NEXT IAS

DAILY EDITORIAL ANALYSIS

TOPIC

BRICS NEEDS TO ADDRESS CBAM CONSEQUENCES

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Context

- **India's 2026 BRICS chairship** has renewed debate over unilateral climate-linked trade measures, especially the **EU's CBAM,** and the need for common carbon-accounting standards.

About Climate Agenda & Global Trade

- Climate policy and international trade are increasingly inseparable.
- Environmental regulation can directly affect **market access, competitiveness and global supply chains** as countries impose carbon prices, deforestation rules, sustainability due diligence and product-level emissions standards.
- For BRICS economies pursuing rapid industrialisation while reducing emissions intensity, fragmented climate-trade rules pose a particular challenge.
- The principle of **Common but Differentiated Responsibilities and Respective Capabilities (CBDR-RC)** recognises differences in countries' historical responsibility and developmental capacities.

BRICS Climate Agenda for Rules-Based Cooperation

- The **BRICS Declaration (2026)** reiterates familiar positions on the **UNFCCC, Paris Agreement, CBDR-RC, climate finance, biodiversity, forests and opposition to unilateral climate measures**.
- However, extensive repetition of earlier declarations risks diverting attention from operational deliverables.
- The Declaration recognises traditional knowledge, indigenous and local practices and community experience (**people-centric and community-based adaptation**), an important approach for countries such as **India, Brazil and China,** where traditional ecological knowledge remains significant.
- BRICS can build on this by moving from declarations to **common methodologies, mutual recognition and technical cooperation**.

Unilateral Climate Measures and Protectionism: EU & BRICS

- BRICS has objected to unilateral climate-related trade measures that may become discriminatory or protectionist.
- The **Rio Declaration (2025)** specifically highlighted concerns regarding **deforestation regulation, due-diligence requirements, taxes and other unilateral measures**.
- The EU's **Deforestation Regulation (EUDR)** and sustainability due-diligence requirements illustrate the trend towards embedding environmental compliance deep into supply chains.

  - For exporters, this creates demands for **traceability, documentation, verification and emissions data**.
- The challenge is to distinguish legitimate climate action from measures that impose disproportionate costs on developing-country producers.

Why Does Carbon Accounting Matters?

- **Carbon accounting is the missing link in the BRICS climate-trade agenda.**
- The **Rio Declaration (2025)** had proposed mutually recognised methodologies and standards for assessing greenhouse-gas emissions and welcomed principles for **fair, inclusive and transparent carbon accounting in product and facility footprints**.
- It is crucial because different jurisdictions may calculate the embodied emissions of the same product differently.
- Such fragmentation can result in **different carbon values for identical goods**, creating uncertainty and compliance costs for exporters.
- A common BRICS framework could establish comparable rules for:
  - system boundaries and emissions scopes;
  - treatment of precursor or embedded emissions;
  - verification and certification;
  - missing or incomplete data; and
  - mutual recognition of methodologies.

Cap-and-Trade: One Size Does Not Fit All

- Conventional **cap-and-trade systems**, developed around scarcity of emissions allowances in advanced economies, cannot simply be transplanted into developing economies whose simultaneous challenge is to **expand production and reduce emissions intensity**.
- India's **Carbon Credit Trading Scheme (CCTS)** illustrates an alternative, intensity-oriented approach.
- Recognition of qualifying domestic carbon-pricing mechanisms can potentially reduce duplication, but exporters still need to establish emissions data, system boundaries and independent verification.
- Therefore, climate cooperation should recognise **equivalent outcomes rather than impose identical policy architectures**.

CBAM and India's Export Challenge

- The EU's **Carbon Border Adjustment Mechanism (CBAM)** entered its definitive phase in January 2026.

- Initially covering sectors including **iron and steel, aluminium, cement, fertilisers, electricity and hydrogen**, it links import obligations to embedded emissions.
- For Indian exporters, the concern is not merely the carbon price but the **compliance ecosystem** surrounding it.
  - Smaller firms may face substantial costs in monitoring, reporting and third-party verification.
- The proposed expansion of CBAM product coverage could further increase exposure of Indian exports, particularly in steel and aluminium.
  - Thus, India needs both domestic carbon-market capacity and international negotiations on recognition of its methodologies.

Way Forward for BRICS

- BRICS should use **COP31** and other multilateral forums to build a cooperative alternative to fragmented climate-trade regulation.
- **Operationalise the BRICS carbon-accounting principles** sector by sector.
- Establish **mutual recognition of emissions data and verification systems**.
- Develop equivalence frameworks between different carbon-pricing mechanisms.
- Create technical assistance for **MSMEs and developing-country exporters**.
- Ensure climate-trade measures remain consistent with **Paris Agreement principles, CBDR-RC and WTO rules**.
- Link adaptation cooperation with traditional knowledge and community-based practices.

Conclusion

- BRICS can either remain a platform for repeatedly articulating opposition to unilateral climate measures or become a **rule-making coalition for the Global South**.
- A credible, transparent and mutually recognised carbon-accounting framework would allow BRICS to reconcile climate ambition with development, competitiveness and a fairer global trading system.

Daily Mains Practice Question

[Q] BRICS needs to move beyond opposing unilateral climate measures and develop credible, cooperative alternatives to address the consequences of the EU's Carbon Border Adjustment Mechanism (CBAM). Discuss.

Source: BL

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