

# BORDER CARBON ADJUSTMENTS

*STRATEGIC PATHWAYS TO MITIGATE ADVERSE IMPACTS IN SOUTH AFRICA*

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# 1. Context and Situational Analysis [1/3]

As the global shift toward sustainable development accelerates, Border Carbon Adjustments (BCAs) have emerged as key policy tools to support decarbonisation efforts.

However, while intended to prevent carbon leakage, BCAs risk distorting global trade (through trade barriers) and may disproportionately shift the climate action burden onto low- and middle-income countries.

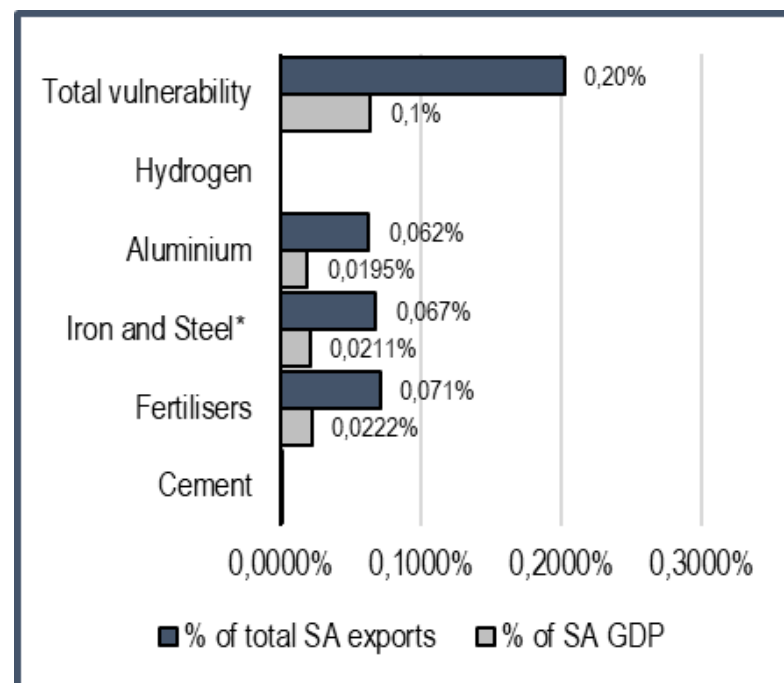
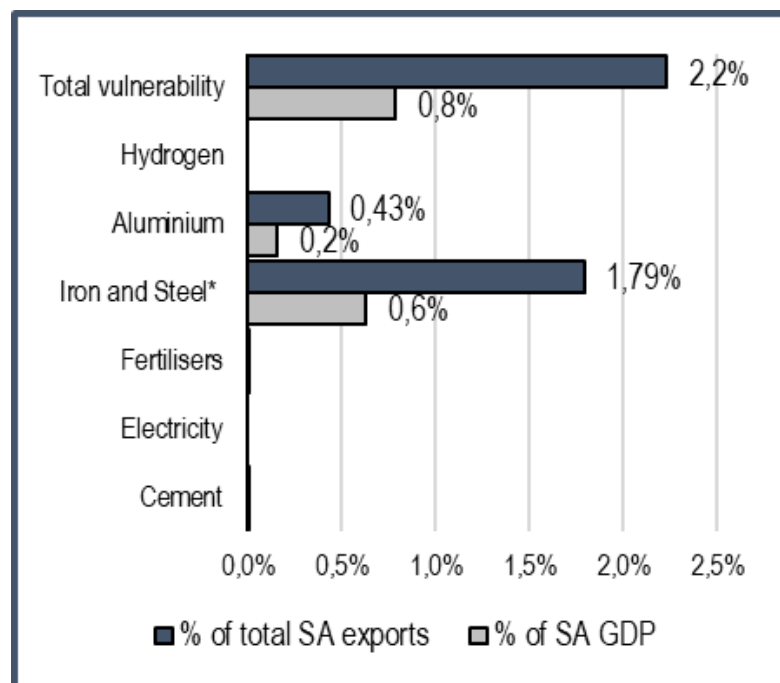
At its core, the global move toward sustainability is altering the structure and competitiveness of value chains.

It influences how goods are produced, traded, and consumed, reshaping trade flows, industrial growth patterns, and economic performance. While this transition brings considerable risks, it also offers important opportunities.



# 1. Context and Situational Analysis [2/3]

South Africa's sectoral vulnerability to the EU CBAM (2022) – (Left) and South Africa's sectoral vulnerability to the UK CBAM (2023) – (Right)



**Iron, steel, aluminium and fertilisers are highly exposed.**

Based on the list of goods covered under the UK & EU CBAM, a total of **US\$2,623 billion** (this is about US\$223 million for UK and about US\$2,4 billion for the EU CBAM) of South African exports (based on 2023 data) is at risk in the short term.

This is about 12% of all South African exports to the UK and EU, and about 2,4% of total South Africa exports to the world, and just 0.8% of total South African gross domestic product (GDP).

# 1. Context and Situational Analysis [3/3]

Increasingly, trade-related climate measures, such as Border Carbon Adjustments (BCAs), green subsidies, and non-tariff instruments like deforestation regulations, are being deployed across jurisdictions, particularly in the Global North.

It is within this context that South Africa must craft a strategic response to the evolving climate-trade interface.

This presentation outlines targeted entry points for such a response, focused particularly on managing the impacts of BCAs. The proposed interventions aim to protect and expand South Africa's access to export markets while supporting the country's transition to a low-carbon, competitive economy.



## 2. Diagnostic [1/2]

### 1. Lack of awareness of Climate and Trade-Related Challenges

- Despite numerous efforts by researchers, governments, and industries to mainstream the trade risks arising from evolving global climate and trade policies, a significant lack of awareness persists within industry, government, and broader society.

### 2. Lack of Coordinated Institutional Mechanisms

- Domestically, industries affected by BCAs have highlighted the lack of coordination during several engagements. There is no designated point of authority or contact within the South African government for climate and trade matters, revealing a significant gap in policy support, despite the introduction of laws such as the EU and UK CBAMs.

### 3. No available GHG accounting infrastructure

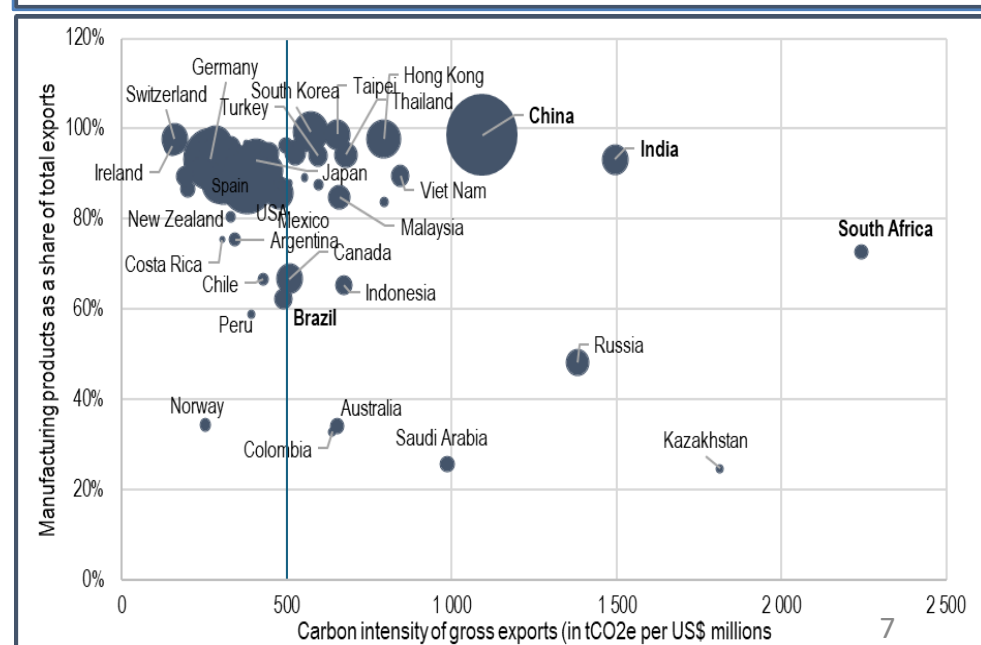
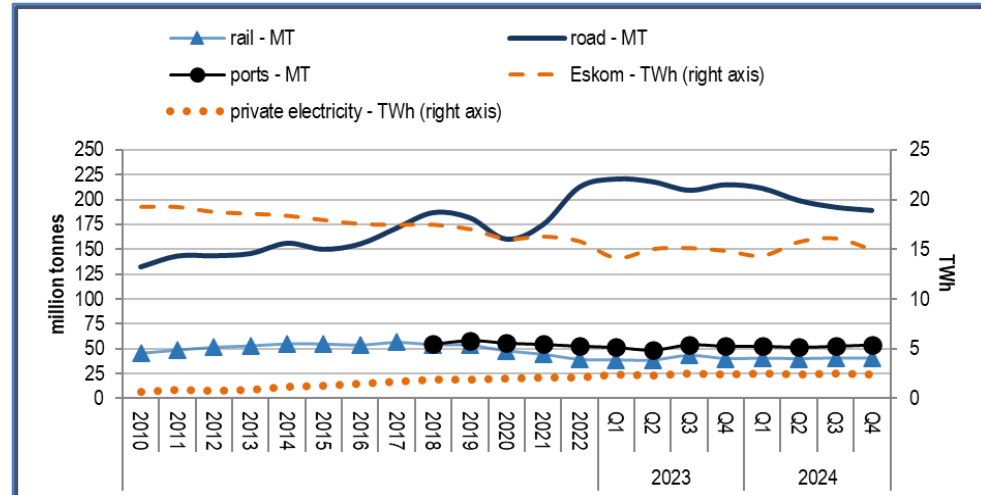
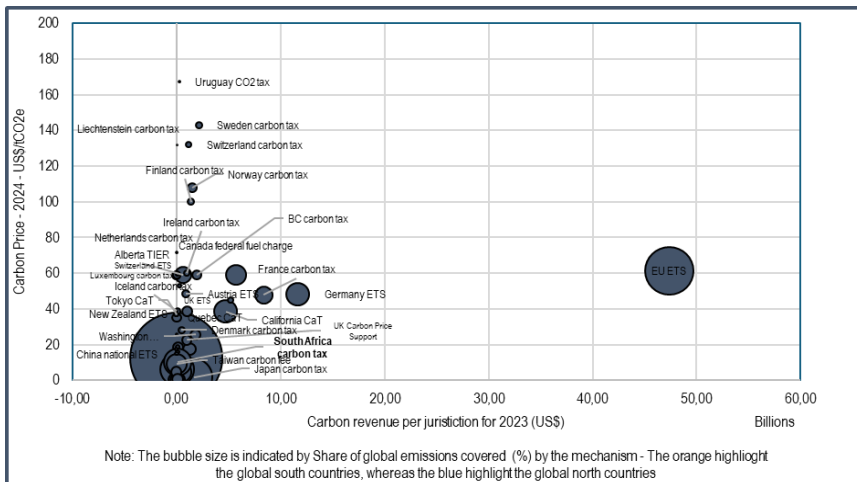
- Infrastructure for monitoring, reporting, and verifying (MRV) GHG emissions is largely absent. Where such systems do exist, emissions are often accounted for manually. A key challenge is the lack of interoperability, as existing local MRV infrastructure is not compatible with Border Carbon Adjustment (BCA) mechanisms.



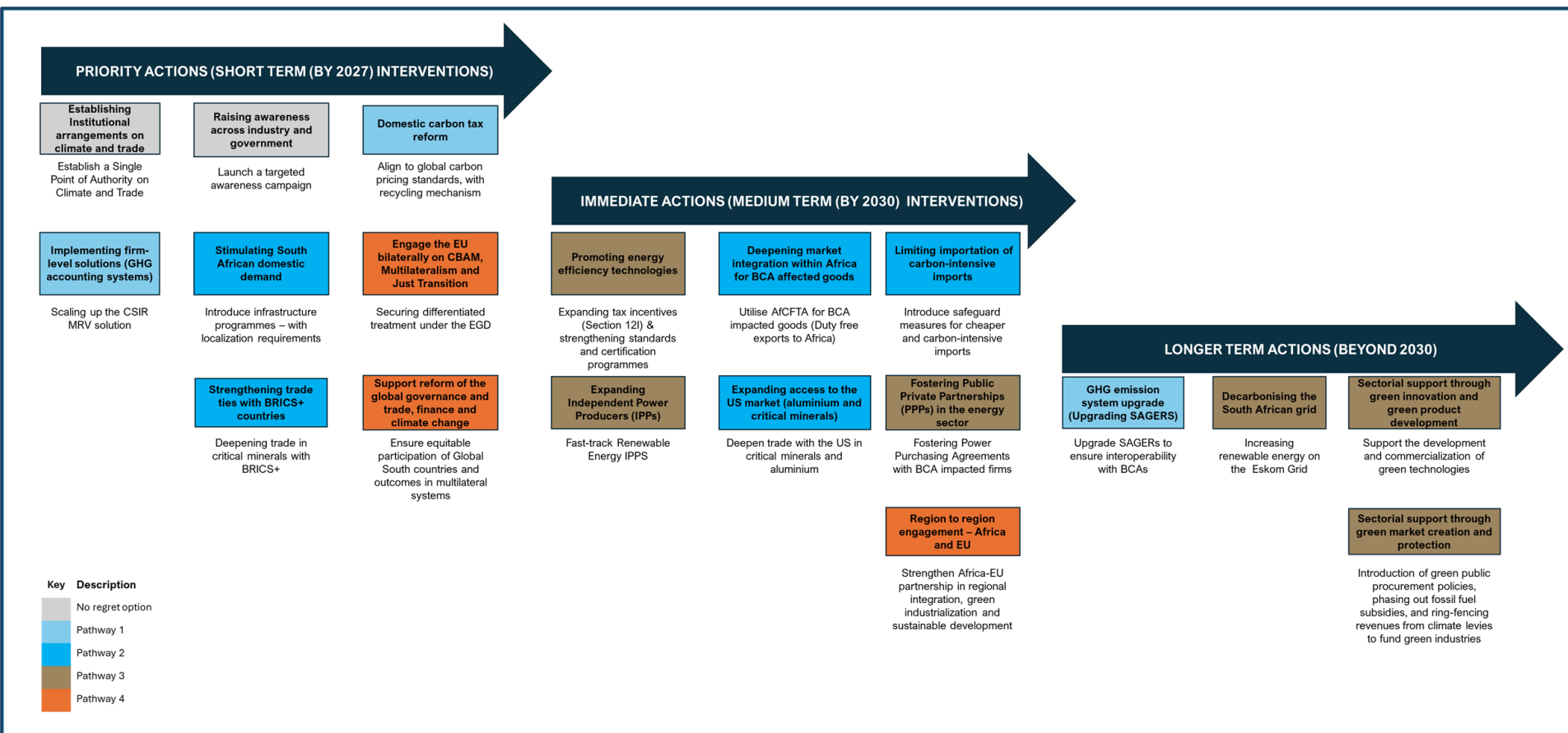
## 2. Diagnostic [2/2]

#### 4. Factors affecting competitiveness of South African affected exports

- Domestic industrial bottlenecks – Falling economic infrastructure
- Higher GHG emission intensity
- Low Domestic Carbon Tax



# 3. Strategic Pathways To Mitigate Adverse Impacts – A roadmap



No regret option: COORDINATE – A Coordinated Government-Industry Response

Pathway 1: : ADAPT – Adapting to Climate and Trade Policies to Sustain Market Access

Pathway 2: ADJUST – Adjusting to Shifting Global Trade Dynamics

Pathway 3: DECARBONISE – Decarbonising to Retain Export Competitiveness

Pathway 4: ENGAGE – Diplomatic Engagement for a Fair International Trading System



# 3. Responding to BCAs [1/3]

## Immediate Priorities (2025–2027).

1. **Establish a Single Point of Authority on Climate and Trade (The dtic & DFFE, 2025)** – mandated to coordinate climate-trade issues, monitor CBAM and BCA developments, and shape proactive policy responses.
2. **Launch a targeted awareness campaign (PCC, 2025/26)** across government, industry, labour, and civil society to deepen understanding of climate–trade risks and compliance needs.
3. **Scale up the CSIR MRV Solution (CSIR, dtic, affected businesses, 2026)** – deliver a cost-effective, reliable emissions measurement and reporting framework for impacted industries.
4. **Align with global carbon pricing standards to offset BCA costs (National Treasury, 2025-26)** – increase carbon tax to align with global carbon pricing to retain revenue locally and introduce mechanisms such as a decarbonisation fund to recycle carbon revenues and support industry transition.
5. **Engage bilaterally with the EU and support multilateral reform (Climate & Trade SPA, 2025-26)** – advocate for differentiated treatment under the European Green Deal, seek temporary CBAM/EUDR relief measures, and ensure equitable Global South participation in multilateral forums.
6. **Strengthen trade with alliance partners (BRICS+) and domestically (dtic, 2026)** – launch infrastructure programmes with localisation requirements, boost demand for local goods, and deepen trade in critical minerals with BRICS+ markets.

# 3. Responding to BCAs [2/3]

## Medium-Term Key Actions (2027–2030)

1. **Support Energy Decarbonisation (National Treasury, dtic, 2027)** – expand tax incentives (e.g., Section 12I), strengthen standards and certification programmes, accelerate Renewable Energy IPPs, and promote Power Purchase Agreements for BCA-impacted firms.
2. **Identify Alternative Markets for Displaced Exports (dtic, 2027)** – leverage AfCFTA for duty-free exports to Africa, expand trade with the US in critical minerals and aluminium, and implement safeguard measures against cheaper, carbon-intensive imports.
3. **Foster Region-to-Region Engagement (Africa–EU) (2027–2030)** – strengthen cooperation on regional integration, green industrialisation, and sustainable development.

# 3. Responding to BCAs [3/3]

## Longer-Term Solutions (2030 and Beyond)

1. **Upgrade South Africa's GHG Accounting System (SAGERS) (DFFE, 2030)** – ensure full interoperability with global BCAs.
2. **Accelerate Grid Decarbonisation (Eskom, 2030)** – significantly increase renewable energy capacity on the Eskom grid.
3. **Implement a Green Industrial Policy (dtic, 2030)** – develop and commercialise green technologies, promote green market creation and protection (e.g., green public procurement), phase out fossil fuel subsidies, and ring-fence climate levy revenues to fund green industries.

# 4. Conclusion

The analysis highlights that South Africa's export future depends on aligning trade policy with an accelerated yet socially just decarbonisation pathway.

Delayed action will lock in CBAM-related costs and erode industrial jobs, whereas decisive action can transform climate ambition into a new source of competitiveness.

Delivering on these priorities will convert the interventions from paper to practice, positioning South Africa as a resilient, competitive exporter in a carbon constrained world.



# Thank You!



*This presentation was originally done for the Presidential Climate Commission (PCC), based on research done for the institution*