African Future Policies Hub

The Inequity of Evolving EU Climate Regulations for African Countries

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Introduction

As global markets weather the uncertainties brought about by reciprocal tariffs between the United States and its trading partners, and with uncertainty surrounding the continuation of the African Growth and Opportunity Act (AGOA) beyond its expiry in October, African countries face a volatile and uncertain global trading environment. While this could open opportunities to expand domestic manufacturing and intra-African trade, such transitions will take time. Meanwhile, African governments are challenged to overcome rising levels of debt, making it difficult to find the fiscal space to mitigate the impacts of trade pressures and fund domestic climate action.

In this context, the European Union's (EU's) evolving climate-related regulations present a complex economic and administrative burden that will exacerbate uncertainty for many African countries. Over the past few years, regulations on carbon border tariffs, deforestation, methane, and revisions to the bloc's Emissions Trading Scheme (EU-ETS) have proliferated, many of which are subject to last-minute changes. The full impact of these measures on the region is still to be determined, however, early indicators for some of them suggest they may be significant. While these instruments may yield positive outcomes, their design lacks adequate mitigation measures, raising questions about the equity of their anticipated impact on African countries.

In this analysis, we discuss what these rules and regulations entail and how they are expected to impact African nations, concluding with recommendations on what African countries and affected exporters could do to respond.

Photo by: I am Alex | pexels.com

Measure	Overall aim	Commencement date	Goods Covered	Linkages and Funding	Impact[CW3] [CW4]
1.Carbon Border Adjustment Mechanism	Border Tariff on certain goods imported goods into the EU linked to the volume of emissions embedded in the goods.	1st October 2023, with full implementation in January 2026	cement, iron and steel, aluminum, fertilizers, electricity, and hydrogen.	EU ETS 75% of revenue to go to EU budget, 25% to EU member states. Proposal to channel some funds to EU high emitting manufacturers impacted by EU ETS changes.	• Under one model it may reduce continental GDP by -0.91%, equivalent to a $25-billion reduction in GDP at 2021 levels, • More assessments are needed to understand competitiveness impacts and the costs of introducing carbon pricing systems
2. EU Deforestation Regulation (EUDR)	Due diligence requirement to ensure imports are not produced on land that was subject to deforestation or forest degradation after 31 December 2020.	30 December 2025 for large and medium sized enterprises, 30 June 2026 for micro and small enterprises (with draft proposals to extend)	Cattle, cocoa, coffee, oil palm, rubber, soy, and wood, additionally derived products e.g. leather, chocolate, and furniture. Proposed exemption for small and micro "primary operators."	EU ETS No funds generated.	• Expected compliance costs • No detailed impact assessment yet save for projected $11 billion losses in Africa.
3. Inclusion of Shipping with EU-ETS	To reduce emissions from ships within EU border and travelling to EU ports. Ships travelling from non-EU ports to EU ports will have 50% of their emissions subject to the EU ETS and must surrender equivalent allowances.	1 January 2024, scope of gases covered increases on 1 January 2026.	Commercial ships of 5,000 gross tonnage or more	EU ETS Surcharges to go to EU Innovation Fund to finance green projects in the EU	• Expected compliance costs • No detailed impact assessment yet • Anecdotal evidence of 10% increase in maritime costs for importers • Shipping surcharges - often passed to consumers, are sometimes 3x the ETS cost recovery rate
4. Methane Regulations	To reduce methane emissions from the oil, gas and coal sectors. For imports, they must demonstrate monitoring and compliance with methane intensity of production values.	4 August 2024, with staggered compliance deadlines for 2025, 2027, 2028 and 2030.	Various specified oil, gas and coal activities in the EU, and crude oil, natural gas and coal imported into the EU market	Global Methane Pledge No revenue anticipated	• None to date, more detailed studies are required.

The CBAM

One of the more prominent measures under the EU's Green Deal package is the Carbon Border Adjustment Mechanism (CBAM). Legislated as part of the EU's Green Deal, it commenced operation on 1 October 2023 and is due to be fully implemented in January 2026, when its transitional phase ends. The CBAM imposes a form of border tariff on carbon-intensive goods imported into the EU. Its purpose is to avoid carbon leakage and level the playing field for EU producers subject to its Emissions Trading Scheme (EU ETS). It has also been presented by the EU as a mechanism to facilitate decarbonisation in exporting countries by encouraging them to develop carbon pricing instruments, such as a carbon tax or ETS.

Impact on African States

The full impact of the CBAM on Africa's diverse range of exports is still under assessment. The EU is adamant that developing countries and Least Developed Countries (LDCs) are not the most affected. However, it is currently in the process of undertaking an impact assessment on developing country trading partners, due to be released at the end of this year. Early research has found that the impacts on the region will likely be significant. Under one model, it may reduce continental GDP by -0.91% (equivalent to a $25-billion reduction in GDP at 2021 levels), with the impact on African countries being larger, as a share of their gross domestic product (GDP), than on all other regions.

Design

During the transitional phase, EU importers of CBAM-covered goods are obliged to report only their embedded emissions for a limited range of goods and some precursors, including aluminium, iron and steel, cement, fertilisers, electricity, hydrogen and some downstream products.

Next year, once the CBAM enters its definitive phase, importers will start incurring financial liabilities and will need to purchase and surrender CBAM certificates, equivalent to the carbon embedded in their imports. The scope of covered products may also expand in the next phase, meaning that more imported products will be subject to a border fee. While the regulations impose the financial obligation on EU importers, importers will likely seek to partially or fully pass these costs onto their African export counterparts, leaving them highly exposed.

The CBAM was recently amended to reduce compliance burdens for EU importers and adjust the exemption threshold. While the change does offer some relief to some smaller exporters, it is unlikely to provide a material reprieve for African states as the same 99% of embedded emissions will remain covered under the revised rules. There is also no commitment to earmark or recycle revenues generated by the CBAM to impacted countries. Instead, the EU intends to continue delivering green transition support through the EU-Africa Global Gateway Investment Package. While useful, this finance is already a legal commitment under the Paris Agreement, and should not be repackaged as CBAM support.

Under its current design, the only way to reduce CBAM liability is if it can be demonstrated that a carbon price has already been paid for that product in its country of origin, for example under a carbon tax regime or ETS. At present, there is no exemption or special dispensation for African countries or LDCs.

African Responses

To mitigate its impact, some African countries and their exporters have been considering the full range of options available to them, such as introducing a domestic carbon pricing scheme in the form of a carbon tax or ETS, as well as strengthening and refining systems for monitoring, reporting and verification of their greenhouse gas (GHG) emissions data.

None of these methods is simple. African countries have immature emissions reporting regimes and unique emissions profiles, and introducing an economy-wide carbon tax on them would be relatively complex and administratively burdensome.

They also face other challenges in implementing pricing schemes, varying between immature revenue collection schemes, a diffuse tax base, a relative lack of the necessary administrative infrastructure for implementation, and a greater risk of regressive impacts on poorer populations.

Many developing countries, particularly those within the BRICS group, such as Brazil, India, and South Africa, have strongly opposed the CBAM, arguing it unfairly impacts developing countries and is contrary to international trade and environmental law.

They argue that the measure disproportionately impacts low- and middle-income countries, which are often reliant on carbon-intensive exports, and may lack the financial resources to decarbonise within the timeframes of the CBAM's implementation. Many African countries also lack domestic carbon pricing systems. Where they exist, they are still in their infancy, and the relative carbon price cannot compete with the rate of the CBAM.

In the absence of measures to domesticate this revenue, it flows to the EU under the CBAM, with no indication from the EU that it will recycle it back. The EU has also indicated it may even use these revenues to compensate its own high emitters for changes to the EU ETS, demonstrating that the measure is not just about levelling the playing field but that it is also protective in nature. This has led to justifiable complaints that developing countries are being forced to pay for Europe's decarbonisation efforts. In this way, the CBAM could exacerbate global inequalities, which is contrary to the principle of Common but Differentiated Responsibilities and Respective Capabilities (CBDR-RC) and undermines the nationally led nature of mitigation responses supported by the Paris Agreement.

The EU-DR

In an attempt to address rising rates of global tree cover loss, the EU, a large consumer of products that fuel deforestation, adopted the EU Deforestation Regulation (EUDR) in 2023. The regulation seeks to ensure that products imported within the bloc's borders are not produced on land that was subject to deforestation or forest degradation after 31 December 2020.

Design

The instrument covers timber and 6 agricultural commodities, namely soy, palm oil, rubber, cattle, cocoa, coffee and their derivatives such as beef and furniture. To be sold in or exported into the EU, products must comply with three conditions: they must be deforestation-free, produced in conformity with relevant laws in the country of origin, and accompanied by a due diligence statement showing that the company has verified EU requirements. While the regulation is fully in place, large and medium businesses are only expected to comply from 30 December 2025, with a draft proposal to allow a six-month initial grace period during which they will not be fined, and small and micro ones from 30 June 2026, with a proposal to shift this to 30 December 2026.

The EUDR has faced delays and pushback both within the EU and commodity-producing countries outside the continent. Much of the resistance centres on the cost and complexity of compliance, as well as fairness, particularly for smallholder farmers. The measure risks excluding these producers from the EU market, undermining livelihoods and aggravating existing inequalities. Further, some countries have labelled the EUDR as unilateral and discriminatory, raising concerns about its alignment with World Trade Organization (WTO) rules and its potential to strain trade relations. Indeed, when the EU approved the postponement of the EUDR's enforcement, it was done synchronously with a watered-down version that introduced a "no-risk" category for countries that show a net increase in forest cover. In essence, this allows the EU to determine whether and how the measure is applied, an arbitrary move which will likely allow for geopolitical interference in the application of the law.

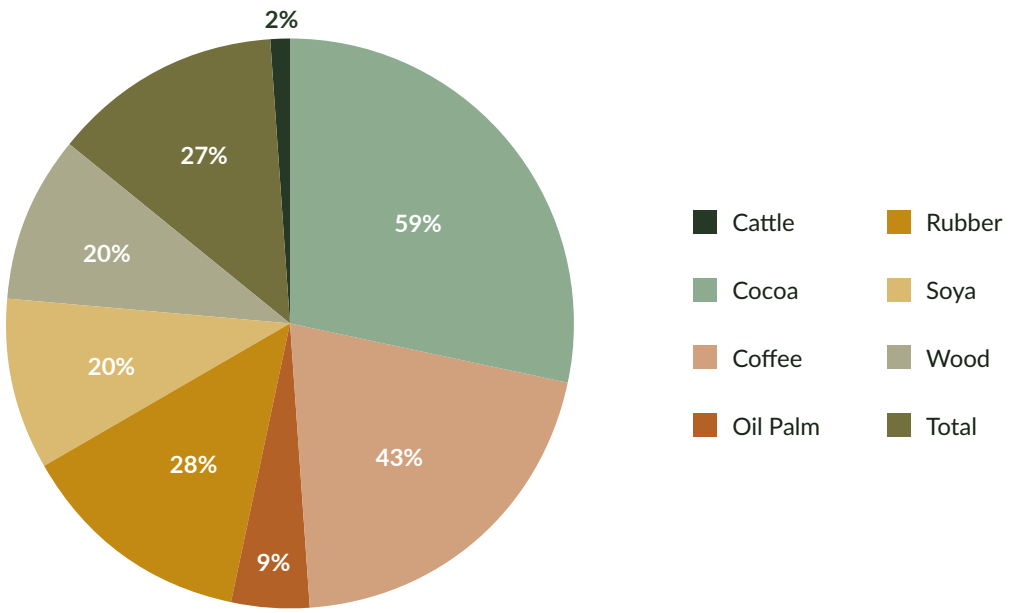
On October 21 2025, the European Commission formally proposed simplifications to the EUDR. While the law will still apply from January 2026, the proposal now introduces a simplified regime for small and micro "primary operators," effectively creating an exemption for small companies that sell directly to the EU market. These small and micro operators, which can include companies with a turnover of up to EUR 12 million (in low-risk countries including China and Vietnam), will no longer need to submit a full due diligence. The application date for these micro and small operators has been postponed by six months, from 30 June 2026, to 30 December 2026. The Commission also proposes that downstream operators (such as retailers and manufacturers acquiring a product already placed on the EU market) should no longer be obliged to submit due diligence statements; they too are now exempt. The reporting responsibility will now primarily rest with the first operator who introduces the product into the EU.

Impacts on Africa

For Africa, the EUDR has broad consequences because of its agricultural focus, a sector which is vital to the region's economy. Agriculture accounts for 30 – 40% of the continent's GDP and employs 65 – 70% of its labour force. More than 70% of the region's poor live in rural areas where agriculture remains their most important economic activity. For instance, cocoa is important to the economies of Ivory Coast and Ghana, which are the largest and second largest producers of cocoa in the world. For Ivory Coast, Cocoa accounts for about 40% of export revenues and in Ghana it is second only to mineral exports. The contribution to GDP is also relatively significant at 15% in Ivory Coast and 7% in Ghana. The sector provides income for millions of people, including a large number of smallholder farmers.

A look at Africa's export profile for some of the 7 products covered under the EUDR shows heavy reliance on trade with the EU. Figure 1 shows that between 2021 and 2023, Africa's exports of the 7 products to the EU accounted for about 27% of its total world exports. In particular, Africa's cocoa (59%) and coffee (43%) exports are reliant on the EU market.

Figure 1: Africa's exports to the EU as share of its total exports for EUDR products



Source: Based on data from ITC Trademap (www.trademap.org)

The impact of the EUDR on Africa could be substantial. The region risks losing USD 11 billion in annual export revenue if countries are unable to meet the regulation's requirements. Adherence however, will be challenging for many African countries. Agricultural production on the continent is largely driven by smallholder farmers who lack the financial resources, technical capacity and infrastructure needed to comply with the EUDR's strict standards. Most of these farmers operate in remote areas where they have limited access to technology and information, creating major challenges in adopting traceability systems and other essential compliance tools.

Notably, the proposed amendments to the EUDR should ideally present benefits for micro and small operators in Africa. However, this is based on the EU's benchmarking process, which classifies countries into risk categories (low, standard or high risk). An unfavourable classification would still place a heavy burden on exporters regardless of the recent amendments for small operators. Many African countries are still considered standard risk or are not considered low risk, meaning that these simplifications will not apply. The risk profiling is prone to the simplicity with which African countries are rated in other spheres by credit rating agencies. This could place them at a competitive disadvantage.

Though noble in intention, the measure has the potential to disrupt African countries, which are battling structural and geopolitical economic challenges on many fronts. While curbing forest loss or damage is essential for global climate action, the implementation of these regulations must be sequenced in a manner that does not compromise exporting countries' economies to ensure a just and equitable transition.

Response Measures

An equitable approach to the implementation of the EUDR requires the EU to provide much-needed financial assistance to Africa.

Many African producers, especially smallholder farmers, lack the financial resources to implement traceability systems and meet the costs related to compliance.

Africa remains ostracised in the global financial architecture as a result of high-risk perceptions, making access to finance for such systems costlier than in other regions. Although some countries, such as Ghana and Ivory Coast have started to implement some traceability systems, enforcement remains weak and these are not fully aligned with EU standards. Therefore, to address financing challenges, the EU should offer grants, concessional finance, and blended financing, among others, to reduce compliance costs and prevent market exclusion. Allied to this is the need for support towards technical capacity.

Through partnerships with African Governments, the EU can support training programmes, data systems and digital infrastructure to enable robust monitoring, reporting and verification (MRV) of deforestation-free supply chains. Inclusive dialogue is also necessary through consistent engagements with African stakeholders to shape how the regulation is implemented, especially to overcome the perception that the EUDR is a one-sided mandate that ignores local African realities and does not foster collaborative effort.

Photo by JG Collomb, World Resources Institute, 2001. WRI's Global Forest Watch team in the field in central Africa, 2001.

The EU ETS for Shipping

The EU ETS is a cap-and-trade system that was established in 2005 as the world's first and largest carbon market. Under the scheme, the amount of carbon that is permitted to be emitted by emitting entities in the period is fixed or capped. This carbon cap is translated into emissions allowances or permits known as European Union Allowances (EUAs).

Each EUA allows the holder to emit one tonne of carbon dioxide equivalent (CO_2e) into the atmosphere. At the end of the relevant period, companies are required to surrender or return allowances equal to their emissions, failing which severe financial penalties are imposed. The price of the EUAs is therefore the price of carbon to be paid by the eligible entity and this is currently around EUR81/tonne of CO_2e.

Under its Fit for 55 Package and Green Deal Framework, the European Union extended the EU ETS to include the shipping industry on 1 January 2024, requiring shipowners to surrender allowances for every metric tonne of CO_2 emitted as a result of burning fossil fuels in sailing to or from an EU port. The stated goal of bringing shipping under the ETS is to force shipowners to internalise the cost of GHG emissions and to incentivise emission reduction measures through energy efficiency and low-carbon solutions, thus reducing the price difference between alternative fuels and traditional maritime fuels.

The EU ETS for shipping is being implemented in phases, with shipowners required to surrender allowances for only 40%, 70% and 100% of the cost of emissions generated in 2024, 2025 and 2026, respectively. In addition, for sailings between an EU port and a non-EU port, allowances are required for only 50% of the emissions. At the end of each reporting period, the shipowner must pay for its emissions by submitting EUAs for each tonne of CO_2 emitted.

Photo by: Marine Public

It is reported that the EU ETS has generated an estimated USD175 billion since 2013, and the extension to cover maritime transport is expected to generate some USD40 billion in revenue for the EU Innovation Fund.

Impacts on Africa

However, while the idea is for shipowners to internalise the external costs of carbon emissions, this is often not the case, particularly in regions like Africa where the combination of high demand for shipping services (90% of the continent's trade with the rest of the world is carried by sea) and limited African fleet ownership has created a seller's market for shipowners. As a result of market power, shipowners are able to pass through the full cost of compliance with this regulation to importers in Africa via the imposition of emissions surcharges. In Ghana, for example, importers are levied with emissions surcharges of about USD 157 for each 20ft container imported from Europe. This has driven an estimated 10% rise in maritime transport costs since the EU ETS for shipping was introduced. With maritime transport playing a vital role in connecting Africa's import-dependent economies with trading partners in the global north, such an increase in transport costs could have significant unintended impacts.

Furthermore, with surcharges reportedly up to ten times higher on African routes than on other routes, these surcharges have a disproportionate negative effect on trade to/from the African continent. Studies have also shown that some shipping lines are pegging the surcharges at levels that far exceed cost recovery, thereby generating profit from polluting. In a report published by the European Commission, it establishes that liner shipping services have imposed surcharges as much as 3 times the ETS cost recovery levels.

Adding to the unfairness is the fact that the surcharges, which are collected from consumers around the world, including African consumers, once paid into the Innovation Fund, can only be used for funding green projects in the European Union. With almost 39 million TEU imported into Africa in 2023, and with Europe being Africa's second largest partner, billions of Euros are estimated to be transferred from Africa into the Innovation Fund.

While EU leadership in decarbonising shipping is laudable, climate action that is truly aligned with the Paris Agreement must be equitable and just, reflecting the Polluter Pays Principle and the principle of CBDR-RC.

Global regulations are preferred

The challenges identified above are best addressed by a global approach to emission reduction like the International Maritime Organisation's (IMO) 2023 Greenhouse Gas Strategy 2023 which aims to reduce emissions from global shipping to net zero on or around 2050. In line with this strategy, IMO member states, which include 37 African nations, together developed the IMO Net Zero Framework (NZF), a set of mid-term measures for achieving carbon neutrality from global shipping, which was approved in April 2025 and was to be adopted in October 2025. Ahead of the October decision, however, African stakeholders joined many industry players in expressing concern that the IMO NZF would overlap with the EU's existing unilateral measures, leading to multiplicity of regulation, high administrative burden for shipowners and creating layers of compliance costs that would ultimately be passed on to African consumers. In response, ahead of the crucial meeting of IMO member states, the EU issued a statement

in support of the NZF, adding that it would review relevant regulations, but stopping short of assuring that it would withdraw the EU ETS from international shipping to allow the NZF to stand alone as the single global regulation for reducing emissions from shipping. In the end, the IMO voted to delay a decision on the NZF until October 2026.

This pause provides opportunities for member states of the IMO to address the uncertainties with the NZF through the conduct of national economic impact assessments, and by advancing work on the development of the NZF guidelines, particularly those related to the governance of the Net Zero Fund and criteria for disbursement, food security, fuel lifecycle analysis, amongst others. More importantly, African member states can coordinate a unified approach to the adoption of the measures, making sure to maximise climate action while securing the continent's collective ambitions for maritime and trade.

Photo by: MEPC at the IMO Marine Public

Methane Regulations

In 2024, the EU published dedicated Methane Regulations aimed at reducing avoidable methane emissions in the EU's energy sector as well as global supply chains. The rules are part of the EU's Green Deal, but also follow the Global Methane Pledge at COP26, where multiple countries agreed to reduce methane emissions by 30% by 2030.

The regulations govern EU production and imports of oil, gas and coal, requiring EU producers to implement various safeguard and prevention measures such as leak detection and repair programmes, and a ban (for oil and gas) and a phase out (for coal) on venting and flaring, with some exceptions.

The rules also introduce an increasingly onerous compliance regime for imports of these fuels. At the onset, importers of crude oil, natural gas and coal into the EU must provide information on the extent to which these fuels are subject to MRV and mitigation measures in their country of origin. By 2027, importers must show that, for contracts concluded by August 2024, they have contractually required their exporters to implement MRV measures that are equivalent to those that apply in the EU. These are relatively stringent requirements, and include site-level and source-level emission monitoring and independent verifications. By 2028, importers must report on the methane intensity of their imports. For older contracts, importers must make reasonable efforts to include provisions requiring this data in their contracts and then to report on this information. Then, by 2030, and in respect of contracts concluded or renewed in August that year, importers must demonstrate their fuel is below a specific maximum methane intensity value set by the EU.

In the early years, the information provided to the EU is to be set out in a Methane Transparency Database, to guide the purchase decisions of importers. The EU Commission is also to use this information to develop methane performance profiles for the fuels imported into the EU market. It also contemplates the EU monitoring and engaging with third countries on super-emitting events, to encourage effective mitigation actions. The Regulations also contemplate the EU entering into cooperation frameworks with exporting states to help them establish MRV systems, but do not expand on what this would entail.

While the measures are certainly a welcome prompt in ensuring suppliers implement MRV systems and avoid flaring and venting, they will undoubtedly impact African states that are heavily reliant on hydrocarbon export income for their overall fiscal health. While governance and on-site operational approaches influence venting and flaring, infrastructure investments are also needed, and MRV requirements will also entail administrative and financial costs. Exporters from some countries with complex supply chains, such as Nigeria, may also struggle to implement the regulation across the value chain.

African countries seeking to lessen the impact of these regulations on their export trade may be incentivised to develop national MRV systems with similar requirements on venting

and flaring, to demonstrate an equivalence in their legal regimes. This, however, will come at a cost and access to finance as well as the timing and transitional period applicable to these regulations is critical.

Securing the capital required for these types of upfront investments can be difficult in Africa. Generally, the continent only receives a small fraction of global climate finance flows and faces a climate investment deficit. It has also received little funding for methane reduction, with the sub-Saharan African region receiving only 6% of total methane financing, while the Middle East and North Africa region has received around 12% over the 2021/2022 period. In addition, investment barriers in this sector are fuelled by information gaps about methane sources, emissions levels and impacts. This is exacerbated by inadequate infrastructure to bring captured gas to the consumer for productive use. Further, In Africa, National Oil Companies (NOCs) are often constrained by contending priorities for domestic spending. They need and lack dedicated funding for projects with high upfront costs and those with high operational costs. The IEA estimate the financing gap for fossil fuel methane abatement in low- and middle-income countries to be around USD 60 billion (roughly USD 40 billion for active operations and USD 20 billion for abandoned facilities). Worryingly, to date, external financing aimed at reducing methane in the fossil fuel industry totals less than USD 1 billion. Given this financing gap, regulators and NOCs cannot adopt an equivalent approach to methane MRV and invest in emissions reduction interventions.

In this context, the EU methane regulation needs to be translated into an opportunity to support mitigation while maintaining economic benefits to countries to ensure that it is equitably applied.

This will require close cooperation between the EU, African exporters and the private sector to ensure that the required measures (including CAPEX) are supported.

Photo by: Pixabay

Recommendations

The EUDR, CBAM, Methane Regulations, and EU ETS for shipping, offer a theoretical case for how regulation could be used to prompt decarbonisation globally, by prompting production and transport methods that are low carbon, avoiding methane emissions and protecting forests and their carbon sink potential. Countries that achieve compliance may gain a competitive edge in the EU market, expanding both exports and market share. But their real-time effects, particularly on highly vulnerable African importers and exporters, may not realise these intended results and may instead have regressive and unfair impacts on African producers and economies.

African countries cannot harness the opportunities that these regulations could present if they are forced to do so in a manner that undermines their development goals, within a timeframe that is prohibitive or unrealistic, at a cost that they are ill placed to carry particularly where revenue is not redirected, and in a way that is prescriptive of the mitigation and related measures that they adopt domestically. In particular, they cannot do so without regulatory designs that accommodate the specific circumstances, needs and priorities of the region. It also requires financial and capacity support to develop the wide-ranging and complex MRV, administrative and capex costs arising from their implementation. Righting these requires the EU to interrogate the equity and justness of the design of these instruments; engage with their intended and unintended consequences; and ensure that, through their design and implementation, African countries do not bear the brunt of their impacts.

Achieving this requires comprehensive data and robust information systems from African countries, as well as information on the nature of the impacts and what type of response measures, if any, are feasible. If these measures are to be applied equitably, this requires considerable capacity building and support from the EU, just for the impact research and data generation alone.

Avoiding these consequences aligns with the EU's interests as well. With developing countries having repeatedly objected to the inequity of these regulations, the EU is likely to receive a wave of retaliatory measures worldwide, a response that it is not well placed to receive in light of other volatile global trade dynamics. This is particularly so when the EU is looking to build ties with non-US markets and gain access to and benefit from resources within the African continent.

Lastly, if unilateral trade measures are weaponised outside of the Paris Agreement and United Nations Framework Convention on Climate Change, they could also undermine the spirit of multilateralism and cooperation that the EU has long championed within those negotiations. It will further entrench divides around the equity and fairness of the implementation of those agreements, and potentially threaten their longevity.

African countries are, however, not powerless to respond, and there is a suite of general and specific actions that they could pursue. In that context, we recommend the following:

CBAM:

- African countries should be firming up GHG-related production data and information to ascertain the extent of the impact of the CBAM on their exports as a basis to justify amendments and exemptions or to motivate other changes.
- Tied to this, African states should clarify whether they are able and intend to introduce a tax or ETS, based on sound evidence of the anticipated impacts on their economies and societies. This would be valuable information in supporting a motivation for a revision.
- The EU should reconcile its desire for third countries to introduce a price on carbon with what is appropriate and feasible for that country, and should conduct third party studies on the feasibility and risks of introducing a carbon tax or ETS in African countries or accept motivations from them why they are not in a position to do so, and allow for exemptions or longer phase in periods on that basis.
- The EU should be engaged with to motivate for the introduction of measures that enable African countries to reduce their CBAM liability, such as the use of carbon credits as a demonstration of a carbon price effectively paid. It should also be lobbied to earmark revenues generated from the CBAM or their equivalent from the EU budget, to be funnelled as readiness support for African and other developing countries impacted by the measure.

EUDR:

- African countries should conduct thorough assessments examining the expected impact of the EUDR on their economies. It is worth noting that not all African countries produce or export the affected products. Thus, it may be more efficient for them to channel resources to address the impacts of other similar unilateral trade measures such as CBAM.
- For African countries that determine a significant impact of the EUDR, investments in capacity building are essential. This must consist of financial and technical support to smallholder farmers, consolidating regulatory systems and improving enforcement capabilities. Support from the international community, particularly the EU, will be necessary.
- Collectively, African Governments must engage the EU to take advantage of country and regional indicative plans that can support such initiatives. In light of the recent amendments, African Governments must engage with the EU for a transparent and realistic classification system.
- Methane Regulations
- African states, particularly those which are heavily reliant on revenue from the export of hydrocarbons, should interrogate and assess the financial impact of the Methane Regulations on domestic production and exports. Where possible, equivalent regulations and systems will need to be developed, and governments should embed methane performance into regulatory and operational frameworks.
- For those unable to, particularly with complex supply chains, motivations will need to be made for alternative compliance options, exceptions or longer lead times for application of the rules to those countries.

- The EU should be engaged with to garner its support for the development of methane policies, regulations, and technologies that are bespoke to the needs of African countries.
- Alternative sources of finance for methane abatement should be explored. There is scope for Africa to innovate with the development of transition bonds. Explicit methane abatement bonds are not yet common. These bonds can be developed as a collaboration between pan-African financial institutions, global philanthropies, and leading global asset management and investment firms. The bonds can be designed to mobilise financing for firms to pay for investments that will reduce their environmental impact and/or reduce methane emissions.

Importing countries can stimulate demand for cleaner fossil fuels by committing to purchase gas that would otherwise be flared or vented. The investments made in methane capture can be offset by the sale of the captured methane. Preferential market access and price premiums for fuels with verified low methane emissions can incentivise producers to invest in abatement technologies.

EU ETS for Shipping

Africa should:

- Strengthen economic regulation of liner shipping service providers calling their ports, ensuring fairness and accountability in respect of emissions surcharges currently being collected from African consumers to minimise the generation of windfall profits disguised as climate action.
- Conduct detailed economic impact assessments of the NZF on their economies with a key focus on its impact on trade, cost of freight, food security, and inflation. This will provide clear evidence upon which to form negotiating positions for the continent.
- Participate fully and effectively in the working groups that will develop the guidelines for the NZF, paying close attention to the Net Zero Fund, food security, and fuel lifecycle analysis. These guidelines will determine how the Net Zero Fund is set up, governed, and accessed to fund mitigation of any disproportionate negative impacts that the NZF may have on African economies. They will also be critical in determining what types of fuel are deemed compliant under the NZF, potentially impacting demand and supply for and our ability to produce hydrogen-based alternative fuels in line with our green industrialisation ambitions.
- Continue to call for the withdrawal of the EU ETS and other such regulations from international shipping, such that once the NZF comes into force, it will be the sole global framework for reducing greenhouse gas emissions from international shipping, thus eliminating the risk of multiplicity of regulation and ensuring fair trade for the continent.
- Coordinate themselves into a unified voice within the IMO, ensuring that the continent's interests are reflected in the formulation of global maritime decarbonization policies.

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