



Press Release

U.S. Carbon Border Adjustments Proposals and World Trade Organization Compliance

PAULINA ENCK | FEBRUARY 8, 2023

The European Union announced that it had finalized plans to institute the world's first carbon border adjustment mechanism (CBAM), which will likely bring U.S. proposals for a similar mechanism back to the forefront this year. In a new insight, Director of International Economic Policy Tori Smith explains how a CBAM works and urges caution for supporters of such a policy given its risk of violating World Trade Organization (WTO) commitments.

Key points:

- Members introduced legislation during the 117th Congress to create a CBAM to tax carbon-intensive sectors, but the issue is still widely debated.
- A CBAM in any form would likely run the risk of violating international trade commitments under the WTO.
- Compliance with U.S. commitments under the WTO should be a top priority when considering any mechanism to tie trade and climate policy because disregarding WTO commitments could draw retaliation from trading partners.

[Read the analysis](#)