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NEW REPORT: IN THE MIDST OF A TRADE WAR, THIS IS ONE TARIFF ASIA DESPERATELY NEEDS

Australia is well placed to lead development of a path towards a regional Asian Carbon Border Adjustment Mechanism involving China, Australia, Japan, Singapore and South Korea, as it bids to host COP31. China, as the world leader in decarbonisation and in steel, aluminum and cement, is key.

A [new report](#) released today by independent Australian think tank [Climate Energy Finance](#) (CEF) finds that carbon border tariffs in international trade are urgently required to put a price on the carbon emissions embedded in the production and export of industrial commodities such as iron and steel, aluminium and cement, which make up 15% of global emissions. This will help correct the historic market failure to price carbon that has led to the climate crisis, and support global emissions reduction goals. Critically, it will shift investment from fossil fuels into clean energy and the production of 'green' industrial commodities.

Unlike the erratically-applied, economically and industrially-destructive and investment-detering tariffs imposed across the board by the US, carbon border adjustment mechanisms (CBAMs) drive the green transformation of countries' energy systems and industrial bases, building co-operation with the European Union's (EU) tariff and expanding ambition to jointly price carbon and solve the global climate crisis. This in turn underpins nations' economic resilience, prosperity and energy security as the world economy moves towards net zero, accelerated by rapid clean technology developments and enhanced clean energy tech economics as prices fall.

On 1 June 2025, newly re-elected [Australian Energy Minister Chris Bowen flagged](#) that Australia is considering imposing a CBAM on imports such as cement and steel. The CEF report '[A Price on Carbon: Building Towards an Asian CBAM](#)' argues that:

- Pricing carbon in international trade is the single most effective measure to enable the transformation to a decarbonised global economy via the least-cost pathway
- There should be an initial focus on pricing carbon in regional trade involving **China, Australia, Japan, South Korea and Singapore** via an Asian CBAM, extending the EU CBAM.
- **China**, as the world leader in decarbonisation and in the production of steel, aluminum and cement, is a critical player. The **Australian government** should lead on advocating for and facilitating the Asian CBAM as it bids to host the international climate summit COP31 in late 2026.

The report finds that effective international carbon pricing requires four pillars:

1. Sufficiently high domestic carbon pricing within nation states, such as a national ETS, to spur investment into decarbonisation of industrial products so they are produced using zero-emissions

energy, such as green iron. Private finance can't be mobilised at speed and scale into green commodity opportunities unless a carbon signal is priced-in to corporate balance sheets to catalyse investment.

2. A CBAM applying to imports to lift climate ambition and level the trade playing field between countries that price carbon and those that do not, or have weaker pricing.
3. Complementary industrial policy measures including domestic state-supported market incentives for green commodities (such as production tax credits) in the interim until regional and global carbon pricing is in place.
4. Intensive collaboration with key trading partners on regional carbon pricing to time-limit the above support measures and to accelerate the 'new energy trade' – trade in green industrial products.

The Albanese Australian federal government enjoys an overwhelming mandate from the recent election for its green superpower agenda. It is well placed to advocate for an Asian CBAM in the run-up to COP31 given its political influence as a middle power in the Asia-Pacific and the resources and energy trading partner of choice for much of the region's industrial base, its abundance of renewables and the minerals and metals needed for energy transition, and as the world's largest exporter of iron ore.

On China's key role, CEF China analyst Caroline Wang said:

"China leads the world in the production and deployment of zero emissions technologies like solar, wind, batteries and EVs, and emissions-intensive industrial materials. China produces over half of the world's steel, aluminium and cement. To accelerate global industrial commodities' decarbonisation in intraregional trade in Asia-Pacific, and their value chains, a path towards an ambitious price on carbon in China in these industries is pivotal.

"China's national ETS is already the world's biggest carbon market. In March 2025, it was announced that the ETS' sectoral coverage would be expanded to include cement, steel and aluminium industries. The expansion would bring an additional 1,500 companies into the ETS, increasing the total CO2 equivalent covered by 3 billion tonnes, about 5% of global emissions. This increased ambition was reinforced last month at a World Leaders' Summit, when President Xi confirmed China's updated National Determined Contributions (NDCs) would cover all economic sectors and all greenhouse gases at COP30 – a step UN Secretary-General António Guterres describes as "extremely important" for climate action.

"In this context, and as the US trend towards isolationism, China has a timely opportunity to step up in partnership with other countries and regions on international carbon pricing aligning with the climate science, including potentially on an Asian CBAM building on the EU's CBAM."

Report lead author, CEF Net Zero Transformation Analyst Matt Pollard, said:

"Climate-focused domestic industrial policies across the Asia-Pacific are increasingly putting a price on carbon. Our report highlights this momentum, with 17 national and sub-national compliance carbon pricing schemes in effect, including **China's ETS, and schemes in Japan, South Korea and Singapore**. It is in industrious Asian economies' national interests to now build on this, working with partners with comparative advantages in the new energy trade and low-cost renewables, such as Australia, to create a regional market in decarbonised commodities like green iron and steel, aluminium and cement. An Asian CBAM is key to this.

“For Australia, as the viability of its historic dependence on fossil fuels as a world top 3 exporter enters gradual, but inevitably terminal, decline, the net zero transition is an immense opportunity to pivot to clean commodities and reposition as a zero-emissions trade leader. Failure to act as a key economic agent in shaping the green industrial boom is a significant risk to its future security and economic resilience. To ensure it remains a regional partner of choice, Australia should accelerate efforts to advocate for a framework to price carbon – a CBAM – in alignment with key regional trading partners.

“A joint commitment to build towards an Asian CBAM and complementary measures can provide a mutually-beneficial pathway for Asia and Australia to lead and prosper in a rapidly decarbonising world.”

CEF director Tim Buckley, leading energy finance analyst and former MD of global investment bank Citigroup said:

“The lead up to COP31 is an opportunity for Australia to build on our domestic momentum as we price in industrial carbon emissions via the Safeguard Mechanism and decarbonise our electricity system, creating a path to an Asian CBAM. Initially in economically-advanced East Asia and Australia, a regional CBAM would mobilise private capital at speed and scale for decarbonising international trade. This would align and leverage the EU’s climate leadership demonstrated in its CBAM, accelerating the global race to decarbonise in alignment with the immutable climate science.

“Australia is a mining sector world leader, but we export with next to zero value add. A carbon price in international trade would mobilise hundreds of billions of dollars of new investment to leverage our world-leading renewable resources so our commodities can be processed on shore with zero-emissions energy, embedding decarbonisation in our industrial goods pre-export. An Asian CBAM is 100% aligned with Australia’s national interest, a more sustainable economy and a liveable planet.”

Baethan Mullen, CEO of The Superpower Institute, a not-for-profit founded by renowned economist Professor Ross Garnaut and policy expert Professor Rod Sims to help Australia seize the economic opportunities of the post-carbon world, said:

“Carbon pricing is the most efficient policy tool available for addressing the harm caused by carbon emissions. It is essential that Australia plays its part in the development of an international system of carbon prices.

“The Superpower Institute welcomes this important piece of work by CEF. It is clear and compelling in its analysis and provides a prescription for Australia to integrate with the world’s move to carbon prices and carbon border adjustment mechanisms.”

Dr Elizabeth Thurbon, Professor of International Political Economy at the University of NSW in Sydney, Australia, and Director of the Green Energy Statecraft Project, said:

“The recommendations in this report address the fundamental market formation challenges currently preventing investment in clean commodity production. They provide the long-term policy solutions needed to seize the once in a generation economic, environmental and geostrategic opportunities facing Australia. Building towards a price on carbon through international commodity trade enables urgent

policy levers like multilateral clean commodity trading initiatives that are necessary to support first of a kind projects.

“The forward-looking approach to international engagement on carbon pricing, as laid out by CEF, will allow Australia to shape emerging markets rather than simply respond to them. It exemplifies the sophisticated green energy statecraft needed to speed up the global energy transformation and maximise its national benefits.”

Charlie Caruso, General Manager (Western Australia) of Smart Energy Council and National Business Development Manager at Zero Carbon Hydrogen Australia, said:

“This report highlights that building towards an Asian CBAM is not only a statement of climate ambition, but a strategic move to harmonise decarbonisation efforts, reward low-emissions production, and embed carbon integrity in our exports.

“The Smart Energy Council welcomes this timely and insightful contribution from Climate Energy Finance. It presents a compelling roadmap for how Australia can lead the region in embedding carbon integrity into international trade. As global markets pivot to cleaner supply chains, this work provides the policy clarity needed to align decarbonisation with trade competitiveness, and to strengthen Australia’s position as a clean energy superpower in the Asia-Pacific.”

MEDIA ENQUIRIES

AVAILABLE FOR INTERVIEW

TIM BUCKLEY – CEF director and a former MD of global investment bank Citigroup.

CAROLINE WANG – CEF China analyst (print/online).

Contact Annemarie Jonson on whatsapp +61 428 278 880 annemarie@climateenergyfinance.org (Sydney AEST)

Tim direct on whatsapp +61 408 102 127 tim@climateenergyfinance.org (Sydney AEST).

Caroline direct on caroline@climateenergyfinance.org

Others on request