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The Carbon Border Adjustment Mechanism (CBAM) and Its Implications for Germany–Türkiye Trade

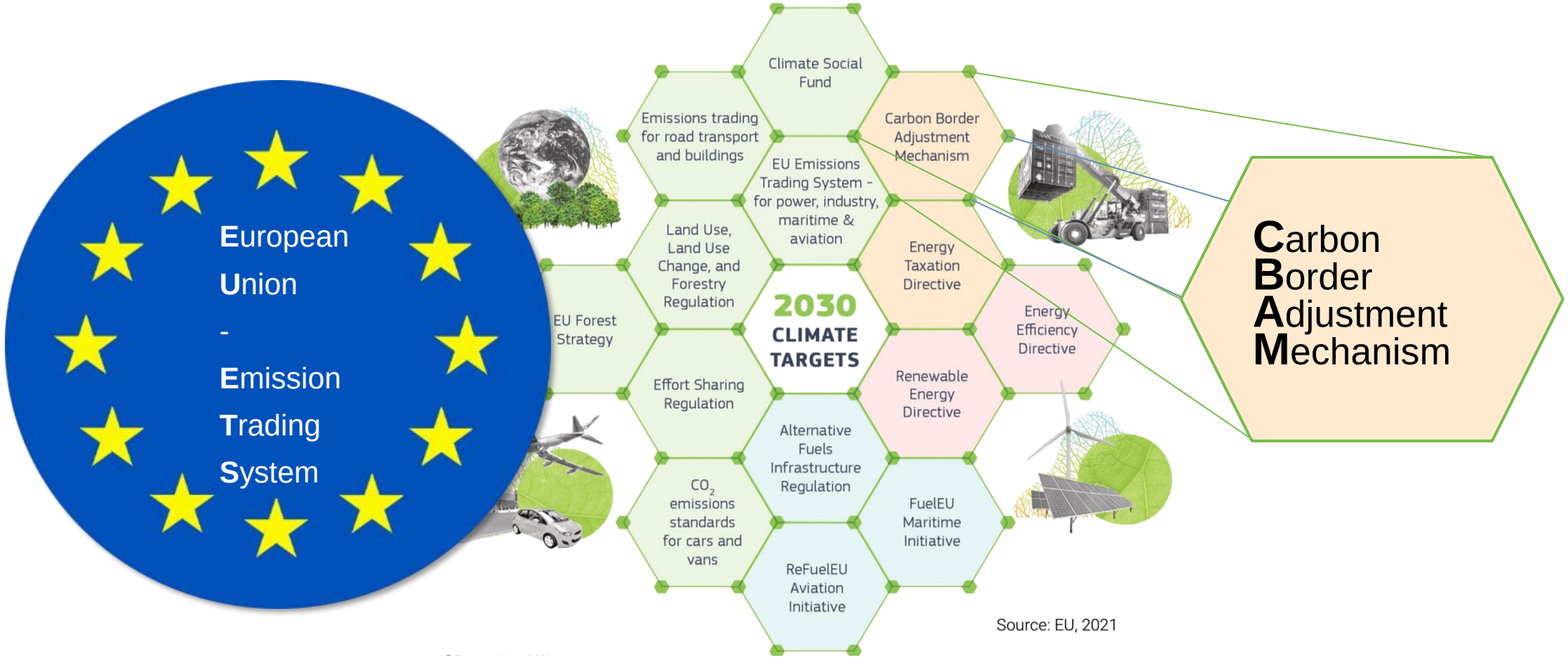
Christian Klöppelt, M.Sc.

21.05.2025, Istanbul

Facilitator

energie waechter

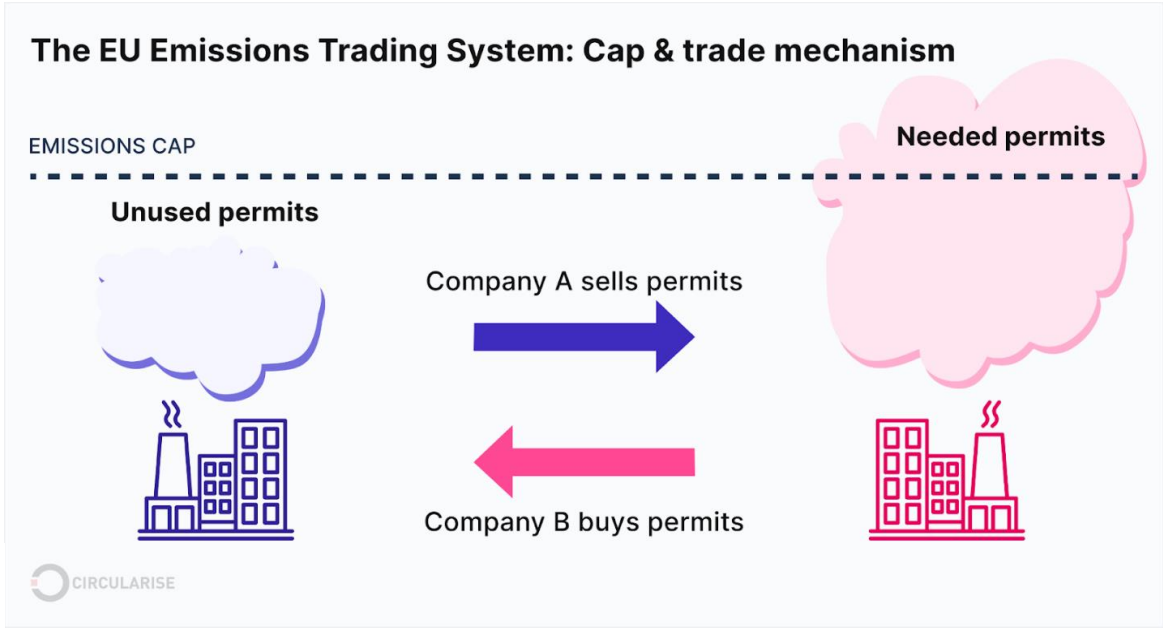
EU-ETS and CBAM



Cap & Trade
How does it work?

- Emission trading, also known as cap and trade, is a market-based approach to controlling pollution by setting a limit (or cap) on the amount of emissions allowed.

- Companies can trade permits to emit pollutants, incentivizing reductions where they are most cost-effective and ensuring overall emissions remain within the set limit.



Source: Climate Policy Info Hub.

EU-ETS

- In operation since 2005
- Four phases for implementation
- Now in final phase

Current Price

66,5 €

(25.04.2025)

Source: Trading Economics, EEX.

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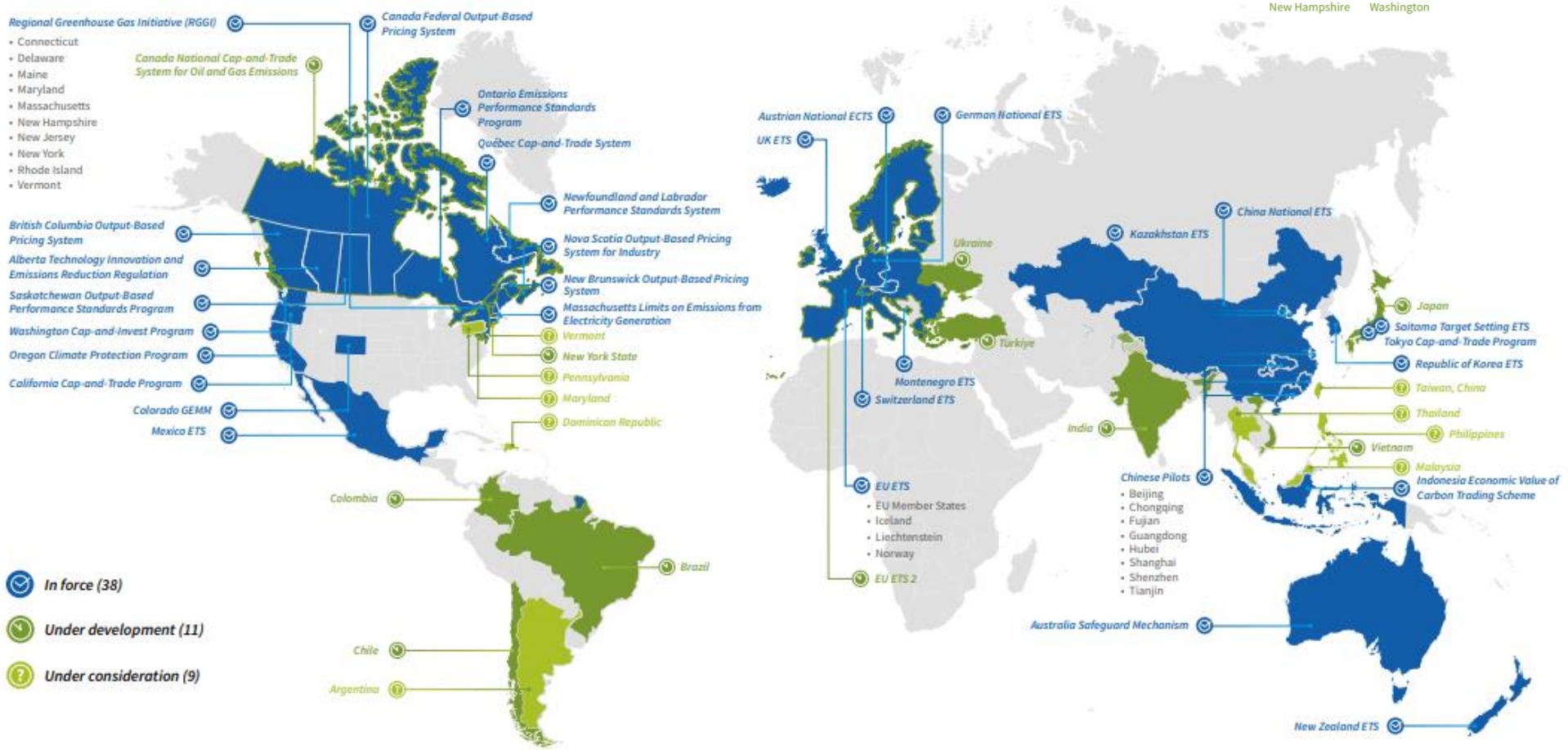
Emission Trading Worldwide

5 Cities
Beijing*
Chongqing*
Shanghai*
Shenzhen
Tianjin*

27 Provinces & States
Alberta
British Columbia
California
Colorado
Connecticut
Delaware
Fujian
Guangdong
Hubei
Maine
Maryland
Massachusetts
New Brunswick
New Hampshire
New Jersey
New York
Newfoundland and Labrador
Nova Scotia
Ontario
Oregon
Prefecture Saitama
Québec
Rhode Island
Saskatchewan
Tokyo
Vermont
Washington

13 Countries
Australia
Austria
Canada
China
Germany
Indonesia
Kazakhstan
Mexico
Montenegro
New Zealand
Republic of Korea
Switzerland
United Kingdom

1 Supranational
EU Member States
+ Iceland
+ Liechtenstein
+ Norway



Source: ICAP Status Report.

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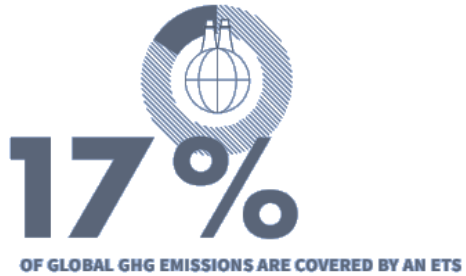
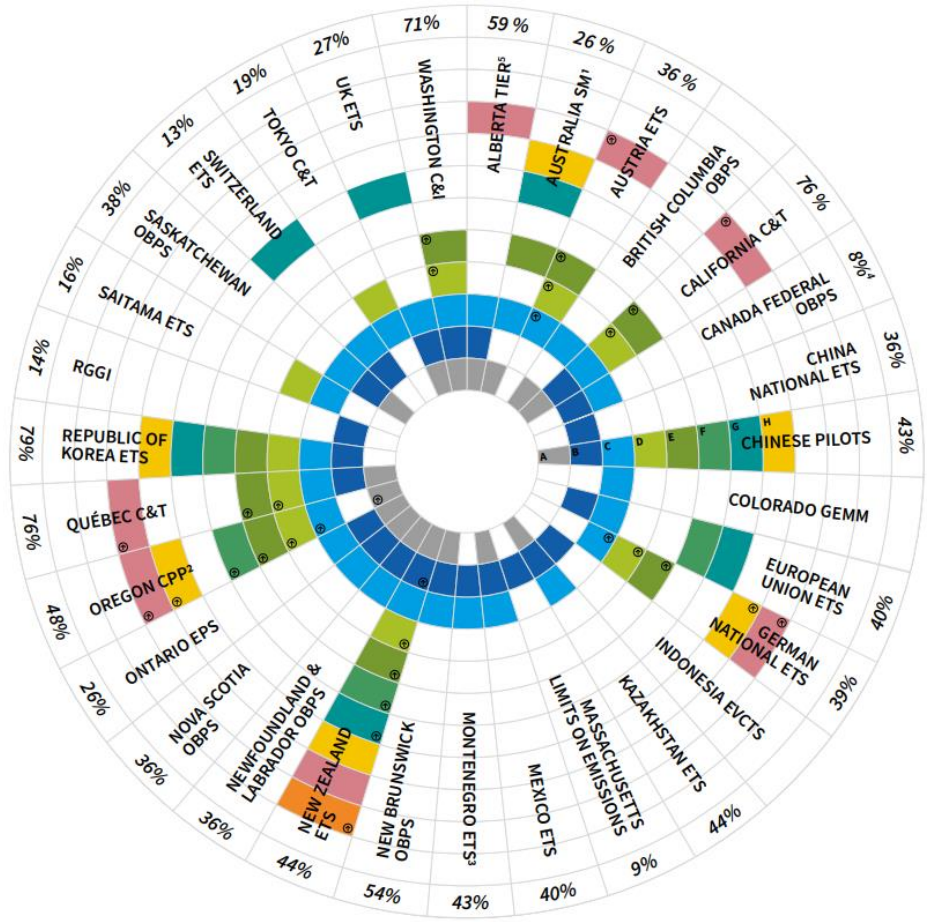
ETS and Carbon Leakage

- 1/3 of the world's population and 17% of global greenhouse gas emissions covered by emission trading.
- Possible **carbon leakage**:
  - Carbon intensive production could move to countries with less strict climate policies.
  - Imported goods could have a price advantage.

➢ Carbon Border Adjustment Mechanisms (CBAM)



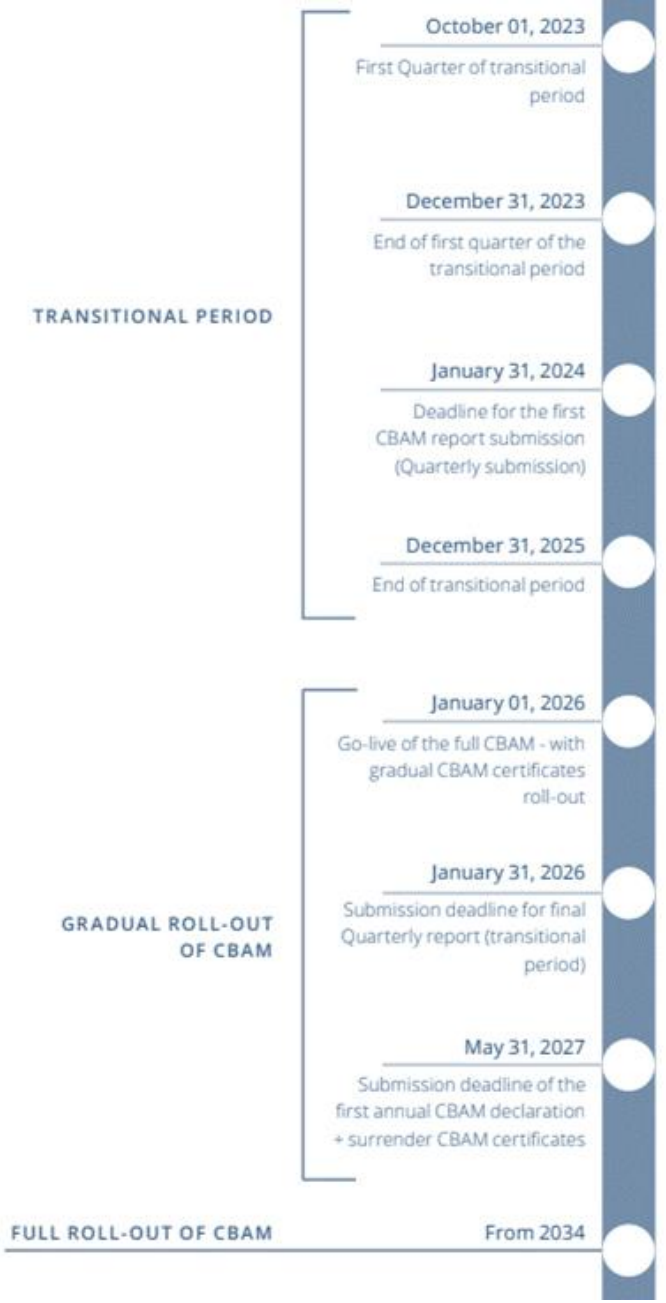


Source: ICAP Status Report.

CBAM - Timeline

“The CBAM equalises the price of carbon paid abroad for foreign products and in the EU by putting a tariff on emissions embedded in goods produced outside the ETS.”

- Transitional Period from **2023 (no financial obligation).**
- Roll-Out from **2026 (purchase and surrender CBAM certificates).**
- Covers **direct and indirect emissions** who occur outside or partial outside the EU.
  - Direct Emissions: Production process of goods, including heating and cooling.
  - Indirect Emissions: Arising from production of electricity, which is needed for the production process.
- Countries covered by or linked to EU-ETS are excluded from the application of CBAM.



Source: Deloitte.

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Products and Exports

Products covered

Source: FFE.

The regulation will include certain precursors and downstream products
Indirect emissions would also be included in
the regulation in a well-defined manner.

- Relevant companies must adapt to comply with the Carbon Border Adjustment Mechanism (CBAM).
- Understanding and meeting CBAM requirements, including providing information on embedded emissions to importers, is essential.
- Failure to provide this data may require importers to resort to default values, increasing CBAM certificate costs.
- Long-term adaptation involves continuous reduction of embedded emissions in production processes.
- The reduction is necessary as the free allowance under the EU-ETS decreases annually.

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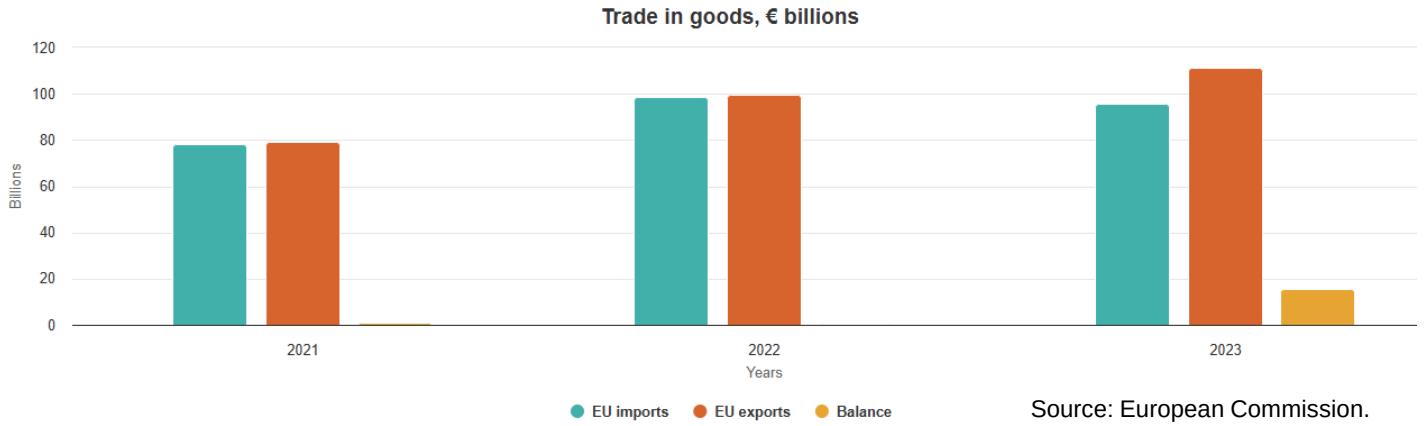
Implications for trade with Türkiye and the EU

Türkiye is one of the leading countries exporting carbon-intensive products to the EU with a **share of 6,8 %.**

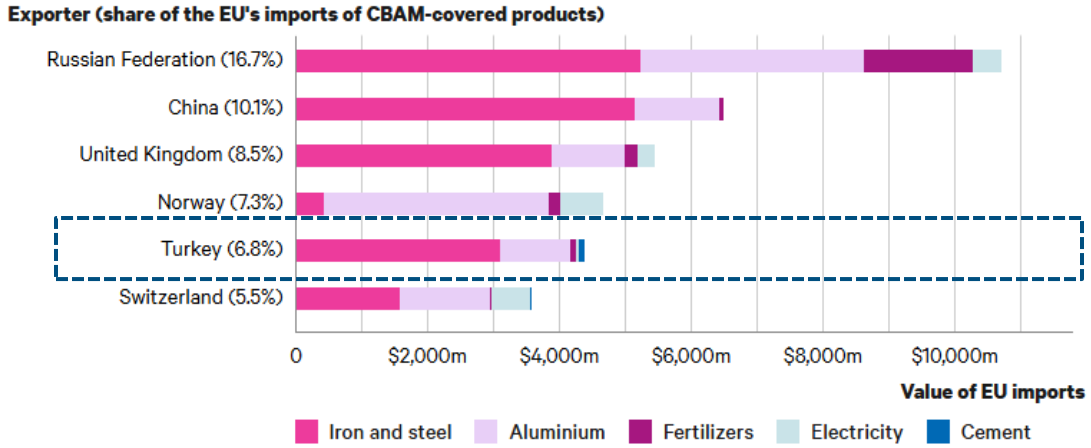


Source: European Commission.

European Union Imports from Türkiye annual average 2015-2019* in Million Euro.

Product	Share	Total	Trend
Iron & steel	8,6 %	2,716 €m	
Aluminum	5,6 %	940 €m	
Cement	29,6 %	70 €m	
Fertilizers	1,28 %	60 €m	

*trade distortion due to Covid-19.



Source: Chatham House.

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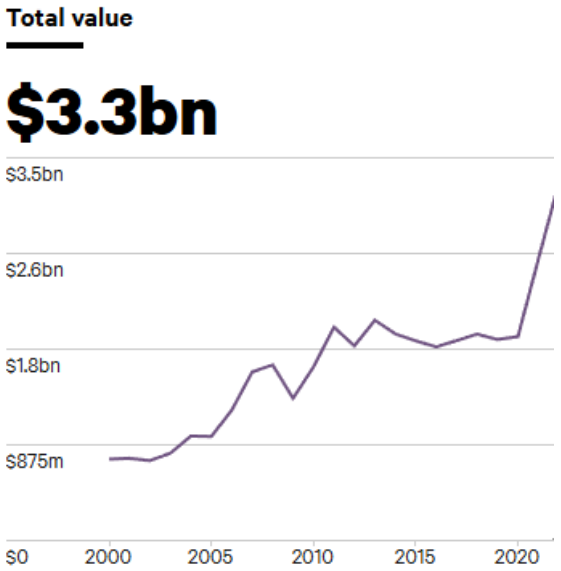
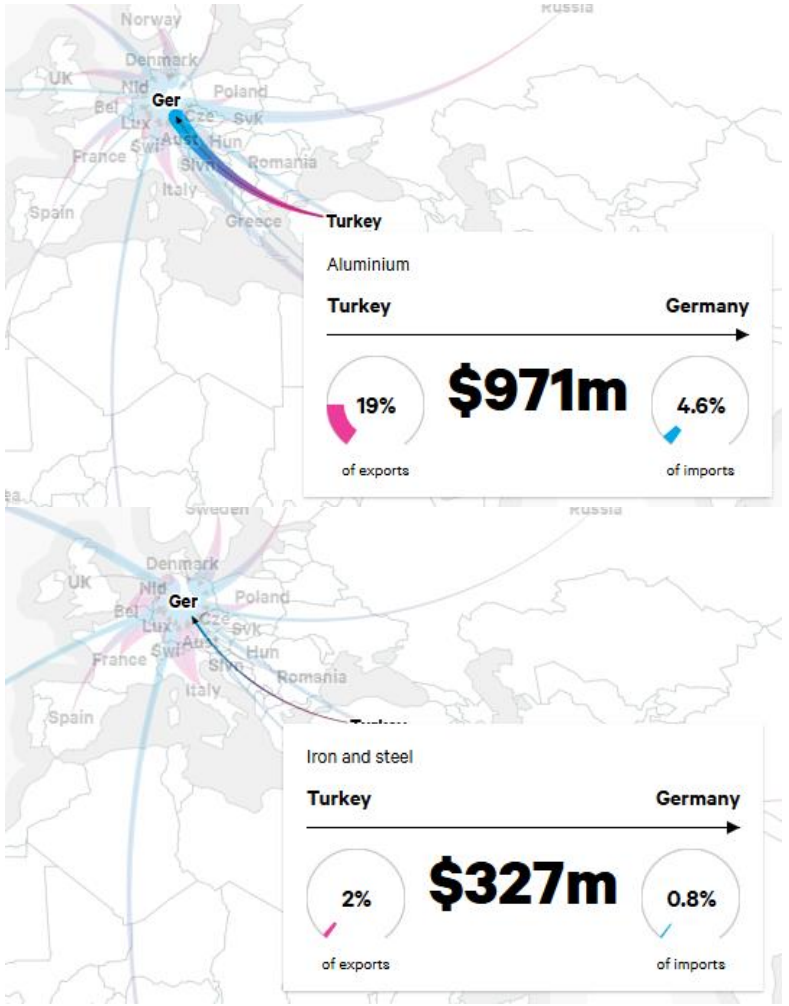
Implications for trade with Türkiye and Germany

- Total value of imports of commodities are about **2,9 billion Euro (2022).**
- The most important imports to Germany are **iron and steel, as well as aluminum**, with import volumes of more than a **billion Euro**.
- Cement and fertilizer only account for a small proportion of the import balance.

➢ Continuously rising import quota from Türkiye with a high proportion of CBAM-relevant commodities.





Source: Chatham House.

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Implications for German companies

Category	Opportunities	Risks
Cost & Pricing	Level playing field for EU producers (less unfair competition).	Higher import costs due to CBAM certificates on Turkish goods.
Supply Chain	Incentive to diversify towards greener suppliers.	Disruption of existing supply chains due to carbon-related trade barriers.
Innovation	Push for innovation and green technology partnerships with Turkish companies.	Turkish suppliers may lag in decarbonization, limiting options.
Sustainability	Enhanced ESG compliance across supply chains.	Difficulty verifying emission data and compliance from Turkish partners.
Market Position	First-mover advantage in climate-aligned sourcing strategies.	Potential loss of competitiveness if competitors source from non-CBAM-regulated markets.
Investment	Opportunities for joint ventures or investment in green industry in Türkiye.	Increased administrative and reporting burdens.

Implications for German companies

Category	Opportunities	Risks
Cost & Pricing	Level playing field for EU producers (less unfair competition).	Higher import costs due to CBAM certificates on Turkish goods → *Reduction via emission cuts.*
Supply Chain	Incentive to diversify towards greener suppliers.	Disruption of existing supply chains due to carbon-related trade barriers.
Innovation	Push for innovation and green technology partnerships with Turkish companies.	Turkish suppliers may lag in decarbonization, limiting options → *Innovation partnerships and R&D.*
Sustainability	Enhanced ESG compliance across supply chains.	Difficulty verifying emission data and compliance from Turkish partners → *New business model.*
Market Position	First-mover advantage in climate-aligned sourcing strategies.	Potential loss of competitiveness if competitors source from non-CBAM-regulated markets.
Investment	Opportunities for joint ventures or investment in green industry in Türkiye.	Increased administrative and reporting burdens → *New business model.*

- **Risks can also be opportunities**

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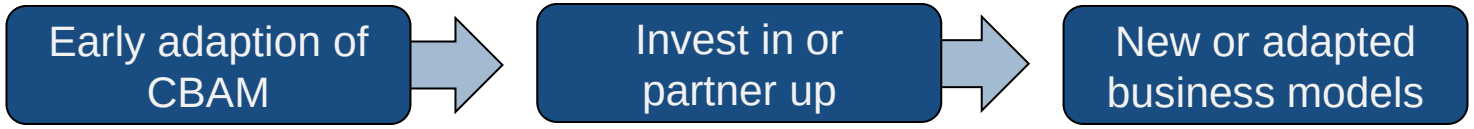
Key Takeaways

- **CBAM will reshape German-Turkish trade**, especially in carbon-intensive sectors like steel and aluminum.
- German companies have the opportunity to **supply emission-reducing, parts, machines and systems.**
- **Supply chain transparency and emission reporting** will become critical for continued trade with Turkish suppliers.
- **There is a strategic opportunity for German firms** to invest in or partner with Turkish producers on green technologies.
- **Long-term success depends on adaptation:** companies that align early with climate regulations can gain a competitive edge.



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Thank you for your attention!

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LinkedIn:

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