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Balancing Borders and Fairness: A Just CBAM for African LDCs

Role: Not-for-Profit Organization

Audience: European Commission

KEY POINTS

1. **African LDCs have a h trade dependence on EU and are particular vulnerable to the imp of the CBAM.**
2. **The CBAM runs count the CBDR principle.**
3. **The EU must boost international coopera by channeling CBAM revenues and technol transfer to support LD decarbonisation.**

Summary

The EU's Carbon Border Adjustment Mechanism (CBAM) is a key instrument to meet European climate targets. However, its current design risks placing a disproportionate burden on Least Developed Countries (LDCs), especially in Africa, which are heavily reliant on exports to the European Union and face structural vulnerabilities, including limited emission tracking systems and low adaptive capacity.

The lack of dedicated support measures in the final regulation raises concerns about compliance with the international climate principle of Common But Differentiated Responsibilities (CBDR).

To avoid unfair distributional impacts, the EU should allocate part of CBAM revenues to support decarbonization in LDCs, establish structured political dialogue and strategic Partnerships on financial development and technology innovation, and ensure a continue Impact Assessment on these countries.

Aligning climate ambition with global equity requires a more inclusive and supportive approach.

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1. Context

Over the past decades, the European Union has positioned itself as a global leader in the fight against climate change, adopting ambitious tools to reduce its emissions. As part of this strategy, The Carbon Border Adjustment Mechanism (CBAM)[1] is designed to prevent carbon leakage and encourage global decarbonisation. However, its unilateral nature risks clashing with the principles of climate justice and international solidarity, potentially generating adverse impacts on Least Developed Countries (LDCs) [2].

LDCs face structural disadvantages such as low productivity, weak economic bases, and high exposure to economic shocks and disasters. As a result, they often struggle to diversify their financial sources and adapt their financial mix throughout different development stages. This leads to difficulties in ensuring a smooth and gradual transition in financing sources [3]. LDCs are also highly vulnerable to climate change and frequently lack the technological, technical, and financial capacity to undertake meaningful climate action.

Africa is the most underdeveloped continent globally, accounting for 33 of the 47 countries on the United Nations list of LDCs. Such states represent the most fragile economies in terms of socioeconomic development, marked by the lowest levels on the Human Development Index, despite abundant natural resources. Their condition is shaped by a combination of structural and systemic factors, including unfavorable geography, high vulnerability to economic and climate shocks, and serious governance deficits, often worsened by widespread corruption, internal conflicts, and political instability [4].

For many African LDCs, international trade is essential, as domestic markets are too small to sustain growth. [5, 6]. Moreover, trade is an important factor for creating jobs and streghtening national economies. However, many of these countries still operate as mono-export economies, heavily dependent on foreign aid and the export of a few raw materials, which exposes them to the volatility of global markets [7].

African LDCs depend heavily on trade with the EU but rely on outdated industrial systems poorly suited to meet EU environmental standards. With limited technological capacity and scarce investment, aligning with CBAM requirements remains a major challenge [7].

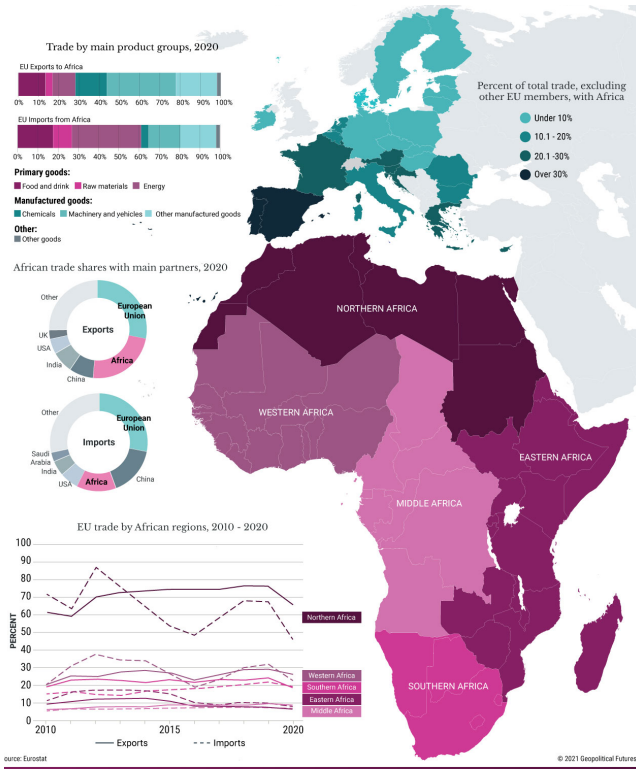

Figure 1: The History of European-African Trade. Geographical Future, 2021 [8]

2. LDCs and CBAM

Which issues?

With the CBAM application, Africa could lose up to $25 billion per year [9]. This is not a marginal impact: for many LCDs, such losses could jeopardize jobs, government revenues, and progress toward development goals.

Mozambique is a clear example. Around 20% of its total exports (and nearly 80% of its exports to the EU) are covered by CBAM, mostly aluminium produced by the Mozal smelter, the country's largest foreign investment. This single product makes up nearly half of Mozambique's total exports, putting its economy at serious risk. Although the country has low overall emissions, its challenge lies in lacking the technical capacity to monitor and report them properly [10].

Similarly, in Tajikistan aluminium exports account for over 70% of trade with the EU and US, and over 20% of total national exports. With few alternative industries, the CBAM could hit the economy hard. In Zimbabwe, steel and iron (mainly from the historic Zisco plant) account for 22% of exports to the EU, putting the country at risk of losing competitiveness in the steel sector [11]. In Senegal, fertiliser exports to the EU represent between 2% and 5% of national GDP, making the country particularly vulnerable to economic shocks linked to CBAM [11].

By ignoring the vulnerabilities of low-income countries, the CBAM risks hitting the hardest those who can least afford it. In economies where carbon-heavy sectors are key to jobs and income, the absence of support measures could undermine efforts to reduce poverty and support sustainable development [12].

	Intra-Africa	EU	UK	China	India	USA	RoW
Agriculture	13	28	5	10	6	5	34
Fertiliser	32	26	1	2	6	7	26
Electricity	74	7	1	1	1	3	14
Iron and steel	33	16	1	11	5	9	25
Aluminium	5	12	6	12	6	4	54
Cement	60	12	2	2	1	3	20
Energy	7	36	2	15	11	6	22
Manufacturing	25	33	3	12	3	6	18
Transport	2	31	6	8	1	16	36
Other services	3	33	6	10	1	11	36
Public administration	4	23	6	7	1	27	32

Figure 2: Destination of Africa's exports, by commodity classification (%). LSE & The African Climate Foundation, 2023. [9].

Which future challenges?

Future projections show that the CBAM could reduce African exports to the EU by 5.7% and shrink the continent's GDP by 0.91%, equal to a loss of $16 billion compared to 2021. The impact could be even larger for specific sectors: aluminum exports may drop by 13.9%, iron and steel by 8.2%, fertilizers by 3.9%, and cement by 3.1%. If the CBAM extends to all imported products after 2034, the GDP of such countries could fall between 1.5% and 8.4% [13].

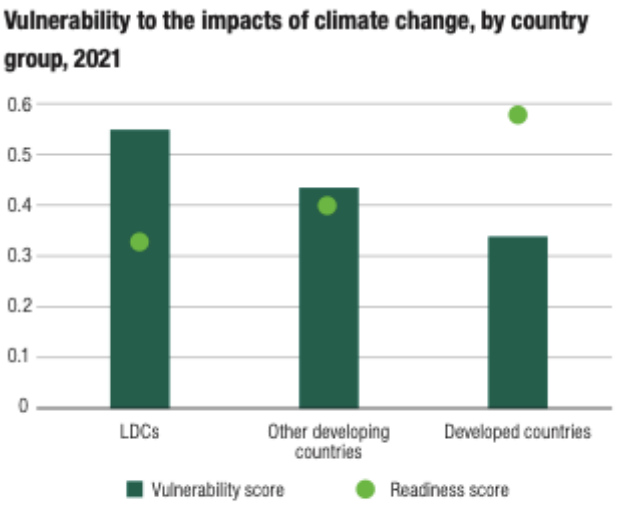

Figure 3: Vulnerability to the impacts of climate change, by country group. UNCTAD, 2021. [14].

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Finally, 11 African LDCs, including Gambia and Mozambique, would face significant economic losses, risking to worsen global climate adaptation efforts. Given their limited resources, it also is unlikely that these countries will be able to adopt effective carbon pricing systems in response to CBAM [9].

Without alternative strategies, exports from these countries subject to CBAM will lose competitiveness. Importers will prefer low-carbon suppliers to avoid higher CBAM costs, shifting demand away from carbon-intensive producers. As a result, high-emission producers may be forced to sell to less demanding markets.

3. CBAM against climate justice

One of the main criticisms of the CBAM is its failure to differentiate between countries with varying income levels. Its "one-size-fits-all" approach overlooks the various economic, social and istitutional challenges of African LDCs, raising serious concerns about fairness. In this way, the CBAM places an excessive burden on countries that have contributed the least to the climate crisis [15], violating the principles of climate justice. According to the "common but differentiated responsibilities" (CBDR) principle, developed countries are expected to take the lead in reducing emissions, due to their historical responsibility for global greenhouse gas emissions [15, 16].

Missing Support for LDCs under the CBAM?

Although initial CBAM negotiations considered exemptions for LDCs, these were not included in the final regulation. While the text reaffirms the EU's intention to support such countries through the EU budget, it does not set any legally binding obligation to do so. This lack of concrete commitment risks leaving LDCs without the necessary support to meet CBAM requirements [16].

Exempting LDCs from CBAM?

Among the existing policy options, exempting African LDCs from the CBAM is often seen as a way to promote fairness. However, this approach could have unintended negative consequences. It may encourage carbon leakage by shifting polluting production to these countries to bypass CBAM costs when exporting to the EU. Since such exemptions are temporary by design, they risk delaying necessary transitions, leaving these countries facing even higher adaptation costs and more abrupt adjustments in the future [7].

4. Policy recommendations

Allocating CBAM revenues to support the decarbonisation of African LDCs.

Currently, 25% of CBAM revenues stay with EU Member States, while the remaining 75% flow into the EU Innovation Fund. To comply with Article 9 of the Paris Agreement, it would be preferable to **redirect CBAM revenues to support decarbonisation** efforts in African LDCs rather than allocating all funds to the Innovation Fund. Carbon certificate revenues generated from imported goods should be returned to the exporting countries of origin [7].

These funds should be dedicated to specific mitigation policies that help LDCs transition their industries toward carbon

neutrality. Allocation would be based on criteria agreed between the EU and exporting developing countries, ensuring alignment between global climate goals and local needs.

Allocating CBAM revenues this way would maximize their impact and ease implementation challenges, considering LDCs' political instability and social issues. It would also help prevent carbon leakage by encouraging these countries to keep exporting to the EU.

Supporting climate crisis thorugh financial aids.

Alongside CBAM revenues, additional climate financing should be allocated to support mitigation, adaptation, and compensation for loss and damage in low-income countries, even if they are not directly affected by the mechanism [17].

This funding should preferably come as grants or concessional loans, which could be complemented by Official Development Assistance (ODA), to avoid burdening developing countries with unsustainable debt.

Through these climate funds, the EU must commit to offsetting the negative impacts of CBAM on poor countries that are least responsible for the climate crisis but most vulnerable to its effects.

Streghtening Strategic Partnerships.

The EU's decision to adopt unilateral carbon legislation must be paired with coordinated dialogue. Since international cooperation is crucial for the success of the CBAM, the EU must engage in close dialogue with its least developed trading partners and actively involve affected countries in the future design and implementation of the mechanism.

Strategic partnerships must ensure a multidisciplinary approach, involving both academic and non-academic actors in the co-design and co-production of knowledge grounded in theory and empirical evidence. Their main goals should be technology transfer such as the G7's Just Energy Transition Partnerships, or knowledge-sharing platforms like the UNFCCC's Climate Technology Centre and Network.

Ensuring regular Impact Assessments.

Finally, the EU must commit to continuously assessing the impact of the CBAM on LDCs [11]. In this context, integrating justice as a core element of its leadership on trade and climate is essential. The EU should explicitly recognize the trade dependence of some developing countries and LDCs on the EU and prioritize a proactive approach to prevent its trade and climate leadership from negatively affecting their development trajectories [2, 18].

5. Conclusion

While the CBAM has the potential to be an effective tool for decarbonizing trade and reducing global greenhouse gas emissions, its implementation must be carefully assessed to account for potential negative impacts on African LCDs economies and societies. In this context, an EU's proactive role could be a key prerequisite to enable ambitious decarbonization efforts worldwide [19].

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FOOTNOTES

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