• *ANALYSIS*

The European Union's Green Diplomacy: The Carbon Border Adjustment Mechanism Effect and COP31

Sezen Kaya Sönmez

www.setav.org

SETA

SEPTEMBER 2026 NO 110

THE EUROPEAN UNION'S GREEN DIPLOMACY: The Carbon Border Adjustment Mechanism Effect and COP31

SEZEN KAYA SÖNMEZ

SETA

SETA Yayınları
ISBN: 978-625-5703-78-1

Editorial Team: Ebrar Üzümcü, Sudib Sontoran, Gizem Akbaş
Layout: Said Demirtaş

SETA | SİYASET, EKONOMİ VE TOPLUM ARAŞTIRMALARI VAKFI
Nenehatun Cd. No: 66 GOP Çankaya 06700 Ankara TÜRKİYE
Tel: +90 312 551 21 00 | Faks: +90 312 551 21 90
www.setav.org | info@setav.org | @setavakfi

SETA | İstanbul
Defterdar Mh. Savaklar Cd. Ayvansaray Kavşağı No: 41-43
Eyüpsultan İstanbul TÜRKİYE
Tel: +90 212 395 11 00 | Faks: +90 212 395 11 11

SETA | Washington D.C.
1025 Connecticut Avenue, N.W., Suite 1106
Washington D.C., 20036 USA
Tel: 202-223-9885 | Faks: 202-223-6099
www.setadc.org | info@setadc.org | @setadc

SETA | Berlin
Kronenstraße 1, 10117 Berlin GERMANY
berlin@setav.org

SETA | Brussels
Avenue des Arts 27, 1000 Brussels BELGIUM
Tel: +3226520486

CONTENTS

The central argument of this analysis is that the principal problem CBAM creates is not its economic cost but the ambiguity of its relationship with the multilateral regime.

SUMMARY

Climate policy today is no longer a purely environmental issue; it has become a field in which trade tensions, industrial strategies and great power competition intersect. The multilateral climate regime built on consensus and negotiation over the course from Rio to Paris is therefore increasingly confronted with unilateral regulatory instruments.

At the centre of this transformation stands the EU, which has shifted its climate leadership from normative discourse to a regulatory programme. The 2019 European Green Deal, by placing climate policy at the core of the Union's growth, industrial and foreign policy strategies, has over time turned it into an instrument of external influence. The most concrete example of this instrument is the Carbon Border Adjustment Mechanism (CBAM), which entered its definitive phase on 1 January 2026. By applying to imported goods a carbon price indexed to the EU ETS, the mechanism effectively converts the Union's internal climate standard into a trade and foreign policy tool.

The central argument of this analysis is that the principal problem CBAM creates is not its economic cost but the ambiguity of its relationship with the multilateral regime. While the mechanism derives its legitimacy from the Paris Agreement, its scope and implementation criteria are determined entirely within the EU's own institutional processes. Türkiye is one of the important cases in which the consequences of this ambiguity can be observed. Affected only to a limited extent under the current scope, it would become the most exposed trading partner in the event of an extension. COP31, to be convened in Antalya, thus gains significance for the institutional opportunity it offers to bring questions of scope and common methodology onto a multilateral footing through the trade dialogues established in Belém.

INTRODUCTION

COP summits stand at the centre of international climate diplomacy. Held every year, they bring together the actors of the international system and are shaped by an understanding of multilateral cooperation. From the 1992 Rio Convention to the 2015 Paris Agreement, in other words, the climate regime was built as an order resting on consensus and negotiation. In recent years, however, that multilateral logic has come under growing pressure from a unilateral regulatory approach. Climate policy today is no longer a purely environmental question. It has become a field in which great power competition, trade tensions and industrial strategy overlap. The clearest example of this shift is the set of policies and initiatives the European Union (EU) introduced with the European Green Deal in 2019. The Carbon Border Adjustment Mechanism (CBAM) in particular illustrates what the shift means for developing countries in general and for Türkiye in particular. Its legal framework was published in the Official Journal of the EU on 16 May 2023. Through CBAM the EU aims, in the first phase, to equalise the carbon price borne by domestic and imported goods in cement, iron and steel, aluminium, fertiliser, hydrogen and electricity. Having entered its operational period on 1 January 2026, the mechanism applies a carbon price to carbon intensive imports and thereby turns the Union's internal climate standard into an instrument of foreign and trade policy.[1]

1 "Carbon Border Adjustment Mechanism", European Commission, 2026, accessed 1 July 2026, https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en.

The EU, for its part, presents CBAM not as a unilateral trade measure but as a climate instrument designed to prevent carbon leakage and to encourage carbon pricing worldwide. Many developing countries, China and India foremost among them, argue that the mechanism works as a trade restriction beyond its stated climate rationale. On this basis they have called for unilateral trade measures to be placed on the negotiating agenda of the United Nations Framework Convention on Climate Change (UNFCCC).[2] On one side stands the EU, which treats CBAM as a legitimate climate tool, and on the other stand exporting countries that see their market access at risk. The divergence points to a wider dispute over which policy field the mechanism actually belongs to.

The central argument of the analysis is accordingly that CBAM is not merely a technical trade regulation. The mechanism shows that the EU pursues its international climate policy not only through negotiation but also by setting the conditions of access to its market.

These disputes have carried the issue into the climate negotiations. CBAM does not appear on the formal COP agenda, yet the trade dialogues launched at COP30 in Belém and the continuing North-South debate suggest that it may well surface again during the COP31 process in Antalya.

This analysis starts from the observation that the regulations developed by the EU under the European Green Deal, as the leading actor in the fight against climate change, produce binding consequences not only for member states but also for third countries. They generate in this way a policy effect that reaches from the regional to the global scale. That effect turns the Union's internal rules into a de facto compliance benchmark for third countries. Climate policy therefore begins to take shape outside the ground of multilateral negotiation as well, and CBAM is the clearest instance of this in the field of trade.

The central argument of the analysis is accordingly that CBAM is not merely a technical trade regulation. The mechanism shows that the EU pursues its international climate policy not only through negotiation but also by setting the conditions of access to its market. The main problem this approach creates is not the economic cost of the mechanism but the ambiguity of its relationship with the multilateral regime. CBAM draws its legitimacy from the goals of the Paris Agreement, while its scope and criteria of application are determined entirely within the EU's own institutional processes. That asymmetry blurs the line between the mechanism's character as climate policy and its commercial function, and it makes the compliance it produces fragile. Preserving the climate policy character of the mechanism therefore depends on whether its scope criteria can be discussed on multilateral ground. COP31, which will convene in Antalya, may offer an important institutional platform for that discussion. The analysis consists

2 "EU Strains to Defend Carbon Levy as Trade Tensions Engulf COP30", Politico, 2025, accessed 1 July 2026, https://www.politico.eu/article/eu-carbon-border-adjustment-mechanism-trade-tariffs-cop30-india-china.

of four parts. The first examines the nature and historical development of climate diplomacy. The second looks at the EU's role in this field and at the strategy it pursues through the European Green Deal and CBAM, while the third discusses how that strategy has been reflected at the COP summits. The final part assesses the opportunities COP31 offers for the debate.

CLIMATE DIPLOMACY AND ITS LIMITS

Climate change is a global problem that recognises no borders, that no state can address on its own and that can be managed only through collective action. Climate diplomacy refers to the process of negotiation, accommodation and co-operation carried out among states, international organisations and other actors in order to solve this shared problem.[3] It seeks to build common rules, norms and an international regime across a wide field running from the reduction of greenhouse gas emissions to climate finance and from adaptation policy to technology transfer. In this respect climate diplomacy is not simply an instrument of environmental policy. It is a multidimensional area of international relations that also touches the durability of peace, development plans and relations of trust between states. Because climate change deepens existing vulnerabilities such as migration, poverty, resource scarcity and social tension rather than creating entirely new problems, and because it raises the risk of conflict, it has come to be described as a "threat multiplier". Since the 2008 Solana Report, indeed, climate change has been defined as a threat multiplier and a security problem that indirectly affects core questions of international politics such as sovereignty, territorial integrity and access to resources like water, food and energy.[4] Climate diplomacy in this sense carries the character of preventive diplomacy.[5] It aims to manage climate related security risks at an early stage, to build resilience and to contribute to stability through conflict sensitive climate action.

The European Commission defines climate diplomacy around four axes. These are commitment to multilateralism in climate policy and to the implementation of the Paris Agreement, attention to the effects of climate change on peace and security, the acceleration of domestic measures together with the raising of global ambition, and the strengthening of international climate cooperation through awareness raising and outreach.[6] Climate change was long treated as one diplomatic subject among others, yet it now sits at the centre of states' national

3 "What Is Climate Diplomacy?", Climate Diplomacy, 2026, accessed 30 July 2026, https://climate-diplomacy.org/what-climate-diplomacy.

4 "Climate Change and International Security", European Council, 2008, accessed 18 May 2026, https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/reports/99387.pdf.

5 "What Is Climate Diplomacy?".

6 "What Is Climate Diplomacy?".

interests and foreign policy priorities. From the 1992 Rio Convention to the Paris Agreement, climate diplomacy established the global climate regime, brought climate norms into being and secured their international acceptance, producing one of the more institutionalised examples of multilateral cooperation.

The environment entered the agenda of international politics with the Stockholm Conference of 1972. It was at that conference that the international community first came together to address the protection and improvement of the environment. Stockholm is regarded as the point at which environmental questions were first opened to international debate and as a starting point for cooperation in this field.[7] The conference established that environmental problems affect all of humanity, and the environment thereby acquired the character of a global problem requiring action. From the 1970s onwards a series of negotiations on environmental questions followed, and several developments shaped climate diplomacy in this period. The First World Climate Conference of 1979 brought the issue onto the international diplomatic agenda, the establishment of the IPCC in 1988 placed the negotiations on a scientific footing, and the adoption of the UNFCCC in 1992 laid the foundations of the climate regime. The 1997 Kyoto Protocol then introduced binding emission commitments, the 2009 Copenhagen negotiations marked a rupture in the working of the regime, and the 2015 Paris Agreement created a flexible order based on nationally determined contributions.[8]

> Climate change is a global problem that recognises no borders, that no state can address on its own and that can be managed only through collective action.

THE EU'S CLIMATE DIPLOMACY: THE SEARCH FOR LEADERSHIP AND NEW INSTRUMENTS

The actors of climate diplomacy include states, international organisations, diplomats, delegates, civil society organisations, local governments, academia and business. The EU is an important actor in the international climate change negotiations and in the wider setting of international cooperation. The withdrawal of the United States from the Kyoto Protocol in 2001 in particular made the EU the indispensable leader of international climate governance.[9] After the Copenhagen Conference of 2009 international climate policy took on an increasingly multipolar shape, with the United States and China emerging as the two leading poles. With a declining population and a falling share of global GDP and green-

7 "UN Conference on Environment Development", UN, 1992, accessed 2 July 2026, https://www.un.org/geninfo/bp/enviro.html.

8 Nuran Talu, *Türkiye'de İklim Değişikliği Siyaseti* (Phoenix, 2015).

9 Charlotte Bretherton and John Vogler, *The European Union as a Global Actor*, 2nd ed. (Routledge, 2006).

house gas emissions, and under the additional effect of Brexit, the EU came to occupy the position of a medium sized climate power behind the United States and China.[10] Having lost its leadership position at Copenhagen in 2009, the Union began to reshape the negotiating agenda at the Durban Summit in 2011 through a coalition with developing countries. In this period the EU moved from a strategy organised around principled goals and normative expectations towards one built on existing balances of power and attainable outcomes. At Durban it sought accommodation with major actors such as China and the United States and made a conditional commitment that included an extension of the Kyoto Protocol. The new strategy led the EU to act as both leader and mediator, that is, as a "leadiator".[11]

The decision of the United States to withdraw from the Paris Agreement in 2017 can be said to have reinforced the EU's leadership. The vacuum left by the American withdrawal increased the Union's weight in the negotiations and prepared the ground for it to raise its own emission reduction targets.

The decision of the United States to withdraw from the Paris Agreement in 2017 can be said to have reinforced the EU's leadership. The vacuum left by the American withdrawal increased the Union's weight in the negotiations and prepared the ground for it to raise its own emission reduction targets. In the post-Paris period the EU's role shifted from building the regime to implementing the Agreement. This was also a phase in which the Union redefined its climate leadership. Sustaining that leadership in a multipolar international setting required a comprehensive approach that integrated internal climate policy with foreign, trade and industrial strategy.[12]

This orientation acquired an institutional framework with the European Green Deal announced in 2019. The Green Deal is a comprehensive framework that takes climate policy out of the narrow field of environmental policy and places it at the centre of the EU's growth strategy, industrial policy and foreign policy. It makes the 2050 climate neutrality target legally binding and turns climate leadership from a matter of rhetoric into a concrete regulatory programme.[13] That the Green Deal contains an industrial strategy, a plan for CBAM and a hydrogen strategy indicates a growing awareness within the EU of the geopolitical weight of climate policy. The European Green Deal can therefore be read as a strategic turning point that converted the Union's climate policy into an instrument of external influence.[14]

10 Claire Dupont and Brendan Moore, "Brexit and the EU in Global Climate Governance", *Politics and Governance* 7, no. 3 (2019): 51-61; Sebastian Oberthür, "Where to Go from Paris? The European Union in Climate Geopolitics", *Global Affairs* 2, no. 2 (2016): 119-130; Sebastian Oberthür and Claire Dupont, "The European Union's International Climate Leadership: Towards a Grand Climate Strategy?", *Journal of European Public Policy* 28, no. 7 (2021): 1095-1114.

11 Karin Bäckstrand and Ole Elgström, "The EU's Role in Climate Change Negotiations: From Leader to 'Leadiator'", *Journal of European Public Policy* 20, no. 10 (2013): 1369-1386.

12 Oberthür and Dupont, "The European Union's International Climate Leadership".

13 "The European Green Deal", European Commission, 2019, accessed 20 May 2026, https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en.

14 Nathalie Tocci, *A Green and Global Europe* (John Wiley & Sons, 2022).

CBAM: ORIGINS, OPERATION AND PURPOSE

Carbon pricing is where the external reach of the European Green Deal is most visible. This field rests on the Emissions Trading System (EU ETS), which forms the Union's internal carbon market, and on CBAM, which extends the price level of that system to imported goods. Launched in 2005, the EU ETS caps total emission rights and allows them to be traded, with the aim of steering industry towards cleaner technologies.[15] It was the first large scale scheme to place industrial emissions under a mandatory pricing regime.[16] Producers within the EU consequently faced a carbon cost that their competitors did not bear, and this gave rise to the concern known as carbon leakage. The risk refers to the possibility that production shifts to countries with looser climate regulation. The concern has been concentrated above all in energy intensive branches of industry such as steel, cement and aluminium. Because these sectors operate in markets open to international competition, they find it difficult to pass carbon costs on to product prices.[17]

The EU's first response was to allocate free emission allowances to energy intensive sectors. That solution weakened the deterrent effect of the carbon price, since producers receiving free allocation have little incentive to cut emissions. CBAM was raised as a new response to the problem for the first time by Ursula von der Leyen in July 2019. Energy intensive sectors within the Union, wary of losing their free allocation, kept their distance from the mechanism, and major trading partners such as China and the United States opposed it openly.[18] The Commission nevertheless presented its formal proposal in 2021, the final regulation was adopted in April 2023 and the mechanism entered into force on 1 January 2026.[19]

By applying a carbon price at the border to carbon intensive goods, CBAM aims to encourage the transition to cleaner technologies in production outside the EU as well. The mechanism works in a straightforward way. Firms importing iron and steel, aluminium, cement, fertiliser, electricity or hydrogen into the EU must obtain the status of authorised declarant. They declare each year the emissions arising from the production of the goods they import and buy certificates corresponding to those emissions. The certificate price is indexed to the auction

15 Damien Meadows, Beatriz Yordi and Peter Vis, "Addressing Carbon Leakage under the EU ETS", in *Delivering a Climate Neutral Europe*, ed. Jos Delbeke (Routledge, 2024), 83-103.

16 Jon Birger Skjærseth and Jørgen Wettestad, "Implementing EU Emissions Trading: Success or Failure?", *International Environmental Agreements: Politics, Law and Economics* 8, no. 3 (2008): 275-290.

17 Jørgen Wettestad, "The EU's Carbon Border Adjustment Mechanism: Shaped and Saved by Shifting Multi-Level Reinforcement?", *Review of Policy Research* 42 (2025): 508-529.

18 Jørgen Wettestad, "Proactive Prevention of Carbon Leakage? The EU Carbon Border Adjustment Mechanism", in *Handbook on European Union Climate Change Policy and Politics*, ed. Tim Rayner, Kacper Szulecki, Andrew J. Jordan and Sebastian Oberthür (Edward Elgar, 2023), 231-242.

19 "Carbon Border Adjustment Mechanism".

price of emission allowances under the EU ETS. Imported goods are in this way meant to bear a carbon cost comparable to that of producers inside the EU.[20]

The strategic dimension of the mechanism follows from the possibility of deduction. If a carbon price has already been paid in the country where the good was produced, that amount is deducted from the certificate obligation. An exporter who prices carbon at home is thereby spared paying the same amount to the EU. The arrangement pushes third countries towards establishing their own carbon pricing systems.[21] For countries outside the EU the design produces a two sided picture. Rising costs may weaken the competitiveness of developing countries in the EU market, particularly those with limited access to low carbon technologies.[22] At the same time the mechanism carries an incentive that may accelerate the adoption of carbon pricing in these countries and the transformation of their production processes. Assessments arguing that the mechanism can be designed in line with WTO law suggest that CBAM may also open the way to cooperation on the decarbonisation of industrial sectors with countries pursuing similar climate goals.[23] Its implementation nevertheless brings a number of difficulties.

CRITICISM OF CBAM: LEGAL AND ECONOMIC DIMENSIONS

CBAM has met objections on both legal and economic grounds. Behind these objections lies a question about the nature of the compliance the mechanism produces. In a narrow sense the mechanism appears effective. In many countries, from Türkiye to Brazil and from Indonesia to India, debates on carbon pricing have advanced in parallel with the CBAM timetable, and this is presented as evidence that the incentive works. The parallel does not mean, however, that these steps can be reduced to a single cause. As the Turkish case shows, the carbon pricing agenda in some countries rests on national processes that began before the mechanism. Seen in this light, CBAM offers an opportunity to strengthen global climate governance. By setting a precedent the EU encourages other regions to adopt similar mechanisms and supports the development of a common global response to climate change. To the extent that it spreads carbon pricing more

20 "Carbon Border Adjustment Mechanism".

21 "Carbon Border Adjustment Mechanism".

22 Wissal Morchid, Eduardo A. Haddad and Luc Savard, "Measuring the Cost of the European Union's Carbon Border Adjustment Mechanism on Moroccan Exports", *Sustainability* 16, no. 12 (2024): 4967; Erkan Erdoğdu, "The Carbon Border Adjustment Mechanism: Opportunities and Challenges for Non-EU Countries", *Wiley Interdisciplinary Reviews: Energy and Environment* 14, no. 1 (2025): e70000.

23Chiara Galiffa and Ignacio Garcia Bercero, "How WTO-Consistent Tools Can Ensure the Decarbonization of Emissio n-Intensive Industrial Sectors", *AJIL Unbound* 116 (2022): 196-201.

widely, CBAM can strengthen the global commitment to reducing greenhouse gas emissions.

The nature of this compliance is decisive for the sustainability of the mechanism. Developing countries may struggle with the financial and administrative burdens that compliance brings and, without adequate support, may face trade barriers and the risk of economic exclusion.[24] The difference between a norm internalised through persuasion and compliance secured under the threat of losing market access is precisely the source of the Global South's objection. In its current form CBAM is perceived less as an incentive steering third countries towards decarbonisation than as a sanction that ties compliance to market access. Underlying this perception is the fact that industrialised economies, which carry the primary historical responsibility for emissions, are placing the fossil fuel based model of production they themselves used during their own development under a restrictive framework for developing countries. That the mechanism became one of the main subjects of debate at COP30, and that developing countries heavily dependent on exports to the EU market brought their concerns about its development impacts into the negotiations, shows that this perception has found institutional expression as well.[25]

CBAM has met objections on both legal and economic grounds. Behind these objections lies a question about the nature of the compliance the mechanism produces.

Objections are not confined to the economic dimension, since the legal debate points to a similar ambiguity. The compatibility of the mechanism with WTO law, and in particular with the principles of non-discrimination and environmental necessity, remains unsettled. Beyond the question of legal compliance, the relationship between the mechanism and one of the founding principles of the UNFCCC, common but differentiated responsibilities and respective capabilities, is contested. The architecture of the Paris Agreement rests on the premise that parties set the pace of their mitigation in line with their own national capacities. CBAM instead ties that pace to the conditions of access to the EU market, independently of the exporting country's capacity. This difference of approach turns the mechanism from a matter of trade regulation into a subject of negotiation about how responsibility is shared within the multilateral regime.[26]

24 Michael A. Mehling, Geoffroy Dolphin and Robert A. Ritz, "The European Union's CBAM: Averting Emissions Leakage or Promoting the Diffusion of Carbon Pricing?", *Journal of Environmental Policy & Planning* 27, no. 6 (2025): 687-705; Thang Nam Do, Mousami Prasad, Akbar Swandaru, Paul J. Burke, Long Chu and Lien Le, "Reforming the European Union's Carbon Border Adjustment Mechanism: Stakeholder Perspectives from India, Indonesia, and Vietnam", *Energy Nexus* 22 (2026): 100724.

25 "COP30: Key Outcomes Agreed at the UN Climate Talks in Belém", Carbon Brief, 24 November 2025, accessed 23 July 2026, https://www.carbonbrief.org/cop30-key-outcomes-agreed-at-the-un-climate-talks-in-belem.

26 Flora Prideaux, "CBAM, COP30, and How Carbon Became an Excuse for Economic Protectionism", Trade Finance Global, 2026, accessed 10 July 2026, https://www.tradefinanceglobal.com/posts/cbam-cop30-how-carbon-became-excuse-for-economic-protectionism.

The scope of the mechanism feeds the same debate. CBAM is limited to a narrow group of import competing sectors such as steel, cement, aluminium, fertiliser and electricity. These are areas in which EU producers struggle to compete in international markets. Alongside its environmental rationale, the mechanism is therefore also seen as serving to protect domestic industry. Its effect on third countries is not uniform. The level of that effect varies with the size of a country's exports to the EU, the share of those exports in sectoral output and the weight of the affected sectors in the national economy. Countries whose carbon intensive exports depend on the EU market will face the most pronounced difficulties.

> CBAM has met objections on both legal and economic grounds. Behind these objections lies a question about the nature of the compliance the mechanism produces.

Current discussions about extending the scope of the mechanism make the ambiguity clearer still. The European Commission has proposed extending CBAM to cover 180 downstream products, while the Council has proposed raising the list to 332 and the Environment Committee of the European Parliament to 277[27] products.[28] The stated reason for the extension is the risk of carbon leakage, yet empirical analysis shows that the risk remains limited for this group of products. A carbon price of 115 euros per tonne raises the price of steel by roughly 25-30%. In downstream products, where steel accounts for around 10% of final product value, that increase feeds through to the final price at a rate of about 2.5-3%. A cost difference of this order is not expected to move production abroad.[29] Extension does, however, place an asymmetric reporting and verification burden on importers that domestic producers do not carry. Together with the high default values set for importers unable to supply emissions data, this raises the risk that the mechanism drifts away from its carbon leakage function and takes on a protectionist character.[30] The risk is not only a question of commercial cost. If the mechanism loses its character as climate policy, it may weaken the diplomacy the EU conducts on carbon pricing and the cooperation it hopes to build with emerging economies.

At the heart of the debate lies the question not of whether the mechanism is necessary but of the policy framework in which it is placed. The rationale of preventing carbon leakage provides a basis that legitimises the mechanism as climate policy, while the rationale of protecting domestic industry turns it into an instrument of trade policy. As the line between the two blurs, the mechanism's

27 "Amending Regulation (EU) 2023/956 as Regards the Extension of Its Scope to Downstream Goods and Anti-Circumvention Measures", European Parliament, 2025, accessed 20 July 2026, https://www.europarl.europa.eu/meetdocs/2024_2029/plmrep/COMMITTEES/ENVI/DV/2026/07-06/CBAM_CA_15_Annexes.EN.pdf.

28 Maximilian Fuchs, Ignacio García Bercero and Camille Reverdy, "Extending CBAM to Downstream Products Risks Undermining Its Credibility as a Climate Policy Tool", Bruegel, 2026, accessed 22 July 2026, https://www.bruegel.org/first-glance/extending-cbam-downstream-products-risks-undermining-its-credibility-climate-policy.

29 Fuchs, Bercero and Reverdy, "Extending CBAM to Downstream Products".

30 Fuchs, Bercero and Reverdy, "Extending CBAM to Downstream Products".

capacity to gain international acceptance weakens, and with it its real function of spreading carbon pricing to third countries. CBAM, in other words, works both as a climate policy tool and as a foreign policy instrument. Its effect will depend on whether the legal objections can be answered, whether the perception of protectionism can be contained and whether international cooperation on carbon pricing can be advanced.

CBAM ON THE COP AGENDA

That CBAM is a matter of diplomacy rather than a technical regulation can be observed in the way the debate has been drawn step by step into the COP summits.[31] Within the UNFCCC the intersection of trade and climate policy was historically kept off the negotiating agenda of the Conference of the Parties and treated as falling within the remit of the WTO. That division of labour has shifted gradually since CBAM was announced. The first step came at COP28, where a formal Trade Day was held for the first time, and the same theme was carried over to COP29. During the COP30 process the parties led the creation of the Integrated Forum on Climate Change and Trade (IFCCT), which is to provide advice to the WTO and the UNFCCC. The forum held its first meeting in Bonn in June 2026.[32] In Belém the Brazilian Presidency ran separate consultations on four contested issues left outside the formal negotiating agenda, and unilateral trade measures, CBAM among them, were one of these. The consultations brought those measures into the Global Mutirão decision, the main political outcome of the conference. This was the first reference to trade measures in a COP outcome.[33]

The EU has held a consistent line throughout. The Union has positioned CBAM as an instrument of climate policy rather than a trade measure and has turned down requests for exemption. The EU Commissioner for Climate Action, Wopke Hoekstra, stated that CBAM had been designed as part of the Union's climate toolbox and was intended to ensure that emissions do not leak outside the European Union.[34] He thereby underlined that the mechanism forms part of the Union's climate policies as a whole and that the EU does not accept its description as a unilateral trade measure. The position has been maintained in practice. The mechanism was not turned into a bargaining chip in the trade agreement negotiations with India, no exception was granted to Ukraine

31 "COP30: Key Outcomes Agreed at the UN Climate Talks in Belém".

32 Prideaux, "CBAM, COP30, and How Carbon Became an Excuse for Economic Protectionism"; "COP29: Key Outcomes Agreed at the UN Climate Talks in Baku", Carbon Brief, 2024, accessed 13 July 2026, https://www.carbonbrief.org/cop29-key-outcomes-agreed-at-the-un-climate-talks-in-baku.

33 Ieva Baršauskaitė, Antoine Bonnet and Florencia Sarmiento, "COP 30: Key Issues on Trade and Climate Agenda", IISD, 2025, accessed 3 July 2026, https://www.iisd.org/articles/explainer/cop-30-key-issues-trade-and-climate-agenda.

34 "COP30: Key Outcomes Agreed at the UN Climate Talks in Belém".

despite the difficulty of decarbonising under wartime conditions, and requests for exemption for the fertiliser sector were not met despite pressure from the farming community.[35]

The way this position has been applied offers an observation about the sequence of the EU's strategy. The Union first put the mechanism in place unilaterally. The institutional ground on which the debate would be conducted then took shape within a multilateral climate regime rather than at the WTO. Rather than settling the disagreement between the parties, the compromise reached in Belém turned it into a standing negotiating item, since the Mutirão text provides for annual trade dialogues over the next three years in which these measures will be addressed. The arrangement makes COP31 both the conference to which an unresolved debate has been passed and the host of one round of the newly established trade dialogues.

TÜRKİYE AND CBAM: IMPACT, ALIGNMENT AND VULNERABILITY

The Turkish case offers a concrete illustration of the central claim of this analysis. Türkiye directs roughly 41% of its exports to the EU market, carbon intensive sectors hold a high share in those exports and coal retains its weight in electricity generation, all of which place the country prominently within the reach of the mechanism.[36] Early assessments predicted that CBAM would impose serious costs on the Turkish economy.

Analyses based on quantitative trade models revise that prediction in part. The study conducted by Beaufils and Gallé with a general equilibrium model finds that the total effect of the mechanism on the Turkish economy remains limited and concentrated in a few energy intensive sectors, and that in some sectors Turkish producers move into a relatively advantageous position. The main reason is that the mechanism ties the obligation to the embedded emissions of the product, so that producers with lower carbon intensity face a smaller certificate obligation. Most steel production in Türkiye relies on the electric arc furnace route, in which scrap steel is melted with electricity, rather than on integrated plants where iron ore is reduced with coal. Because this route has a markedly lower emissions profile per tonne, the model projects an improvement of roughly

35 J. Christopher Proctor, Romain Svartzman and Grace Ballor, "How the EU Can Turn CBAM into an Effective Tool of Climate Diplomacy", IEP@BU, Bocconi University, 2026, accessed 20 July 2026, https://iep.unibocconi.eu/how-eu-can-turn-cbam-effective-tool-climate-diplomacy.

36 Timothé Beaufils and Jérôme Gallé, "Between Challenges and Opportunities: The Impacts of the EU CBAM in Türkiye", IPC-Mercator Policy Brief (Istanbul Policy Center, February 2026); "EU Trade Relations with Türkiye", European Commission, 8 July 2024, accessed 30 July 2026, https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/turkiye_en.

1.3% in the short term in the competitiveness of Turkish iron and steel exports in the EU market.[37]

This measured picture rests on the current scope of the mechanism. Once the proposals for extension are taken into account, Türkiye becomes the most exposed country. The share of EU imports from Türkiye covered by CBAM currently stands at 9.32%, rising to 18.48% under the Commission proposal and to 20.16% under the Council proposal. That figure is higher than for all of the EU's main trading partners, including China (from 2.62% to 10.39%), India (from 7.52% to 13.30%), Japan (from 2.76% to 11.59%) and the United States (from 1.17% to 6.75%).[38] The data show that if the mechanism loses its climate policy character and turns into a protectionist instrument, Türkiye will be among the countries carrying the highest cost. How CBAM is framed is therefore a significant question for Türkiye.

> Türkiye directs roughly 41% of its exports to the EU market, carbon intensive sectors hold a high share in those exports and coal retains its weight in electricity generation, all of which place the country prominently within the reach of the mechanism.

Türkiye's response has taken shape along two axes. The first is Climate Law no. 7552 of 2025,[39] which provides the legal basis for the Turkish Emissions Trading System.[40] The law continues a national policy process that began with the ratification of the Paris Agreement in 2021 and the adoption of the 2053 net zero target. The system is in this sense not only a response to CBAM but a stage in the institutionalisation of national climate policy. Its strategic function is that the carbon price is collected at the national level rather than flowing into the EU budget, and that the revenue is directed to financing the green transition. The decisive element here is the system's capacity for revenue recycling. If ETS revenue is transferred through targeted support to the households most affected, the cost that climate policy places on households can be offset, and the adverse effect of the mechanism on income distribution can be contained.[41] The second axis consists of investment aimed at lowering the carbon intensity of production. Renewable energy supply, energy efficiency measures and green hydrogen infrastructure stand out here. Labour policies that ease the transition for workers in emission intensive sectors complete this axis.

Türkiye is also placed to act as an intermediary between advanced economies and developing countries. This follows from the country's multiple affiliations

37 Beaufils and Gallé, "Between Challenges and Opportunities".

38 Fuchs, Bercero and Reverdy, "Extending CBAM to Downstream Products".

39 "İklim Kanunu" [Climate Law], *Resmi Gazete*, 2025, accessed 12 July 2026, https://www.resmigazete.gov.tr/eskiler/2025/07/20250709-1.htm.

40 "Türkiye Emisyon Ticaret Sistemi Yönetmeliği Taslağı Yayımlandı", Republic of Türkiye Ministry of Environment, Urbanisation and Climate Change, 2025, accessed 20 July 2026, https://iklim.gov.tr/turkiye-emisyon-ticaret-sistemi-yonetmeligi-taslagi-yayimlandi-haber-4519.

41 Beaufils and Gallé, "Between Challenges and Opportunities".

within the international system. Türkiye is a member of the OECD and a trading partner integrated with the EU through the Customs Union, yet it is at the same time an exporter within the reach of CBAM. Its membership of the Western European and Others Group (WEOG) places it in the same regional group as developed countries within the negotiating architecture, while it holds a separate status in the UNFCCC process based on the recognition of its special circumstances. Its location in the Mediterranean basin places it among the countries directly exposed to the effects of climate change. This layered position allows Türkiye to develop a negotiating stance that does not rest on any single side.

THE BALANCE TO BE STRUCK IN ANTALYA: MULTILATERALISM, CBAM AND THE TÜRKİYE-EU AXIS

What links COP31 and CBAM is a basic question about the future of climate diplomacy, namely whether climate action will be shaped by multilateral negotiation or by the unilateral conditionality of large markets. The question is being asked against an increasingly difficult background. Independent assessments indicate that if current policies continue, global temperature rise will follow a path of around 2.6 degrees Celsius. The major economies are not on track with their 2030 targets, and the nationally determined contributions submitted so far are not enough to hold the rise well below 2 degrees. The failure at Belém to secure a binding commitment on the phase out of fossil fuels has made the gap between targets and current policies still more visible.[42]

This picture turns Antalya into more than a routine round of negotiation, into a stage at which the multilateral system's capacity to deliver results will be assessed. Türkiye is both the host and the incoming presidency of that process, a position that creates diplomatic room in four areas. The first is the regular and transparent monitoring, under the UNFCCC, of the effects of unilateral measures on trade and development. The Global Mutirão text agreed in Belém made unilateral trade measures a formal agenda item within the COP architecture and called on the WTO, UNCTAD and the International Trade Centre to cooperate with the UNFCCC. The vitality of the debate was seen again in Bonn in June 2026. In line with the Belém decision, the first UNFCCC Trade and Climate Dialogue was held on 13 June 2026, and the positions of the parties diverged clearly during the session. Developing country groups asked for the dialogue to move beyond a general exchange of views and become a substantive process producing concrete outcomes, and for the effects of unilateral measures on developing coun-

42 "Emissions Pathways to 2100", Climate Action Tracker, 2025, accessed 23 July 2026, https://climateactiontracker.org/global/emissions-pathways.

tries to be assessed systematically. Developed countries defended those measures as legitimate instruments addressing climate externalities.[43]

The second area is the development of a common accounting framework for measuring embedded emissions, aligned with the Greenhouse Gas Protocol and ISO standards, since in the absence of an agreed standard every border mechanism will apply its own methodology and produce a further layer of unilateralism. Cooperation on monitoring, reporting and verification (MRV) systems, together with equitable solutions for the compliance costs faced by small and medium sized enterprises, matters here.[44] The third is the development of mutual recognition and interoperability between carbon pricing systems. By the EU's own assessment, the need for the mechanism will diminish as global carbon prices converge, and the global picture points in that direction. According to World Bank data, 80 carbon pricing instruments were in operation worldwide as of 2024, covering roughly 28% of global greenhouse gas emissions and generating more than 100 billion dollars in public revenue. That coverage rose from 12% to 28% over the past decade, which shows how quickly these instruments have spread.[45]

> What links COP31 and CBAM is a basic question about the future of climate diplomacy, namely whether climate action will be shaped by multilateral negotiation or by the unilateral conditionality of large markets.

The same report names India, Brazil and Türkiye together as countries developing carbon pricing systems in the same period.[46] The Coalition for Compliance Carbon Markets established at COP30 offers a new platform for MRV standards and for interoperability between markets.[47] The fourth area is the inclusion in negotiating texts of a revenue recycling principle, under which part of the revenue raised by border mechanisms would be channelled to decarbonisation investment in the affected developing countries. The proposal answers what is currently the most vulnerable point of the mechanism, since no arrangement provides for the resources the EU collects at its border to return to the countries carrying the burden.[48]

Türkiye stands in this process both as a country affected by the mechanism and as one adjusting to it. As an exporter within its reach, it is well placed to weigh the objections of developing countries. As a country integrated into the EU market through the Customs Union that has chosen the path of adjustment

43 "Bonn Climate Talks: Key Outcomes from the June 2026 UN Climate Conference", Carbon Brief, June 2026, accessed 23 July 2026, https://www.carbonbrief.org/bonn-climate-talks-key-outcomes-from-the-june-2026-un-climate-conference.

44 Fuchs, Bercero and Reverdy, "Extending CBAM to Downstream Products".

45 World Bank, *State and Trends of Carbon Pricing 2025* (2025), 8-14, accessed 30 July 2026, https://documents1.worldbank.org/curated/en/099052726140533053/pdf/P502283-3c932762-c975-44ed-856e-95d37c1e347d.pdf.

46 World Bank, *State and Trends of Carbon Pricing 2025*, 8-14.

47 "COP30: Key Outcomes Agreed at the UN Climate Talks in Belém".

48Proctor, Svartzman and Ballor, "How the EU Can Turn CBAM into an Effective Tool".

by establishing its own ETS, it also has direct experience of how the mechanism works. This position allows a third approach to be developed between outright rejection of the mechanism and unconditional acceptance of it.

On this basis, CBAM is expected to be tied to common criteria within the framework of multilateral climate negotiations. Monitoring, measurement standards, mutual recognition and revenue sharing all aim to move the scope and application criteria of the mechanism out of the EU's unilateral decisions and onto multilateral ground. The function of COP31 in this debate becomes clear at this point. The conference matters not because it would remove unilateral instruments from the negotiating agenda but because it can bring them within the monitoring and standard setting framework of the multilateral system.

CONCLUSION

From Rio to Paris the climate regime was built around common rules and voluntary commitments. The limits of that method in delivering results have become clearer over time. The EU's turn towards producing its own regulatory instruments, as the leading actor in the fight against climate change, is a product of those limits. CBAM is the most concrete instrument of that turn. The mechanism marks a stage in which climate policy is shaped not only at the negotiating table but also through the conditions of market access.

The main risk at this stage is not the economic cost of the mechanism. It arises from the ambiguity of the mechanism's relationship with the multilateral regime. To the extent that border measures are positioned as climate policy instruments serving to prevent carbon leakage, they can support the spread of carbon pricing in third countries. To the extent that they move closer to commercial protection, the compliance they produce will depend on the continuation of commercial pressure, and the shared sense of responsibility on which the climate regime rests will weaken.

The debate over extending the scope shows how fine the line between these two rationales is. Empirical analysis indicates that the pass through of carbon costs to final prices in downstream products does not represent a threshold that would relocate production. Extension, by contrast, creates an asymmetric compliance burden on importers and risks weakening the climate rationale of the mechanism. Determining those criteria solely within the EU's own institutional processes reproduces the underlying problem in the mechanism's relationship with the regime.

COP31 in Antalya matters because it can host the continuation of the trade dialogues established in Belém. In that capacity it allows the scope criteria to be addressed on ground that includes parties from outside the EU. What matters is

that principles such as tying the risk of carbon leakage to measurable criteria, developing a common methodology for calculating embedded emissions, building cooperation on monitoring and verification systems, and channelling the revenue raised towards decarbonisation investment in the affected countries can be carried into the negotiating process.

For Türkiye this agenda carries both a direct interest and a diplomatic function. The proposals for extension more than double the share of EU imports from Türkiye covered by the mechanism and make Türkiye the most exposed trading partner. The criteria that will shape the mechanism are therefore not a theoretical question for Türkiye. Having chosen the path of adjustment by establishing its own emissions trading system, Türkiye also holds a negotiating position. The meaning of the COP31 process for the multilateral regime becomes clear at this point. In a period when unilateral instruments are spreading, the function of the multilateral system is not to remove those instruments but to tie them to common criteria and to mechanisms of transparency.

SEZEN KAYA SÖNMEZ

Sezen Kaya-Sönmez holds a Bachelor's degree in International Relations from Çukurova University and a Master's degree in International Relations from the same university. In 2026, she completed her Ph.D. in International Relations (English) at Kadir Has University. Currently serving as a research assistant at Kadir Has University, Kaya-Sönmez also worked as a visiting doctoral researcher for three months at the Centre Marc Bloch in Berlin, Germany, supported by a TÜBİTAK International Doctoral Research Fellowship. Her academic research interests include environmental security, climate security, critical security studies, and the European Union. In addition, she hosts a series titled Yeşil Konuşmalar: Çevrenin ve Ekolojinin Sesi (Green Talks: The Voice of Environment and Ecology) on the Paradigma Podcast Channel, in partnership with the Panorama Global web portal.

The European Union's Green Diplomacy: The Carbon Border Adjustment Mechanism Effect and COP31

Sezen Kaya Sönmez

Climate policy today is no longer a purely environmental issue; it has become a field in which trade tensions, industrial strategies and great power competition intersect. The multilateral climate regime built on consensus and negotiation over the course from Rio to Paris is therefore increasingly confronted with unilateral regulatory instruments.

At the centre of this transformation stands the EU, which has shifted its climate leadership from normative discourse to a regulatory programme. The 2019 European Green Deal, by placing climate policy at the core of the Union's growth, industrial and foreign policy strategies, has over time turned it into an instrument of external influence. The most concrete example of this instrument is the Carbon Border Adjustment Mechanism (CBAM), which entered its definitive phase on 1 January 2026. By applying to imported goods a carbon price indexed to the EU ETS, the mechanism effectively converts the Union's internal climate standard into a trade and foreign policy tool.

The central argument of this analysis is that the principal problem CBAM creates is not its economic cost but the ambiguity of its relationship with the multilateral regime. While the mechanism derives its legitimacy from the Paris Agreement, its scope and implementation criteria are determined entirely within the EU's own institutional processes. Türkiye is one of the important cases in which the consequences of this ambiguity can be observed. Affected only to a limited extent under the current scope, it would become the most exposed trading partner in the event of an extension. COP31, to be convened in Antalya, thus gains significance for the institutional opportunity it offers to bring questions of scope and common methodology onto a multilateral footing through the trade dialogues established in Belém.

20.yıl | SETA

ANKARA • İSTANBUL • WASHINGTON D.C. • BERLİN • BRUSSELS

www.setav.org