

Carbon Border Adjustment Mechanism

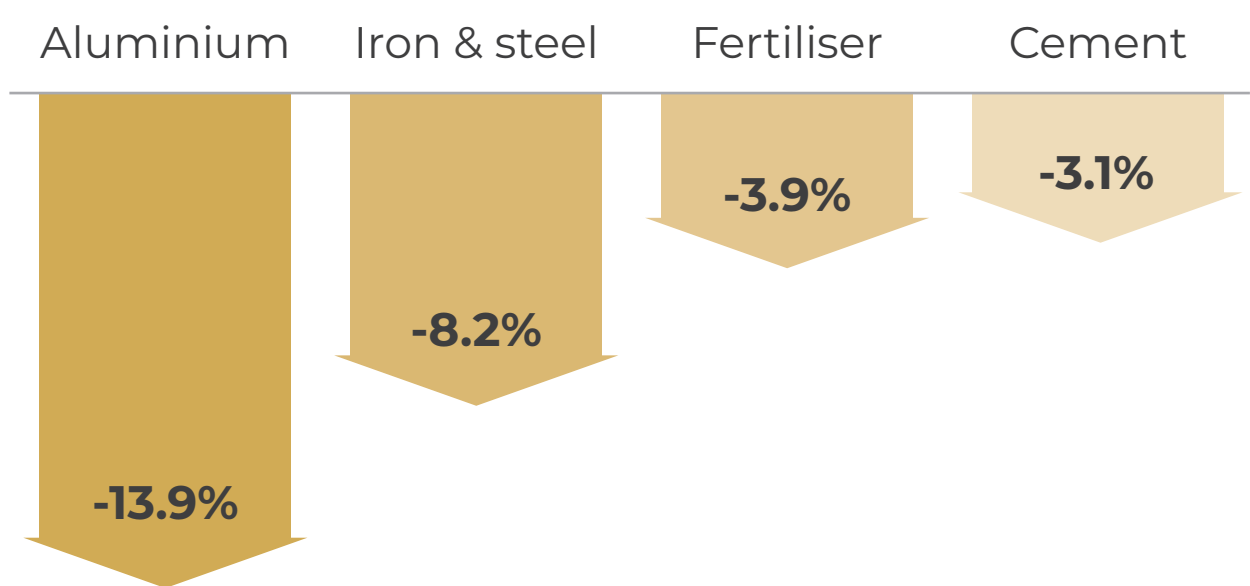
The CBAM is a policy tool proposed by the European Union to address carbon leakage and to encourage cleaner industrial practices worldwide.

The CBAM is likely to have profound implications for African countries, particularly least-developed countries. The African Continental Free Trade Area (AfCFTA) can use the CBAM transitional phase to negotiate a better deal for African countries, to help them make the transition to cleaner energy while at the same time mitigating the risk of becoming uncompetitive in European markets.



Potential impact of the key industries:

The mechanism may also cause a **decrease in African exports to the EU** of up to **13.9%** for aluminium, **8.2%** for iron and steel, **3.9%** for fertiliser and **3.1%** for cement.



The African Continental Free Trade Area could play a crucial role in advocating for Africa's interests in the CBAM's implementation. The EU should actively engage with African countries on the CBAM's design during the transitional phase and prepare for a future where trade is leveraged to achieve net-zero targets.

Policy recommendations

Engagement and Advocacy:

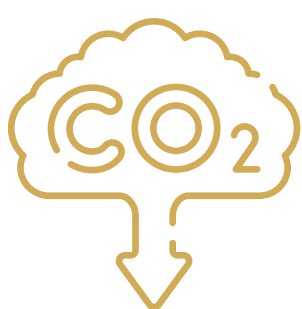


- African countries, through the AfCFTA's Council of Ministers, should be invited to provide insights on the CBAM's economic implications and propose remedies which could include exemptions or slower phase-ins for Africa.
- African negotiators should centralise trade in climate finance negotiations including UNFCCC and Paris Agreement negotiations.

Financial and Technical Support:



- Revenue from the CBAM (estimated at around €9.1 billion annually) should be channelled towards supporting climate change adaptation and mitigation on the continent.
- The CBAM revenue could also be directed to support the African Union's Green Recovery Action Plan and the EU's Global Gateway programme in Africa.
- Continued research is essential to better understand the potential impact of the CBAM on African economies.



Building Low-Carbon Value Chains:

AfCFTA should promote low-carbon value chains by removing inter-African tariffs on environmental goods and services.



Economic Partnerships:

Agreements between the EU, other developed countries, and African Regional Economic Communities should facilitate the transition to cleaner technologies.



Policy Reforms:

AU members should align climate commitments with global green growth strategies, integrating these into national policies and AfCFTA implementation plans.

These strategies aim to ensure that Africa benefits from fair and equitable terms in global trade while advancing its climate and development goals.