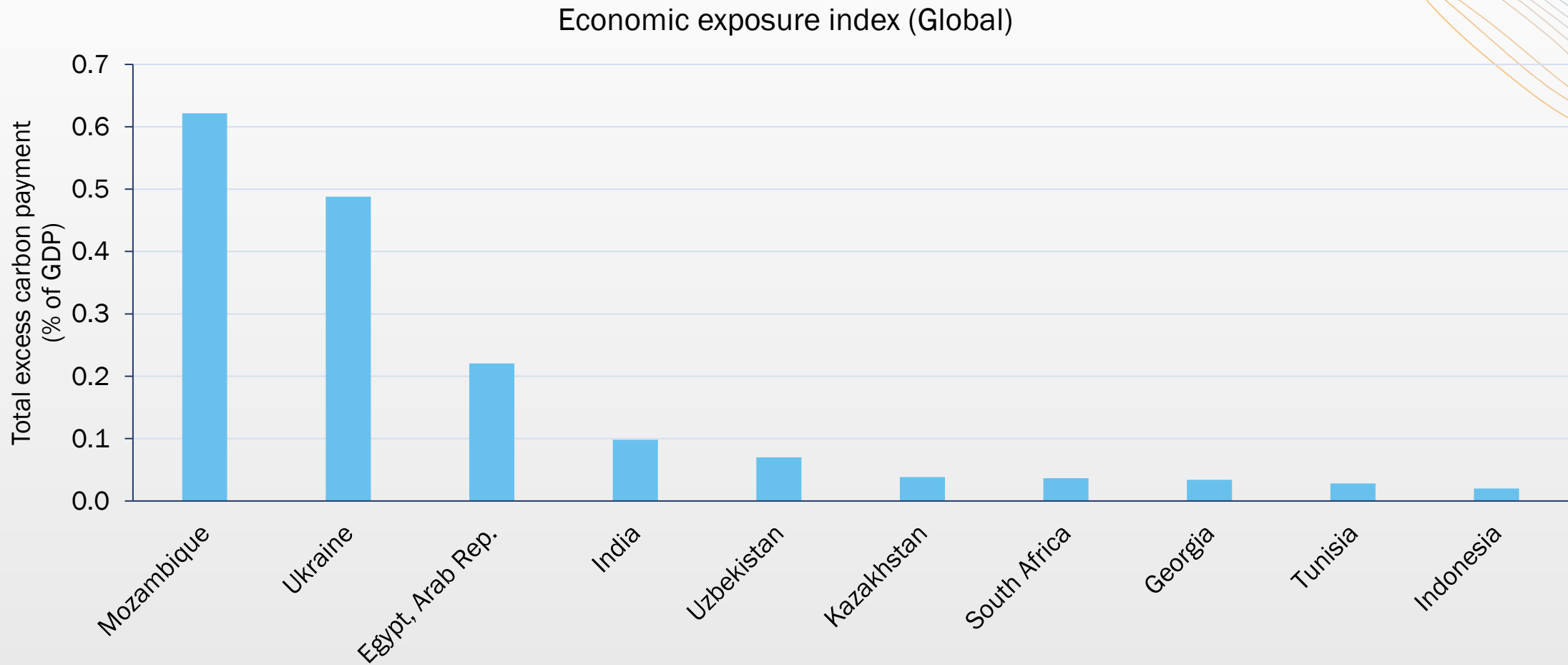


CBAM Trade Exposure Index



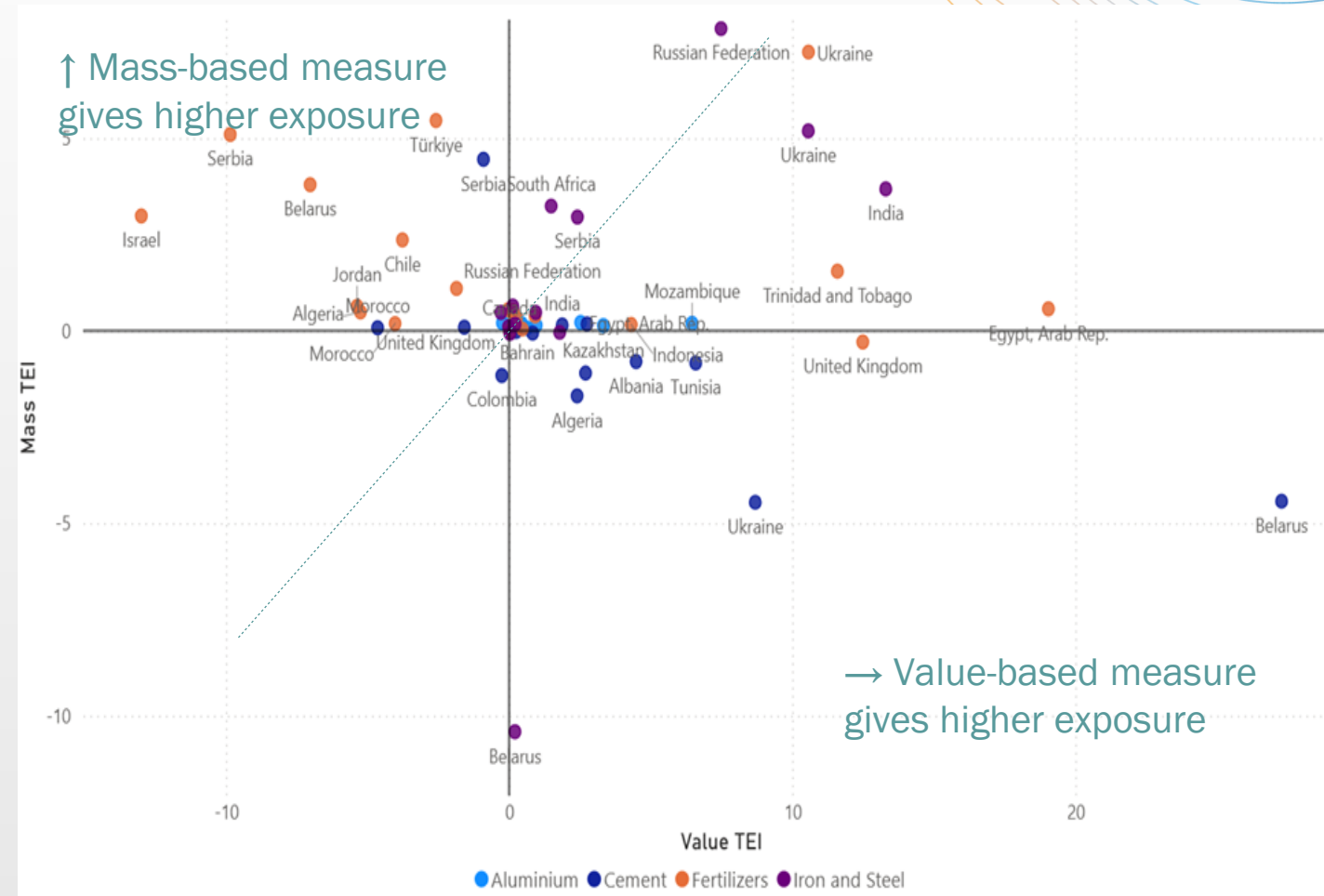
Some countries have sectors with significant export values exposed;  
Relatively clean producers stand to gain competitiveness and export value.

The macroeconomic influence of CBAM is likely to be small, representing less than 1% of GDP (and less than 0.1% for most).

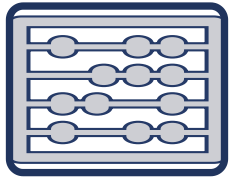


# Expanding to other data sources

- **Value-based** emission intensity data for broad CBAM sectors are available for nearly all countries (GTAP)
  - Used initially for trade modeling
- **Mass-based** emission intensity data can be drawn from EU reports for major trading partners at a granular level by product categories (JRC and Dec 25 implementing regulation)
  - Used initially for fiscal estimates
- Developing tools to compare approaches in a consistent framework to draw robust insights



# Updated default values released in Dec 2025 enable product-level CBAM analysis.



## Granular analysis:

Default values are available at the product level, including ammonia and hydrogen



## Punitive mark-up:

10% in 2026, 20% in 2027 and 30% in 2028 for CBAM products except fertilizers.



## Accurate comparison:

Country specific default values improve the precision of CBAM exposure and cost analysis



## Caveat:

Global default values applied where the country of production cannot be identified such as Algeria and Brazil in Hydrogen.

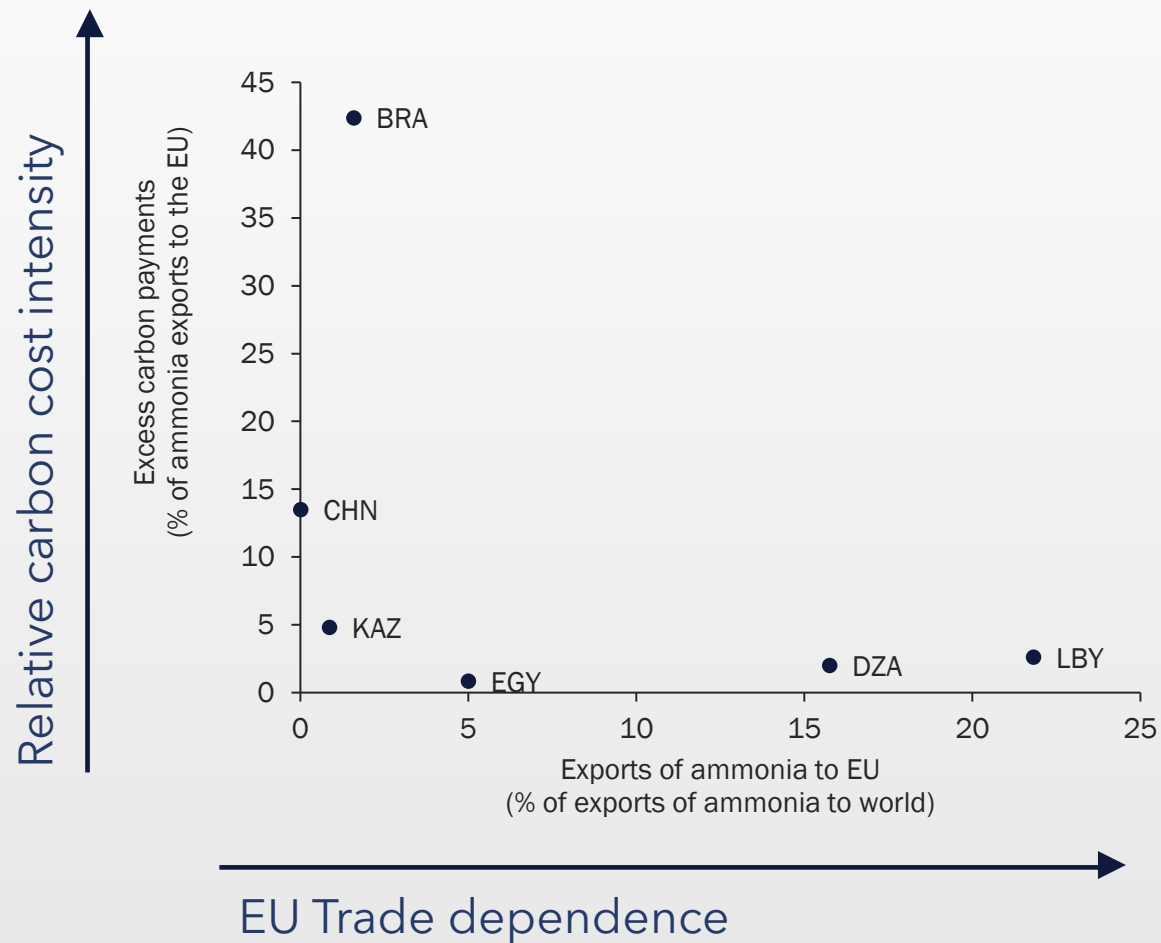
## Default emission intensity (tonCO<sub>2</sub>/ton of production)

Country	Anhydrous ammonia	Ammonia in aqueous solution	Hydrogen
Algeria	2.08	0.62	N.A
Brazil	3.21	0.96	N.A
China	4.36	1.31	26.64
Egypt, Arab Rep.	2.05	0.62	10.82
Global	4.36	1.31	17.74

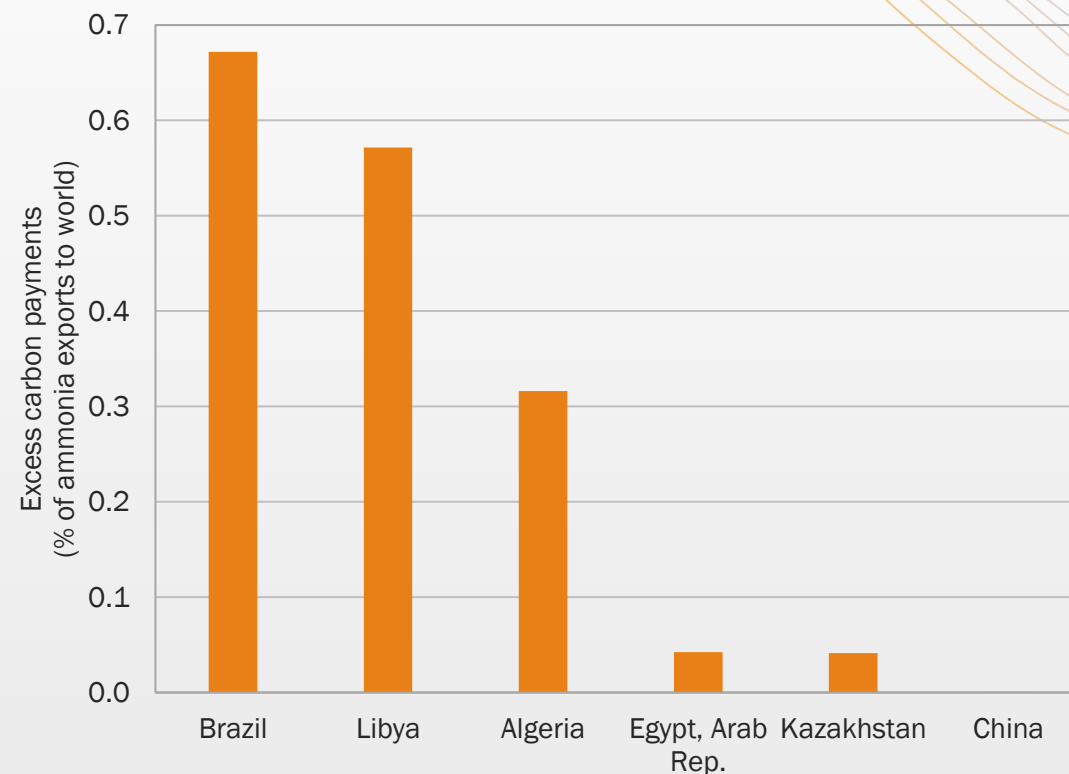
Source: [European Commission](#) (2025).

# Mass based TEI: Ammonia example using product-level data

## Excess carbon cost intensity and EU trade dependence



## CBAM Trade Exposure Index



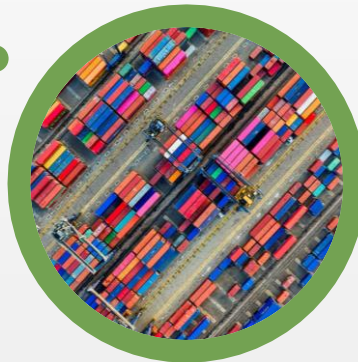
Note: Mass based TEI is based on using new default values (EC 2025) and 2023 trade data from BACI database.

# CBAM can pose challenges



## Obligations are for firms, not countries

- Exporting firms may have different profiles from average domestic producers, so better data needed to assess exposure
- Firms will need to document their carbon intensities to benefit from low-carbon competitiveness, and ancillary costs of certification may be substantial
- Unclear to what extent the simplifications and exemptions for small EU importers will help small exporters abroad



## Technical and financial assistance needed



- To realize the potential for CBAM to create “demand-pull” for rewarding investments in low-carbon capacity globally
- To avoid trade diversion in developing economies that just redirects carbon-intensive production

# CBAM can create opportunities



## Countries can help promote clean competitiveness

- Build capacity for MRV to help firms document they are relatively clean and facilitate exports to EU and UK and participate in GVCs on MNEs with high sustainability goals
- Leverage MRV to improve and deepen domestic regulatory approaches and incentivize more clean production
- Domestic environmental benefits as well as NDC contributions
- Expand focus on clean fuels in electricity to prepare for greater inclusion of scope 2 emissions



## Consider carbon pricing approaches



- Retain and raise revenues, rather than exporting them to EU
- Support the above objectives



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2021-2025

Supporting Green, Resilient,  
and Inclusive Development

# How the WB supports decarbonization and compliance with CBAM



**REGIONAL STUDIES:** LAC, MENA, SAR - region-specific analysis of climate vulnerability, infrastructure impact, trade and emissions, and environmental goods trade, with policy recommendations to enhance trade benefits

**REQUESTS FOR TA:** The Ministry of Finance of Egypt has asked for TA to address CBAM and to propose a revision of taxes (including the incorporation of carbon pricing) and subsidies

**EXAMPLES OF DPOs:**

Egypt (2024): support the national monitoring reporting, and verification system (MRV), and to allow Egypt to collect data on GHG emissions, track progress on mitigation and adaptation measures

Western Balkan (2024): enhance QI services, information, and procedures in Serbia and Montenegro pin reparation and rollout of the updated standards and information on standards and requirements for exporters.

# Carbon Price on Imports to EU from 1 January 2026

## ▪ **Equal carbon pricing**

- EU companies pay a carbon price via EU ETS on goods produced in the EU
- Importers pay a carbon price = EU ETS price

## ▪ **Importers' fiscal obligation**

- Yearly declaration of imports during previous calendar year
  - By 31 May 2027 declare imports made in 2026
  - Calculate embedded emissions (verified) or use default values
  - Buy and surrender CBAM certificates covering emissions
  - No double pricing - deduct explicit carbon price paid in exporting country

