



Border carbon adjustments:
pivotal design elements and
potential for international
cooperation

Ieva Baršauskaitė
Senior Policy Advisor
IISD

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Climate change and trade policy

Carbon leakage: external dimension of industrial decarbonization

Gradually increasing climate ambition: over 70 carbon tax or emissions trading systems in place at national or sub-national level (World Bank, 2023)

Growing concern of “carbon leakage”: climate policy in enacting jurisdiction drives emissions elsewhere, markets are lost to foreign producers that are not paying similar price.

Global carbon pricing would be the perfect solution – but is not realistic at this point.

Adjustment: BCA is another side of domestic carbon pricing, already introduced in the EU but considered or publicly discussed in:

- Canada
- United Kingdom
- United States
- Australia
- Chinese Taipei
- ...







BCA choices for policy-makers

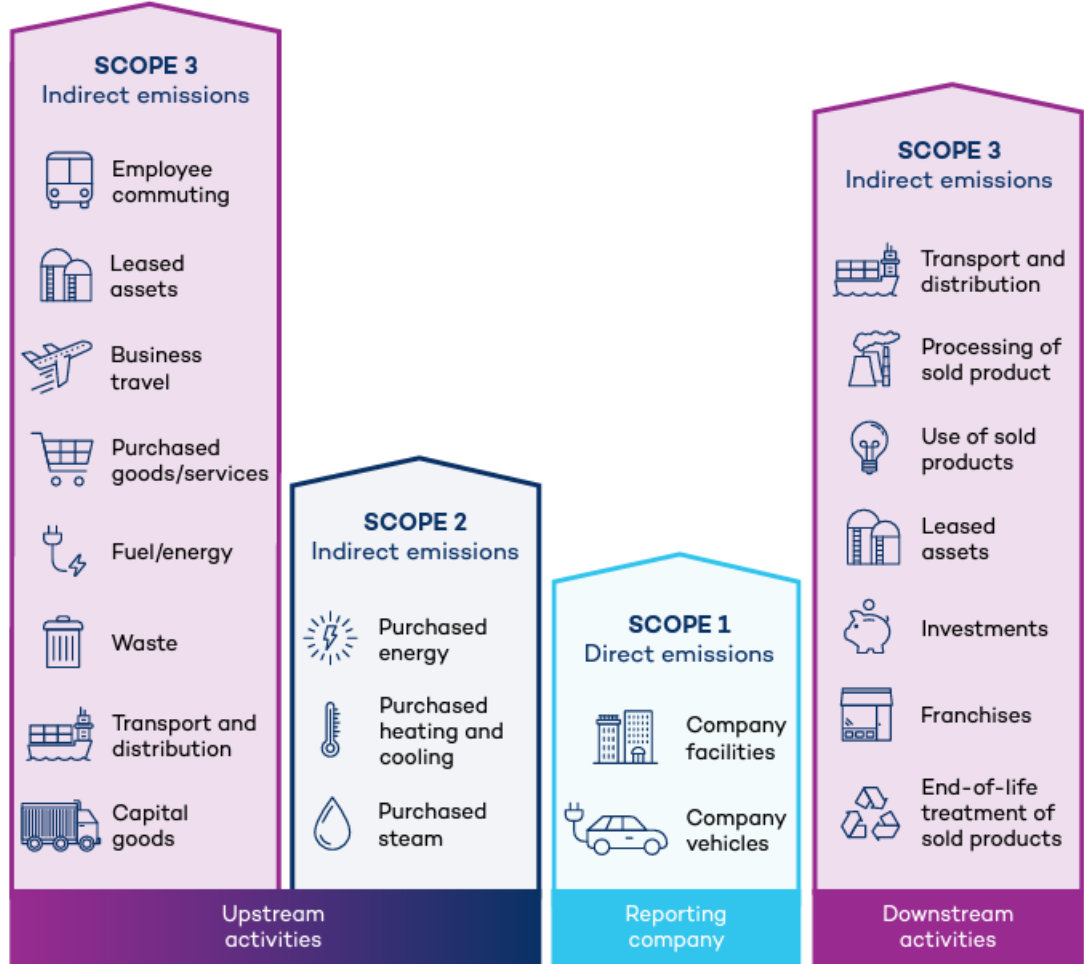
Between climate goals and protectionism



BCA design features

Each BCA is unique: decision tree of crucial choices

-  Coverage of trade flows
-  Geographic scope and exemptions
-  Emissions scope
-  Calculating embedded emissions
-  Crediting for foreign policies
-  Use of revenues



BCA design features

Other important considerations

- Domestic challenges to implement
- Trading partners' capacity to comply
- Transition period and reviews
- Impact to existing trade flows and preferences
- Global context and international cooperation

Climate change, trade policy and development

External dimension of domestic climate policies

A challenge of fitting the principles of:
climate,
international trade,
and development

into one instrument.

As interpreted by 164 governments.

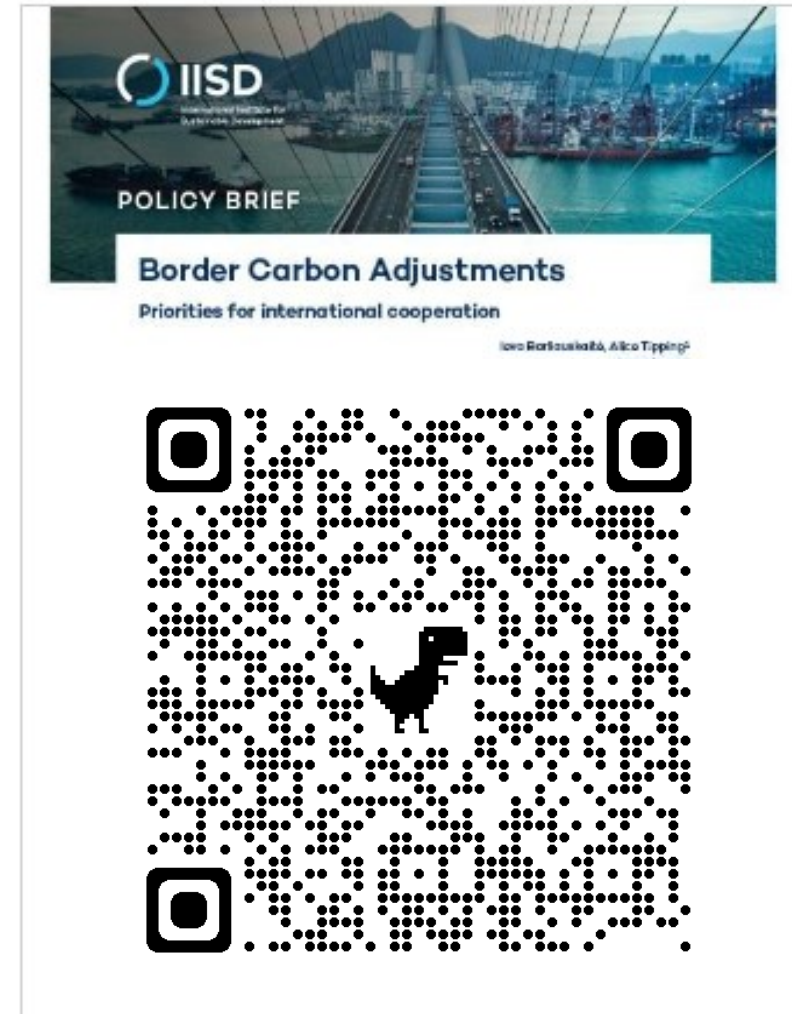
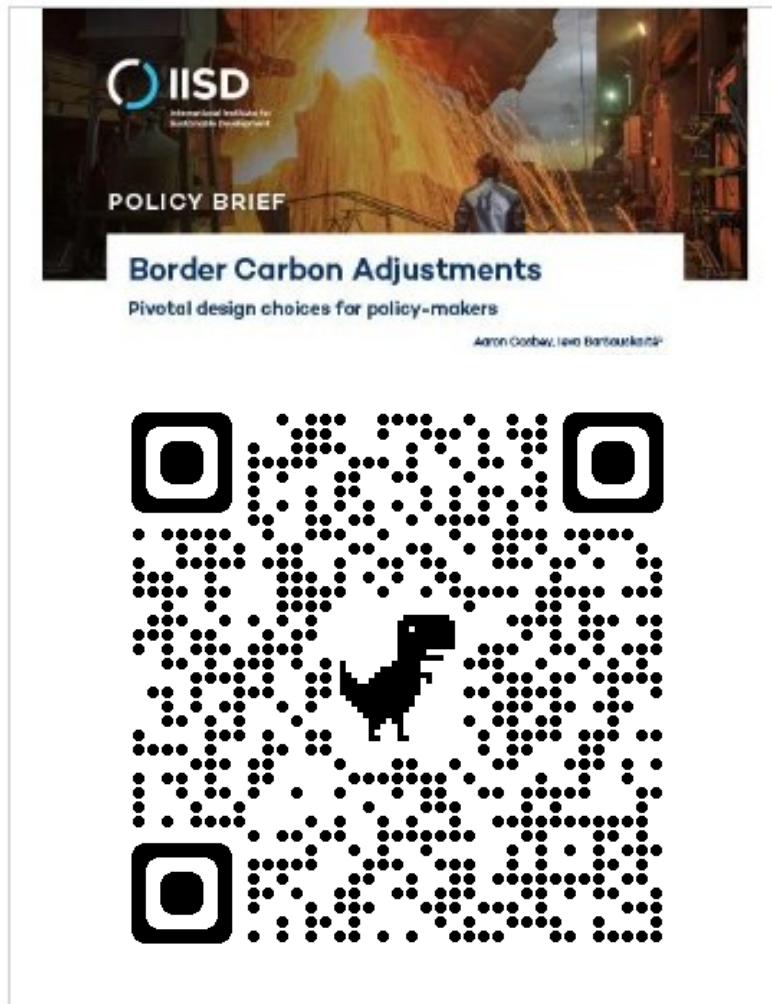
BCA: some priorities for international cooperation

Life in a spaghetti bowl of BCAs

- Standards for calculating embedded emissions
- Geographical scope of coverage
- Crediting for foreign policies
- Use of revenues

Each topic might find a different forum: true challenge is bringing them together

Two new IISD policy briefs



Thank you!

ibarsauskaite@iisd.org

@ibarsauskaite

