



CURRENT AFFAIRS



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CARBON BORDER ADJUSTMENT MECHANISM

Relevance for Prelims: Term in News, Carbon Tax

Relevance for Mains: Need of Carbon Border Tax, Implication of CBT

Context: The European Union in COP-27 has proposed Carbon Border Adjustment mechanism- to tax the products such as cement, steel, fertilizers, and aluminum.

About Carbon Border Tax:

- The purpose of the tax is to disincentive companies outside the European Union that are exporting to the European Union four carbon extensive goods: Steel, fertilizers, cement, and aluminum.
- The proposal also requires importers to buy digital certificates representing the tonnage of carbon dioxide emissions embedded in their imported goods.

Need of Imposition of Carbon Tax:

- **Climate Change Mitigation:** European Union has declared to cut its carbon emissions by at least 55% by 2030 compared to 1990 levels. Emissions from imports contributes 20% of the EU's CO₂ total emissions.
- **Carbon Leakage:** Business when find more suitable business alternatives shift their operations which results in carbon leakage and increases the total emissions in the world without paying for the damage.

Issues associated with Carbon Tax:

- **Most Affected Countries:** The BASIC Group (Brazil, South Africa, India and China) has opposed EU's proposal terming it discriminatory and against the principles of equity and Common but differentiated responsibilities and respective capabilities.
- **India's exports:** Exports from India will come down as EU is India's third largest trading partner. Imposition of tax will increase the prices of India-made goods making them less attractive for importers.
- **Violation of Rio Declaration:** Article 12 of the Rio Declaration says that standards applicable to developed countries are not applicable to developing countries. The EU's proposal seems uniform for all the countries.
- **Non-Tariff Barrier:** The policy can be regarded as disguised form of protectionism.

Carbon-Border tax may spur adoption of cleaner technologies but without adequate assistance for newer technologies could rather become disadvantageous for the developing countries.

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