



Written by [James Murphy](#) on October 3, 2023

EU Carbon-pricing Scheme Goes into Effect

On October 1, the European Union's Carbon Border Adjustment Mechanism (CBAM), an attempt to put a price on carbon emissions by forcing businesses in so-called carbon intensive industries that export to EU countries to report greenhouse-gas emissions and surrender CBAM certificates. October 1 signals the beginning of the transitional phase, which will last until December of 2025.

Initially, only businesses that the EU deems carbon intensive and subject to "carbon leakage" will be affected. Those industries include cement, iron and steel, aluminum, fertilizers, electricity, and hydrogen. No financial payments will be collected until the scheme goes into full effect on January 1 of 2026.



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"This is a central part of our European Green Deal, preventing the risk of carbon leakage. It is a huge step forward, as we raise our climate ambitions," said European Commission President Ursula von der Leyen when the scheme was passed last year.

It's a new layer of bureaucracy intended to put a cost on "carbon leakage." When countries with stringent carbon-reduction standards import goods from countries with lax policies such as China, any emissions produced over and above the emissions standards of the importing nation are referred to as "carbon leakage."

"The [CBAM](#) is a crucial tool to avoid carbon leakage and ensure that what we do in the EU does not push up emissions abroad but rather becomes an incentive to replicate our ambition. It also underlines our commitment to have ambitious climate policies that are WTO-compliant," said Frans Timmermans, the executive vice-president for the European Green Deal.

It's all about becoming net zero by 2050. Many believe that the EU's CBAM is the first step in establishing a global carbon-pricing system.

Or, as the World Trade Organization puts it, "A price on carbon helps shift the burden for the damage back to those who are responsible for it, and who can reduce it. Instead of dictating who should reduce emissions where and how, a carbon price gives an economic signal and polluters decide for themselves whether to discontinue their polluting activity, reduce emissions, or continue polluting and pay for it."

And the EU wants to be seen as leading the effort on containing greenhouse-gas emissions, which climate hysteries claim will soon make the Earth unlivable due to climate change.

"The EU has long been a pioneer when it comes to carbon pricing. This Sunday, we will begin to implement a groundbreaking new tool that will eventually extend the same pricing principles as our Emissions Trading System to all carbon-intensive products imported into the EU," said the bloc's



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Commissioner for Economy Paolo Gentiloni. “CBAM will encourage industry worldwide to embrace greener technologies. It will also prevent so-called carbon leakage, or the relocation of production outside our borders to countries with lower environmental standards.”

According to Gentiloni, foreign companies need not fear the new carbon-taxing scheme.

“I want to reassure non-EU companies that we will never ask more of them than we do of EU producers. Carbon prices already paid in the country of production can be deducted from the CBAM payment. There will be no bill due, should that carbon price be higher than the EU ETS price,” Gentiloni [wrote](#) in an op-ed for the *Financial Times*.

Despite Gentiloni’s assurances, other nations are indeed concerned about the EU’s CBAM. Among the nations expected to be most affected by the carbon tax are Russia, China, the United Kingdom, Turkey, Ukraine, India, South Korea, and the United States.

The United States is seeking an exemption from the scheme.

BRICS nations Brazil, South Africa, and India have called the new EU scheme “discriminatory.” Australia’s Minister for Trade Dan Tehan blasted the initiative as “protectionism.”

“A carbon border adjustment mechanism ... runs the risk of enhancing protectionism. And that, I think, would be detrimental to global growth and to free trade globally,” Tehan said.

According to Tehan, the EU’s claims that the scheme will adhere to WTO rules is questionable.

“If you look for instance at the emissions trading scheme in the European Union, it gives free permits to a large proportion of industry within the European Union, so how you account for that would be very difficult,” Tehan said.

Tehan added that making the CBAM consistent with WTO rules “would be incredibly difficult for Brussels to achieve.”

In the end, it’s really just another tax, and an arbitrary one at that. There is really no way to quantify the emissions of certain products made by certain industries, especially in other nations. Is China going to honestly report the emissions it creates? It’s just adding another layer of bureaucracy to the already convoluted system of world trade — more government for the sake of government

It’s also completely unnecessary, since the emissions of trace atmospheric gasses are not truly warming the Earth in any serious, detrimental way.



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