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Australia urged to spearhead regional carbon tariffs

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Asia including Australia has 17 separate domestic carbon pricing schemes, a net-zero analyst says.

Teaming up with other regional economies to impose tariffs on carbon-intensive iron and other goods has been pitched as key to Australia's future as a major player in emerging green industries.

The case for Asian carbon border tariffs has been made by think tank Climate Energy Finance days after the federal energy minister signalled openness to charges at the border on emissions-heavy steel and cement.

Carbon border adjustment mechanisms, known as CBAMs, can level the playing field for heavy industries subject to domestic carbon pricing.

Without them, steelmakers and other producers may choose to move factories offshore to countries with less stringent regulations on pollution, a problem known as "carbon leakage".

The European Union has been leading the charge and its carbon border adjustment mechanism is scheduled to come into full force in 2026.

There was a strong case for an Asian equivalent building on the 17 domestic carbon pricing schemes already across the region, Climate Energy Finance net-zero transformation analyst and report author Matt Pollard said.



The Whyalla steelworks has attracted government support to help shift to green steel production

This includes Australia, which forces big polluters to pay a carbon penalty if their emissions are above a certain threshold via the safeguard mechanism.

China, South Korea, Japan and Singapore also have carbon pricing in some shape or form.

With most emissions-intensive goods produced in Asia for export traded within the Asia Pacific, a regional border mechanism would effectively function as a price on carbon in international trade.

"As a result, lower-emission products can more effectively compete against higher-emissions products in a global market," Mr Pollard explained.



Regional systems would level the playing field for products with lower emissions, a think tank says

The think tank wants Australia to spearhead the conversation as part of its bid to co-host the COP31 climate summit alongside Pacific nations.

Climate Change and Energy Minister Chris Bowen would not rule out the possibility of carbon tariffs on specific sectors, such as steel and cement, during an interview on ABC's Insiders on Sunday

He cited an ongoing review into carbon leakage headed by Australian National University climate change economics expert Frank Jotzo.

"We want to ensure Australian industry is best placed to compete in a decarbonising world," he said on Sunday.

Opposition energy and emissions reduction spokesman Dan Tehan criticised the minister for floating the idea immediately after winning the federal election.

"He's put electricity prices up, he's put gas prices up, and he's put emissions up, and now he wants to follow Donald Trump's lead and put in place tariffs," Mr Tehan said on social media platform X on Sunday.

Mr Pollard rejected the comparison to the US president's "erratically applied, economically and industrially destructive and investment-detering" tariff agenda.

"Carbon border adjustment mechanisms are not discriminatory, and enhance globalisation, international collaboration and climate action - which is intrinsically a global problem," he said.

While they are tariffs by nature, carbon border adjustment mechanisms have the opposite objectives of the Trump administration's trade policies that are designed to "enhance protectionism and isolationism".

The push for regional Asian carbon tariffs was welcomed by groups like clean energy industry body Smart Energy Council and economic think tank The Superpower Institute.

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