



# Advancing a Just Transition through the EU CBAM: Pathways to an effective implementation

*Unlocking opportunities for a  
just transition: Policy brief 4*

The EU Carbon Border Adjustment Mechanism (CBAM) is a cornerstone of the EU's industrial strategy under the Clean Industrial Deal and a key instrument to deliver the climate objectives set out in the European Green Deal. By putting a carbon price on selected imported goods equivalent to that applied to EU producers under the Emissions Trading System (ETS), CBAM acts as the external arm of the EU's carbon pricing policy.

This brief, as part of SOLIDAR's series on how new EU initiatives can advance a just green transition in Europe and globally, sets out recommendations for an effective CBAM implementation. It calls for a timely and predictable CBAM rollout, ensuring any adjustments are evidence-based and aligned with climate objectives, while complementing the mechanism with support measures for EU and partner countries and proactive international cooperation to reinforce CBAM's legitimacy and global reach.

It highlights that for CBAM to succeed, it must be embedded in a robust industrial policy accompanied by strong social measures.

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## I. Background

The EU Carbon Border Adjustment Mechanism (CBAM) has the potential to support a just transition, promoting industrial decarbonization and quality jobs in Europe, while encouraging cleaner production abroad. Adopted under the EU's "Fit for 55" package, CBAM is central to achieving the EU's climate goals of cutting emissions by at least 55% by 2030 (compared to 1990 levels) and reaching climate neutrality by 2050.

First proposed in July 2021 and formally adopted in May 2023, CBAM introduces a carbon price on selected imported goods, requiring EU importers to purchase CBAM certificates based on the embedded emissions of their imports and on the average weekly EU ETS price.<sup>1</sup> It currently covers the following carbon-intensive imported goods - iron and steel, aluminum, fertilizers, electricity, cement, and hydrogen - with its scope expected to expand over time. Carbon price effectively paid in the producing country can be deducted from any CBAM payment, subject to conditions to be set out in secondary legislation.

A transitional period runs from 1 October 2023 to 31 December 2025, during which importers only have reporting obligations, allowing time to test methodology, gather data, and adapt accounting practices. On 1 January 2026, financial obligations begin, in parallel with the gradual phase-out of free ETS allowances for EU installations producing CBAM goods.

As part of the EU's Clean Industrial Deal, CBAM was simplified ahead of the definitive period to reduce the administrative and compliance burden for economic operators. Notably, the simplification resulted in a significant reduction of scope, exempting around 90% of importers while still covering roughly 99% of imported GHG emissions, according to Commission estimates.<sup>2</sup>

CBAM faces several implementation challenges, including circumvention and avoidance risks, such as widespread resource shuffling and potential export-related carbon leakage.<sup>3</sup> Additional concerns include international tensions, particularly in least developed countries (LDCs) and lower middle-income countries (LMICs), linked to potential negative impacts on their exports to the EU, particularly for SMEs in third countries, which may lack the capacity to accurately monitor, report, and verify emissions, or bear CBAM-related compliance costs.<sup>4</sup>

We are now at a critical juncture in CBAM's implementation, only a few weeks ahead of the definitive period. The European Commission is preparing secondary legislation to address remaining challenges and stakeholder concerns. Upcoming implementation and delegated acts will provide detailed rules on key aspects of CBAM implementation, including the calculation of embedded emissions, establishing country-specific default values, and the recognition of carbon prices paid in producer third countries. By the end of 2025, the European Commission will conclude the CBAM review and present a legislative proposal to extend CBAM to downstream products together with an anti-circumvention strategy and measures to support exporters and address export-related carbon leakage.

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1 The EU Emissions Trading Scheme is a cap-and-trade system designed to lower emissions through a carbon market. It seeks to lower aggregate emissions from energy-intensive industrial sectors by setting a limit, or "cap" on the total amount of GHG emissions that can be released and issuing tradeable emission allowances within this limit.

2 European Union (2025) "[Regulation \(EU\) 2025/2083 of the European Parliament and of the Council of 8 October 2025 amending Regulation \(EU\) 2023/956 as regards simplifying and strengthening the carbon border adjustment mechanism](#)".

3 European Roundtable on Climate Change and Sustainable Transition (ERCST) (2025), "[The EU CBAM in practice: The danger of resource shuffling](#)". IndustriAll Europe (2025) "[Position Paper: International trade must be good for people and the planet – For a new approach to international trade with workers at its centre](#)".

4 Oger, A.; Leturcq, P. (2025) "[The EU CBAM's reform and remaining implementation challenges for low- and middle-income countries](#)". Institute for European Environmental Policy (IEEP).

## II. SOLIDAR's recommendations

The EU CBAM can serve as a lever for a Just Transition. Realizing its potential, however, requires balancing multiple dimensions of justice and often competing interests to ensure that efforts to advance a just transition within the EU do not undermine transition efforts elsewhere.

Looking ahead, implementing CBAM effectively requires a structured approach that addresses both immediate and long-term challenges.

SOLIDAR, therefore, is putting forward the following guiding principles and recommendations to ensure that CBAM is designed and implemented with just transition at its core. These recommendations are informed by a policy dialogue organized by SOLIDAR in September 2025.



### Ensuring a predictable and effective CBAM implementation without delay

The European Commission should pursue CBAM implementation without delay and the gradual phaseout of free ETS allowances while ensuring that the mechanism effectively protects European industries against the risk of carbon leakage.

In light of the dramatic situation of European industry<sup>5</sup>, this must go hand in hand with a bold industrial strategy – built on investment, strong labour rights and resilient value chains – to support industrial decarbonisation and avoid Europe's industrial decline<sup>6</sup>.

To identify areas for improvement and ensure the mechanism functions effectively, CBAM first needs to be fully in place. The transitional period and phased introduction allow policymakers to monitor impacts, gather evidence, and make adjustments over time, similar to the evolution of the EU ETS. However, it should be noted that the late adoption of secondary legislation setting out key implementation rules has limited the effectiveness of this transitional period as a testing phase. In any case, in the short term, the immediate effects of CBAM are expected to be limited, allowing for a measured and gradual rollout that supports regulatory certainty while maintaining the credibility of the mechanism as a climate policy.

Any adjustments to CBAM and support measures should be evidence-based and guided by climate objectives.

The European Commission should proceed with CBAM implementation and any future adjustments in a manner that ensures the mechanism remains effective, credible, and aligned with its climate objectives

Any changes, whether through upcoming reviews or complementary measures, should be guided by the following principles:

- 1. Evidence-based:** Adjustments should rely on robust data and careful analysis of early implementation outcomes, using the built-in review mechanisms to make informed decisions rather than reacting to perceived or hypothetical risks.
- 2. Climate-focused:** Changes should be primarily driven by climate objectives, rather than competitiveness considerations, while avoiding that decarbonization leads to de-industrialisation.

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<sup>5</sup> Syndex (2025), "[Ending European Naivety Facts and Figures a Review Of 18 Industry Sectors](#)".

<sup>6</sup> IndustriAll (2025), "[European industry under pressure: Time to Act NOW](#)".

- 3. Minimizing extraterritorial impact:** Any modifications should consider potential extraterritorial impacts, particularly on least developed and low- and middle-income countries, to avoid political backlash and unintended spillover effects on most vulnerable trading partners.

Following these principles, the European Commission should:

- For **future scope expansion**, it should extend coverage to downstream products provided carbon leakage risks are clearly demonstrated and prioritize extension to petrochemicals<sup>7</sup>.
- For the **upcoming anti-circumvention strategy**, it should prioritize tackling deliberate circumvention, such as through deliberate non-compliance or falsification, while still allowing smaller producers policy space to gradually decarbonize.
- In addressing **potential risk of export-related carbon leakage**, it should act cautiously, ensuring any support for exporters is evidence-based, time-limited, and conditional on long-term decarbonization commitments.

## 2 Complement CBAM with targeted support measures for a Just Transition

The CBAM implementation should be accompanied by targeted support measures for both EU industries and affected trading partners, particularly least developed and lower middle-income countries. Such measures are essential to safeguard a just transition, advance climate objectives, and address potential socio-economic impacts on the world's most vulnerable.

The European Commission should consider the following support measures to accompany CBAM implementation:

- **Recycle CBAM revenues:** Use CBAM revenues to fund Just Transition measures in the EU and impacted LDCs and LMICs. A sound allocation of the funds to advance climate action and social objectives, including by supporting partner countries compliance and decarbonization efforts, could go a long way to addressing legitimate climate justice concerns linked to CBAM, mitigate potential negative socio-economic impacts, ease tensions with trading partners, and ultimately reinforce the legitimacy of CBAM globally.
- **Embed CBAM within a broader, robust industrial and social policies:** To effectively support decarbonization and preserve industrial competitiveness in the EU, the CBAM must be embedded in a robust industrial policy accompanied by strong social measures. This should include actions to ensure access to affordable energy, regulatory certainty, and predictable demand for low-carbon products—for example, through the establishment of lead markets and targeted investment support. Equally important are measures to address the distributional and employment impacts of the transition, such as the development of a Just Transition Framework Directive, as called for by trade unions<sup>8</sup>. Such a framework would help ensure that climate ambition goes hand in hand with quality job creation, social dialogue, and support for affected workers and regions.
- **Provide targeted, country-specific technical and financial assistance to partner countries:** Support the most vulnerable and exposed LDCs and LMICs with capacity building, support to build domestic measurement, reporting, and verification (MRV) capacity, technology transfer, and climate-related infrastructure investment to ease compliance and support decarbonization, notably through instruments like the EU Task Force on Carbon Markets and partnerships like the Clean Trade and Investment Partnerships (CTIPs).

<sup>7</sup> SANDBAG (2025), “Chemicals in the CBAM: Time to step up”.

<sup>8</sup> IndustriAll Europe (2025) “Hearing on new EPSR Action Plan: Social progress needs a Just Transition Framework”.

- **Avoid backroom deals and ad hoc exemptions:** Maintain CBAM's integrity by resisting pressure for backroom concessions to individual trading partners. While bilateral engagement is essential, CBAM must not be undermined by ad hoc concessions to like-minded or preferential trading partners. Recent developments, such as ambiguous language in the EU–US joint statement, risk sending the wrong signal that EU climate legislation is negotiable and can be adjusted under pressure and on a case-by-case basis.

## 3 Step up international cooperation and carbon pricing diplomacy

CBAM implementation is taking place amid an accelerated yet quite uneven global uptake of carbon pricing, as countries pursue different decarbonization pathways at different paces.

Europe continues to lead in the deployment of carbon pricing policies, and is expected to keep doing so in the coming years with the new Linear Reduction Factor (LRF) and the phase-out of ETS free allowances. However, while the majority of carbon pricing schemes adopted to date are still concentrated in developed economies and although climate-denial policies weaken efforts to build a coherent global agenda on the trade–climate nexus, emerging economies are increasingly implementing their own carbon pricing mechanisms. While the proliferation of carbon pricing schemes and border adjustments poses legal and compliance challenges, particularly for SMEs in least developed and lower middle-income countries, these developments also create opportunities for dialogue and convergence. The European Commission should actively engage in existing and emerging international initiatives on carbon pricing to advance global cooperation and reinforce CBAM's legitimacy and global reach.

The EU should:

- **Leverage the EU Task Force on International Carbon Markets and related initiatives:** Use these platforms to provide technical assistance, capacity building, and foster knowledge sharing, beyond helping partner countries set up domestic carbon pricing schemes aligned with the EU's methodologies.
- **Engage proactively in Global South-led initiatives:** Participate constructively in emerging platforms on the trade–climate nexus and carbon pricing harmonization, such as those led by the Brazilian COP30 presidency.



SOLIDAR is a European and worldwide network of Civil Society Organisations (CSOs) working to advance social justice through a just transition in Europe and worldwide. Our over 50 member organisations are based in 27 countries (19 of which are EU countries) and include national CSOs in Europe, as non-EU, EU-wide and organisations active at the international level.

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