



CBAM in Africa

A challenge and an Opportunity

TIPS Development Dialogue

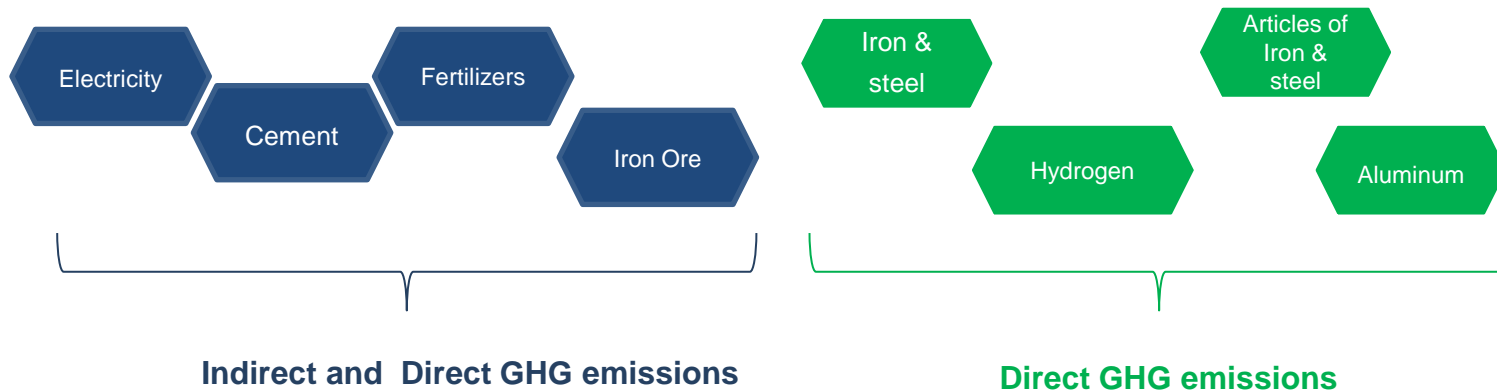
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Overview of CBAM

1. In 2019, the EU introduced European Green Deal (EGD).
2. The main objective of the policy package aims to reduce the EU's net greenhouse gas (GHG) emissions by 55% by 2030 compared to 1990 levels and achieve carbon neutrality by 2050.
3. The EGD include CBAM as a policy mechanism, which its main objective is to;
 1. Raise revenue
 2. Promote climate action abroad
 3. Prevent carbon leakage

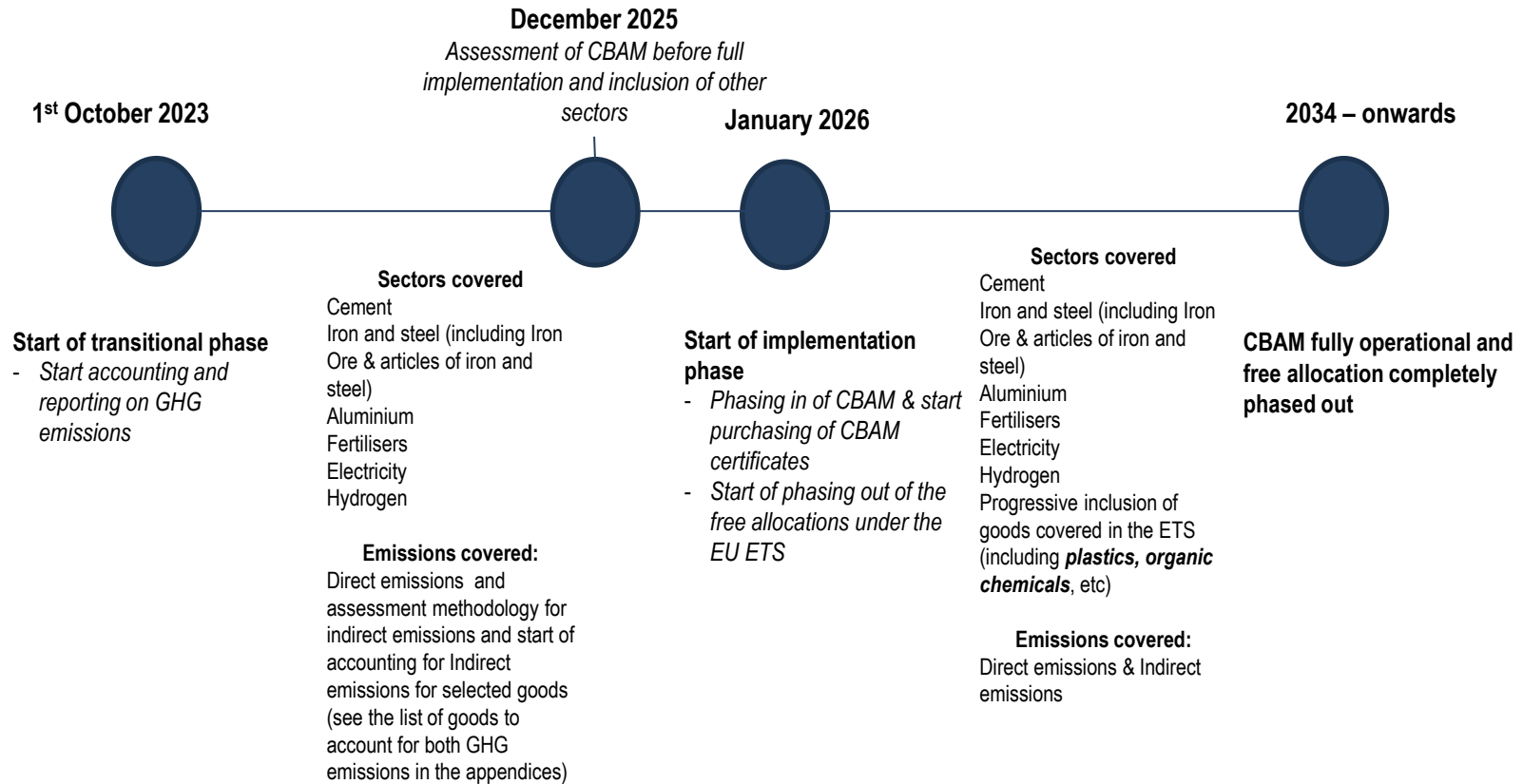
Sector & GHG coverage



CBAM Implementing Timelines

Phase 1: Transitional phase (2023-2025)

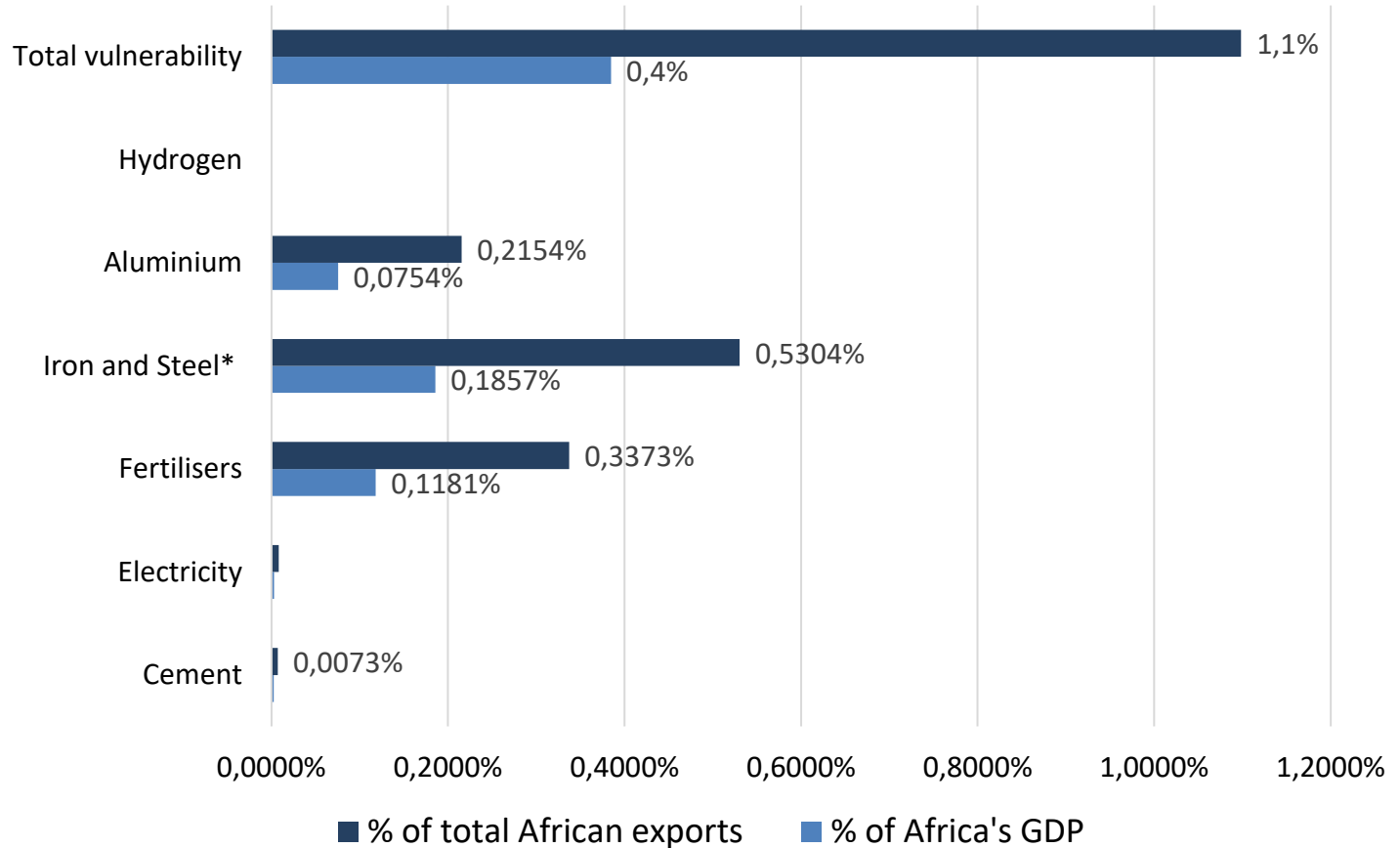
Phase 2: Implementation phase (2026 - onwards)



African 's vulnerability to CBAM

Based on the finalised list of goods covered by CBAM, as per the text adopted on 10 May 2023, about **US\$7.3 billion of African exports** are at risk in the short term.

This is about 3.2% of African exports to the EU, and about 1.1% of African exports to the world, translating to around 0.4% of Africa's GDP



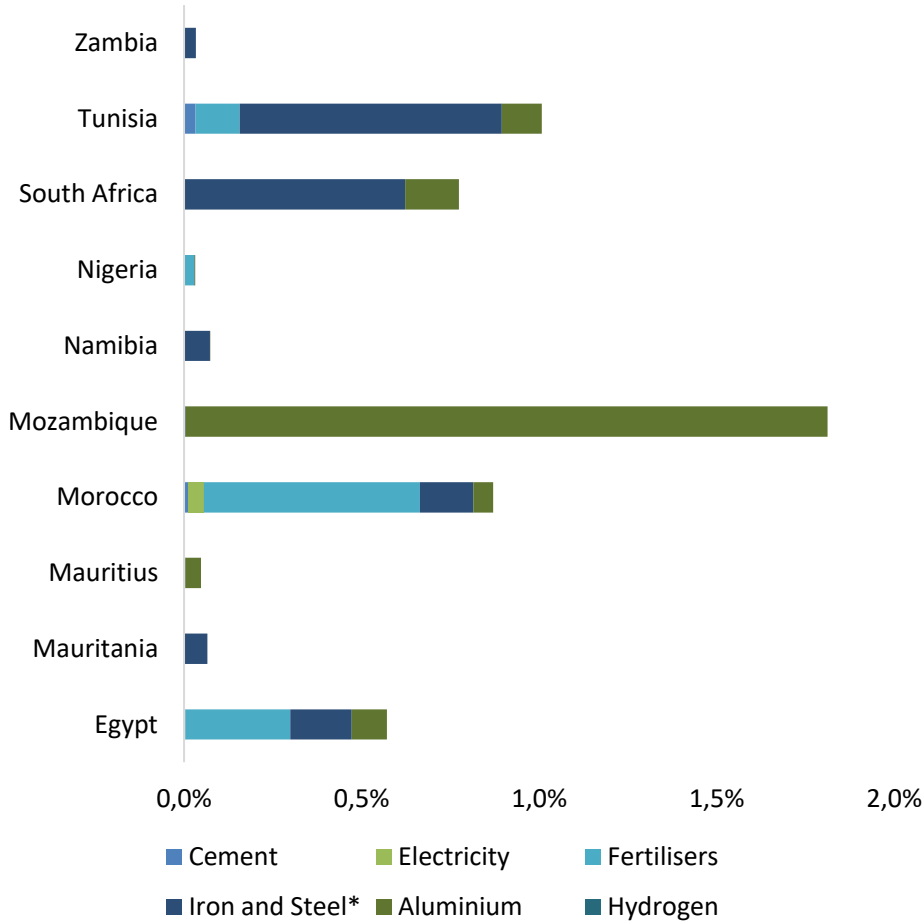
No Hydrogen is exported to the EU

*Iron and Steel include Iron Ore & Articles of Iron and Steel

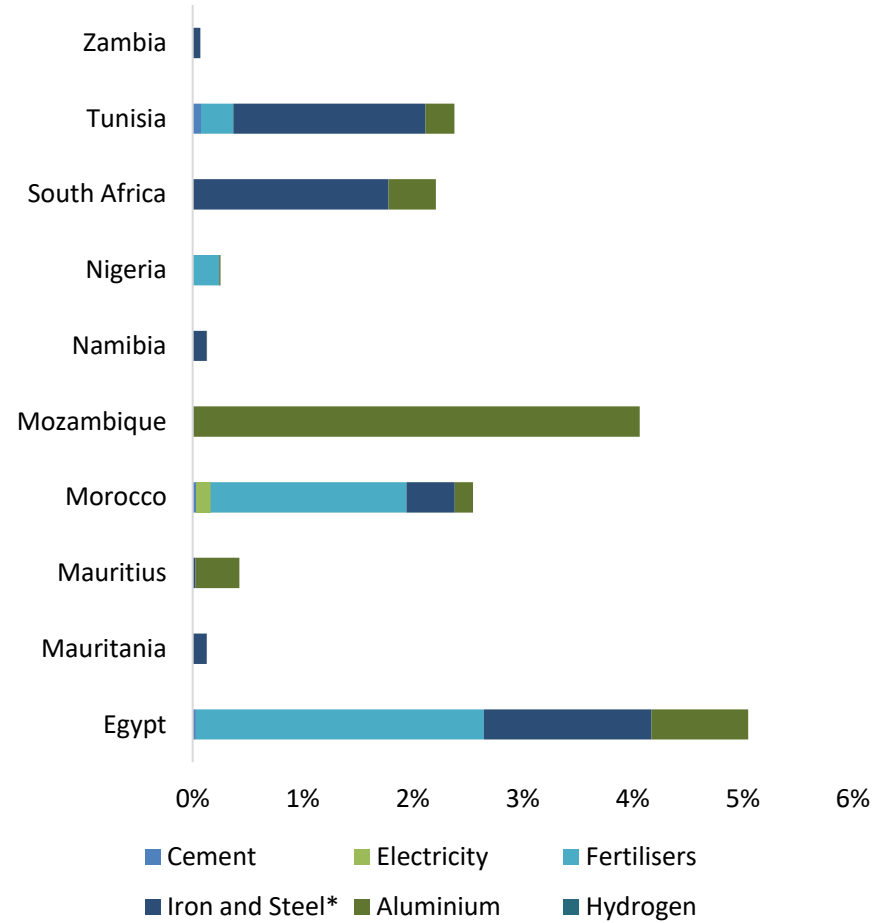
Morocco is the only African country exporting electricity to the EU

African Countries & CBAM

% of Country's GDP (products)



as % of Country' Total Exports (Products)



Issues of CBAM in Africa

1. **Fiscal Issues** – Paying the EU’s decarbonisation journey
 - i. CBAM will require jurisdictions that do not have carbon price in place to pay a defaulted amount calculated at the ETS by the EU. This means that, carbon tax will be paid to the EU coffers, **not African countries**
2. **Infrastructural issues** – No MRV system to account for GHG emissions
 - i. African countries do not have MRV systems for GHG emissions. This will be a huge compliance cost to African firms exporting to the EU
 - ii. Technical assistance and capacity building in this space is needed
3. **WTO Issues** - Discrimination between domestic and foreign suppliers – Using Carbon Price
 - i. Double non-discrimination test: non-discrimination between domestic and foreign suppliers, and non-discrimination between foreign suppliers
4. **Climate change issues** - Not compatible with the UNFCCC’s CBDR
 - i. Shifting climate change responsibility to Africa and Global South countries
5. **Resource shuffling** – Africa will be the playground for carbon leakage
 - i. In the absence of not ambitious climate change policies, corporations from the EU – in the name of circumventions could export lower-carbon products to the EU and export the rest of their production to countries with laxer carbon laws

How Africa can respond to CBAM

For starters, we need to start acting on the CBAM regulation

1. **Ramping up carbon pricing – Botswana, Senegal, Côte d’Ivoire, Morocco are looking to have one**
 - i. The introduction of carbon pricing will retain carbon tax revenue domestically and these finances can be used to decarbonise Africa, even better finance loss and damage or climate change
2. **Establishing of carbon markets**
 - i. The AU within the AfCFTA could lead the creation of a regional carbon market, which can be used to establish a Monitoring, Reporting and Verification system (MRV) to account for GHGs, The system can be later utilized to sell carbon credits
 - ii. Capacity building and technical assistance programs – Funded by the EU are needed to establish such
3. **Streamline AU and AfCFTA to advance climate resilient development**
 - i. This will position Africa to not be the playground for carbon leakage
 - ii. Creation of climate compatible industrial value chains
4. **The Africa group should start negotiations to reform the World Trade Organization (WTO) – Start 2024 Feb during the MC13, and utilize MC14 in 2025 as an African MC14 under the following entry points:**
 - i. Using Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement (Lessons from Covid-19) to advancing free green technology transfers
 - ii. Streamline the WTO and UNFCCC principles – S&DT and CBDR principles



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