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TRADE-RELATED ENVIRONMENTAL MEASURES AND THE G20: PRINCIPLES FOR INTEROPERABILITY, DIFFERENTIATION AND PROCEDURAL FAIRNESS



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Trade-Related Environmental Measures and the G20: Principles for Interoperability, Differentiation and Procedural Fairness

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Diagnosis of a global policy challenge, threat and opportunity

Governments increasingly condition access to their markets on how a product was made. The European Union's Carbon Border Adjustment Mechanism (CBAM) entered its definitive phase in 2026, and the EU Deforestation Regulation applies a similar logic to agricultural commodities. The United Kingdom's mechanism is due in 2027, Serbia introduced a tax on carbon-intensive imports in January 2026, Norway is preparing an aligned mechanism, and Australia published its Carbon Leakage Review in February.[1] Bills are pending in the United States.[2] Several other G20 members have moved on carbon pricing: China is expanding its emissions trading system to steel, cement and aluminum, and Brazil, India and Türkiye have each adopted a system or scheme since 2024.[3] The EU is now extending CBAM to downstream products. Parliament adopted its mandate on 15 September 2026, and the first political trilogue is scheduled for 20 October.[4]

These measures are not tariffs, but they place a regulatory burden on exporters, who must measure, verify and report embedded emissions, and each jurisdiction has chosen its own method. Coverage already differs (Table 1), so a producer selling into several of these markets may have to meet separate requirements for the same product.

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[1] Satish Triplicane et al., *The State of Border Carbon Adjustments 2026* (Winnipeg: International Institute for Sustainable Development, July 2026), 1–2, 19; Regulation (EU) 2023/956, OJ L 130/52 (10 May 2023); Regulation (EU) 2023/1115, OJ L 150/206 (31 May 2023); HM Treasury and HM Revenue & Customs, factsheet on the UK Carbon Border Adjustment Mechanism, gov.uk.

[2] Triplicane et al., *State of Border Carbon Adjustments 2026*, 11–12; Foreign Pollution Fee Act of 2025, S. 1325, 119th Cong. (2025).

[3] Zero Carbon Analytics, "Pragmatism vs Principle: Carbon Markets as a Response to the EU's CBAM," October 2025; Triplicane et al., *State of Border Carbon Adjustments 2026*, 20.

[4] Mayer Brown, "EU's CBAM Downstream Extension and Anti-Circumvention Amendments: The Road to Trilogue," 7 October 2026, mayerbrown.com; European Commission, COM(2025) 989 (17 December 2025).

Table 1. Coverage of selected measures

Measure	Status	Emissions covered
EU CBAM	Definitive phase from 2026; downstream extension under negotiation	Direct, all sectors; indirect for cement and fertilizers
UK CBAM	Due 2027	Direct; indirect deferred until at least 2029
Australia	Carbon Leakage Review, February 2026	Direct only, under the mechanism the Review describes

The burden is heaviest for exporters that cannot document their emissions, because default values then apply. Under the EU rules, defaults for cement, iron and steel, aluminum and hydrogen include a mark-up of 10 percent in 2026, rising to 30 percent from 2028 (1 percent for fertilizers), so that the charge increasingly reflects missing data rather than actual emissions.[5] Smaller exporters face a further difficulty: micro, small and medium enterprises in India's metal sectors, for example, often lack the technical capacity and resources for EU-style emissions accounting.[6] BRICS leaders have objected to these measures, citing unilateralism and differentiation.[7] U.S. commentators argue that low-emission producers in advanced economies face the same difficulty when they cannot demonstrate actual performance.[8]

The measures also appear to change behavior. Carbon pricing instruments in operation outside the EU rose from 32 in 2019 to 57 in August 2025.[9] The question for G20 members is how to keep that effect while limiting the cost to trade, which depends on how such measures are designed, recognized and administered.

Assessment of status quo institutional responses

[5] Commission Implementing Regulation (EU) 2025/2621 laying down default values for the application of Regulation (EU) 2023/956.

[6] Council on Energy, Environment and Water (CEEW), "EU Carbon Border Adjustment Mechanism," 2026.

[7] BRICS Leaders' Declaration, Rio de Janeiro, July 2025.

[8] Greg Bertelsen, "The EU CBAM's Rocky Debut—and Why the U.S. Should Lead the Next Phase," Climate Leadership Council, 28 January 2026, clcouncil.org; Daniel Hoenig, "High CBAM Default Values Underscore the Need for U.S. Data," Bipartisan Policy Center, 8 January 2026.

[9] World Bank, *Carbon Pricing Dashboard* (2025), cited in Carolyn Fischer and Michael Mehling, "Recognizing Third-Country Carbon Prices under the European CBAM: Options to Close the Price Gap," CEEPR Research Commentary RC-2026-04 (Cambridge, MA: MIT Center for Energy and Environmental Policy Research, June 2026), 6.

Several bodies have taken up parts of the question. At the WTO, Australia, Japan, Korea and the United Kingdom have circulated non-binding guidance on measuring embodied emissions.[10] Article 2.4 of the Agreement on Technical Barriers to Trade already directs members to use relevant international standards as a basis for technical regulations.[11] The OECD's Inclusive Forum on Carbon Mitigation Approaches reported to G20 Leaders in November 2025 and published a climate policy database, and an OECD technical report in April 2026 examined the interoperability of monitoring, reporting and verification systems.[12] The Global Mutirão decision at COP30 mandated dialogues involving the WTO, UNCTAD and the International Trade Centre, and the Integrated Forum on Climate Change and Trade, launched by the COP30 presidency in November 2025, offers a non-negotiating space for these questions.[13]

This work is largely technical and non-binding, and it is spread across forums with different memberships. No forum has set out what recognition of a foreign regime should require, how default values should be calibrated, or what procedures should govern determinations that affect exporters. Bilateral attempts to settle these questions have not succeeded: negotiations on a Global Arrangement on Sustainable Steel and Aluminum ended without agreement when the United States proposed a performance-based model and the EU required carbon price equivalence, and the United States applies Section 232 tariffs to EU steel and aluminum.[14] Several developing countries, including China, India and South Africa, have contested the measures in the BRICS and other multilateral settings, but design questions are not negotiated there.[15]

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[10] WTO Committee on Trade and Environment, WT/CTE/W/269/Rev.1.

[11] Agreement on Technical Barriers to Trade, art. 2.4.

[12] Organisation for Economic Co-operation and Development (OECD), *Secretary-General Report to G20 Leaders on the Work of the Inclusive Forum on Carbon Mitigation Approaches* (Paris: OECD, 20 November 2025); OECD, Climate Policy Database (December 2025); OECD, *Enhancing the interoperability of policy-mandated emission monitoring, reporting and verification systems*, (April 2026).

[13] Global Mutirão decision, UNFCCC COP30 (Belém, 2025).

[14] Center for American Progress, "Trade Beyond Neoliberalism: Concluding a Global Arrangement on Sustainable Steel and Aluminum," Sutton and Williams, 4 December 2023; Columbia University Center on Global Energy Policy, "EU's Proposed Tariffs on Steel to Address Excess Capacity and Enable Decarbonization Could Worsen Trade Tensions," Sutton, 22 October 2025; Congressional Research Service, "Expanded Section 232 Tariffs on Steel and Aluminum," IN12519 (26 September 2025).

[15] BRICS Leaders' Declaration, Rio de Janeiro, July 2025; Zero Carbon Analytics, "Carbon Border Adjustment Mechanisms Require Coordinated Global Action," November 2025.

Institutional, policy and governance change, and the case for the G20

We recommend that G20 Leaders take two voluntary steps.

Principles for trade-related environmental measures. Leaders would endorse a short set of principles for measures that condition market access on environmental criteria or production methods. The principles would neither endorse nor restrict the adoption of any measure. They address design and administration, drawing on existing guidance and WTO practice.[16] They would cover three areas:

- **Differentiation and support.** Obligations follow development status and firm size, through de minimis thresholds, phased schedules and lighter reporting duties for least developed countries. Default values are calibrated to average estimates, since a punitive default charges a producer for the inability to document its performance. Technical assistance, open-access emissions data and accredited local verification capacity in exporting regions are budgeted and scheduled alongside the obligation.
- **Recognition and interoperability.** Foreign policy regimes are recognized based on comparable environmental outcomes, without requiring replication of the importing jurisdiction's administrative structures. Methodologies rest on recognized international standards such as ISO 14067, and the methodology and system boundary are published, so that a producer can report once across several markets. Exporters already covered by a recognized regime have a simplified route.
- **Procedural fairness.** Measures are notified to stakeholders in draft, and implementing rules are published early enough for producers to adapt. Determinations on the equivalence of foreign policies are reasoned, published and open to challenge, and affected exporters and governments have a standing channel into periodic review.

A mapping of divergence and a shared data resource. Leaders would ask the OECD and WTO secretariats, drawing on the Inclusive Forum, to report to the 2027 presidency on (a) where existing and prospective measures diverge, notably on system boundaries, indirect emissions and the treatment of foreign carbon prices and non-price policies, and where alignment is achievable in the near term; and (b) an open-access repository of average emissions intensities and other relevant performances by sector and country, which default values and exporters' own calculations could reference.

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[16] Chris Aylett et al., *Guidance on Border Carbon Adjustment: Results of the Global Stakeholder Dialogues* (Winnipeg: IISD, 8 July 2025); Christophe Bellmann et al., *Fostering Enhanced International Cooperation on Trade-Related Measures with Climate Objectives at the WTO: Coherence, Transparency, Development, and Interoperability* (Geneva: Forum on Trade, Environment, and the SDGs, 2025); Agreement on Technical Barriers to Trade, arts. 2.4, 2.9–2.12; Appellate Body Report, *United States—Import Prohibition of Certain Shrimp and Shrimp Products*, WT/DS58/AB/R, adopted 6 November 1998.

The case for the G20. The G20 includes jurisdictions that have adopted or are preparing these measures and several of the exporters most affected by them, which makes it one of the few settings where both sides are present. Their positions differ. The EU presents CBAM as a building block for multilateral carbon pricing, the United States and Canada question whether domestic regulatory choices should be assessed against an external benchmark, and BRICS countries stress differentiation and finance.[17] The principles are drafted so that each concern has a place: recognition of outcomes speaks to regulatory autonomy, differentiation and support to development, and procedural fairness to all members. The 2026 presidency has established a Trade Working Group on tariff and non-tariff barriers, and the Milwaukee Trade Ministerial showed that a narrowly drawn statement can reach consensus.[18] Timing also favors action. EU co-legislators aim to agree on the CBAM extension by the end of 2026, and the United Kingdom, whose mechanism is due in 2027, holds the next G20 presidency.

Next steps. The principles could be reflected in the T20 U.S. Summit communiqué (18–19 November), tabled by the presidency at the Fourth Sherpa Meeting (Miami, 11–12 December) and put to Leaders on 14–15 December together with the mandate to the OECD and WTO. The 2027 presidency could then take forward the mapping and review progress.

[17] Basile Chartier, *Climate, Trade and Legitimacy: Narrating BCAs in Europe, North America and the Global South* (New York: Chart Room and Heinrich Böll Foundation, 2026), iii–iv, 16–17, 25–28, 40–42, 46.

[18] Office of the U.S. Trade Representative (USTR), "Chair's Statement of the G20 Trade Ministerial," 2 October 2026, ustr.gov.