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BRICS Environment Ministers Challenge EU Carbon Border Measures, Highlighting Climate Finance, Trade Justice and Global South Concerns

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Recent Developments:

- On **18 August 2026**, the **12th BRICS Environment Ministers' Meeting** was held in New Delhi under India's 2026 BRICS Chairship, with Union Minister for Environment, Forest and Climate Change **Bhupender Yadav** leading the meeting. The meeting adopted a **Joint Ministerial Statement** and outcome documents focused on climate action, sustainability, knowledge sharing and environmental cooperation.
- BRICS Environment Ministers described the **European Union's Carbon Border Adjustment Mechanism (CBAM)** as a **unilateral, punitive, discriminatory and protectionist trade measure**, arguing that carbon-linked border measures can disproportionately affect developing economies.
- The BRICS position reflects a wider **Global South concern** that climate policies adopted by advanced economies should not become disguised restrictions on international trade or shift the burden of decarbonisation onto developing countries.
- The ministers also called for enhanced **climate finance for developing countries**, including greater support for adaptation through **grants and concessional finance**.
- The issue is particularly significant for India because **steel and other carbon-intensive industries** face increased compliance and competitiveness pressures in the European market after the CBAM entered its definitive phase in 2026.

Carbon Border Adjustment Mechanism:

Meaning and Objective:

- The **Carbon Border Adjustment Mechanism (CBAM)** is an **European Union climate policy instrument** designed to place a carbon-related cost on certain carbon-intensive goods imported into the EU.
- Its stated objective is to prevent **carbon leakage**, under which production may shift from jurisdictions with stringent climate regulations to jurisdictions with relatively weaker carbon constraints.
- CBAM attempts to ensure that imported products bear a carbon cost broadly comparable to that faced by EU producers under the **EU Emissions Trading System (EU ETS)**.
- The EU therefore presents CBAM as a climate measure intended to maintain the competitiveness of cleaner European production and encourage **decarbonisation of global supply chains**.

Sectors Covered:

- The definitive CBAM regime currently covers six major sectors: **cement, iron and steel, aluminium, fertilisers, electricity and hydrogen**.
- These sectors were selected because their production involves significant greenhouse-gas emissions and they face comparatively high risks of **carbon leakage**.

- The mechanism therefore has direct relevance for India's **iron and steel, aluminium and fertiliser industries**, particularly firms integrated into EU supply chains.

Implementation Timeline:

- The **transitional phase** operated from **1 October 2023 to 31 December 2025**, during which importers primarily had to report embedded emissions without purchasing and surrendering CBAM certificates.
- The **definitive regime began on 1 January 2026**, making CBAM a substantive carbon-cost mechanism rather than merely a reporting system.
- Under the definitive regime, authorised importers declare embedded emissions and surrender the corresponding **CBAM certificates**.
- The certificate price is linked to the price of allowances under the **EU ETS**, thereby connecting the carbon cost of imported products with the EU's domestic carbon-pricing framework.
- Importers can deduct an amount corresponding to a **carbon price already paid in the country of production**, subject to the applicable CBAM rules.

Why CBAM Matters for India:

Export Competitiveness:

- India is a major exporter of **iron and steel products** to the European Union, making the sector particularly exposed to CBAM-related compliance costs.
- India's steel production generally has a **higher carbon intensity** than comparable EU production, partly because of the country's greater dependence on coal-intensive production routes.
- Consequently, Indian exporters with higher embedded emissions can face a larger carbon-related cost when accessing the EU market.

Evidence from Indian Steel Exports:

- A **June 2026 study in Nature Climate Change** examined firm-level Indian steel exports during the CBAM reporting phase and found that high-emission firms experienced significant declines in EU-bound export quantities and revenues, while relatively low-emission firms maintained their export levels.
- The study found that high-emission firms experienced approximately **5% additional declines in monthly export quantities and 9% declines in monthly revenues** relative to lower-emission firms during the reporting period.
- The findings indicate that CBAM may not simply reduce India's aggregate exports but may **reallocate EU-bound trade from more carbon-intensive producers towards relatively cleaner producers**.
- This creates both a challenge and an opportunity for India: inefficient producers may lose competitiveness, while firms investing in **green steel, renewable electricity and low-carbon production technologies** may gain market access advantages.

BRICS Position on CBAM:

Trade and Climate Justice:

- BRICS countries have objected to CBAM because they view unilateral carbon-linked trade measures as potentially creating **new barriers to international trade**.
- Developing economies argue that climate responsibility should not be transformed into unilateral trade restrictions imposed by advanced economies.
- The dispute reflects a broader tension between **environmental protection and the principle of non-discriminatory international trade**.
- BRICS' position is therefore connected with the principle of **Common but Differentiated Responsibilities and Respective Capabilities (CBDR-RC)** under the international climate regime.

WTO Concerns:

- CBAM raises questions regarding compatibility between **climate policy and World Trade Organization principles**, particularly non-discrimination and the treatment of imported and domestic products.
- The EU argues that CBAM is designed to establish equivalent carbon costs rather than discriminate against foreign producers.
- Developing countries, however, can contend that differences in historical emissions, development levels, production technologies and access to climate finance make a uniform carbon-related border measure potentially inequitable.
- The issue demonstrates the increasing overlap between **trade policy and climate policy**, sometimes described as the emergence of **green protectionism**.

Climate Finance and BRICS:

Adaptation Finance:

- BRICS has emphasised that developing countries require greater **climate finance** to implement mitigation and adaptation measures.
- **Adaptation finance** supports measures that enable societies and infrastructure to withstand climate impacts, including **climate-resilient infrastructure, disaster preparedness, water security and agricultural resilience**.
- BRICS has called for greater financial support for developing countries, including **grants and concessional finance**, which impose easier repayment conditions than conventional market-based loans.

Why Grants and Concessional Finance Matter:

- Developing countries often face **high debt burdens, limited fiscal space and high borrowing costs**, which restrict their ability to finance climate adaptation.
- Excessive dependence on loans can increase indebtedness while climate-related disasters simultaneously reduce fiscal capacity.
- **Grant-based and highly concessional climate finance** can therefore reduce the risk of creating additional debt burdens for vulnerable developing economies.
- This position is consistent with the broader developing-country demand for **accessible, predictable, adequate and affordable climate finance**.

CBAM and the Principle of Equity:

Historical Responsibility:

- Developed countries have historically contributed a disproportionately large share of accumulated greenhouse-gas emissions, while developing countries continue to face significant development and poverty-reduction requirements.
- Developing countries therefore argue that climate policy should recognise **historical responsibility and differentiated capabilities**.
- India has consistently emphasised that climate action must preserve the **developmental space** of developing countries.

Technology and Green Transition:

- CBAM can nevertheless create incentives for Indian industries to accelerate **industrial decarbonisation**.
- Cleaner production technologies can reduce both domestic emissions and the carbon cost associated with exports to the EU.

- The transition requires access to **green technologies, affordable finance, renewable energy, carbon accounting systems and skilled manpower**.
- Thus, the appropriate Indian response should combine diplomatic engagement with accelerated domestic industrial transformation.

India’s Response and Policy Options:

Domestic Decarbonisation:

- India should accelerate the transition towards **low-carbon industrial production**, particularly in steel, aluminium, cement and fertiliser manufacturing.
- Expansion of renewable electricity, energy efficiency, green hydrogen and low-carbon production technologies can reduce the emissions intensity of Indian exports.
- The **National Green Hydrogen Mission** can contribute to decarbonising hard-to-abate sectors, particularly where hydrogen can substitute for fossil-fuel-intensive industrial processes.

Carbon Accounting:

- Indian exporters require reliable systems for measuring, reporting and verifying **embedded carbon emissions**.
- Strengthening domestic **Measurement, Reporting and Verification (MRV)** systems can improve the credibility of Indian emissions data before international regulators.
- Accurate emissions accounting can also prevent Indian firms from being disadvantaged by the use of conservative default emissions values.

Diplomatic Engagement:

- India should continue engaging with the EU to seek **transparent methodologies, recognition of domestic carbon-reduction efforts and avoidance of double carbon pricing**.
- BRICS can provide a platform for coordinating developing-country positions on **carbon border measures, climate finance and technology transfer**.
- India should simultaneously engage through the **WTO and UN climate framework** to ensure that climate-related trade measures remain consistent with multilateral principles.

Broader Significance for Global Climate Governance:

From Climate Cooperation to Climate-Linked Trade:

- CBAM demonstrates that climate policy is increasingly influencing **international trade, industrial competitiveness and global supply chains**.
- Countries can no longer treat climate negotiations and trade negotiations as completely separate policy domains.
- Carbon intensity is gradually becoming a factor in determining **market access and export competitiveness**.

Green Protectionism versus Genuine Decarbonisation:

- A major policy challenge is distinguishing between legitimate environmental regulation and **green protectionism**.
- Climate measures should ideally reduce global emissions rather than merely shift production and trade patterns.
- Effective global climate governance therefore requires **transparency, equity, technology transfer, adequate finance and multilateral consultation**.

BRICS as a Global South Platform:

- BRICS provides an important platform for developing and emerging economies to coordinate positions on **climate finance, sustainable development and global economic governance**.
- The grouping currently comprises **11 members: Brazil, Russia, India, China, South Africa, Saudi Arabia, Egypt, United Arab Emirates, Ethiopia, Iran and Indonesia**.
- Indonesia became a full BRICS member in **2025**, completing the latest major expansion of the grouping.
- The expanded membership strengthens BRICS' representation across **Asia, Africa, the Middle East and Latin America**, thereby increasing its potential role in articulating Global South positions.

Way Forward:

For India:

- India should pursue a **dual strategy of negotiation and decarbonisation**, challenging discriminatory trade barriers while simultaneously improving the carbon efficiency of domestic industries.
- The government should support vulnerable exporters through **green finance, technological modernisation, renewable-energy access and carbon-accounting capacity**.
- Indian industries should treat CBAM not merely as a trade barrier but also as a signal of the emerging global shift towards **carbon-conscious production and trade**.

For BRICS:

- BRICS should develop common technical positions on **carbon accounting, carbon border measures and climate finance** while avoiding fragmentation of the global climate regime.
- The grouping can promote cooperation in **green technologies, renewable energy, climate-resilient infrastructure and sustainable industrialisation**.
- BRICS should advocate greater availability of **grant-based and concessional climate finance** for developing countries while strengthening cooperation with multilateral institutions.

For the Global Climate Regime:

- Climate-linked trade measures should remain consistent with **multilateralism, transparency, equity and international trade rules**.
- Developed countries should complement climate-related trade policies with greater **finance, technology transfer and capacity building** for developing countries.
- Climate policy should ultimately encourage **global emissions reduction**, rather than transferring production, emissions and economic burdens from one jurisdiction to another.

Value Addition for UPSC:

Key Concepts:

- **Carbon Leakage:** The relocation of carbon-intensive production to jurisdictions with weaker climate regulations, potentially increasing global emissions.
- **Carbon Pricing:** Assigning an economic cost to greenhouse-gas emissions to encourage producers and consumers to reduce emissions.
- **CBAM:** A border mechanism through which the EU imposes a carbon-related cost on selected carbon-intensive imports.
- **Climate Adaptation:** Measures that reduce vulnerability and improve resilience to actual or expected climate impacts.
- **Concessional Finance:** Financing provided on terms more favourable than ordinary market-based lending, such as lower interest rates or longer repayment periods.

- **Green Protectionism:** The use of environmental objectives or standards in ways that may function as discriminatory barriers against foreign producers.

Important Facts:

- **CBAM definitive regime:** Began on **1 January 2026**.
- **CBAM sectors:** Cement, iron and steel, aluminium, fertilisers, electricity and hydrogen.
- **Transitional phase:** October 2023–December 2025.
- **12th BRICS Environment Ministers' Meeting:** New Delhi, **18 August 2026**.
- **Nature Climate Change finding:** High-emission Indian steel exporters experienced significantly greater declines in EU-bound quantities and revenues than lower-emission firms during the CBAM reporting phase.

BRICS membership: 11 countries, representing a major grouping