HARMONIZING TRADE, ENVIRONMENTAL GOALS, AND CARBON TAXATION: A PERSPECTIVE ON THE EU'S CBAM POLICY

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Abstract

The EU-CBAM Policy adopted on 17 May 2023 entered its transitional phase from 1st October 2023, with importing countries having to report compliance with such policy by 31st January 2024. The coming of this policy has changed the global landscape for environmental, social, and economic concerns. The use of carbon tax barriers in this policy with the goal of reducing the carbon intensiveness in the EU domestic markets has led to a global social and economic disadvantage in terms of international trade participation for the developing and least developed countries. Tackling upcoming environmental issues through taxation strategies will help the EU but will create an imbalance for other developing nations that make up a large percentage of the world economies. The Indian perspective on this policy is of significance, as India is considered a representative of all the developing and least developed countries throughout the globe. If the policy has a negative impact on India, the same will be reflected in other countries. India, being a fast-growing economy but currently at its developing stage, could suffer a lot from the introduction of EU-CBAM in its full swing. With most of India's export sectors, primarily those with the EU being carbon-intensive and no fixed carbon reduction strategy in place, sudden compliance with such a policy can create a huge backlash on the Indian trading economy. Moreover, the indirect blockade created for India from participating in trade relations with the EU, keeping in mind the practical economic profits, further promotes a global social disruption for the Indian market and its international relations. Although talks regarding such sudden and heavy carbon taxation is on the way between India and EU, it remains to be seen in the month of February during the 13th Ministerial Conference as to how trading relations between the two nations are reconciled and whether India would have to suffer a compromise.

This paper seeks to analyze the environmental, economic, and social outcomes that the EU-

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CBAM Policy will usher in with its carbon tax barriers in relation to international trading relations between the EU government and the governments of developing and least developed nations, with a special focus on India. This would, in turn, help to understand how governance strategies in relation to carbon reduction policies and global trading strategies can be applied as a reconciliation measure between India and the EU, thereby balancing out the environmental goal of the EU-CBAM Policy with that of economic and social development of the developing and LDC nations in the global world.

***Keywords**: Environment, SDGs, Carbon Tax, CBAM and International Trade.*

INTRODUCTION

The EU-CBAM Policy, which is a Carbon Border Adjustment Mechanism Policy by the EU, is a recent breakthrough policy introduced in May 2023 in the field of environment-related international trade measures. This policy is one of a kind if one looks at the positive environmental outcomes it wants to achieve in the future once the policy gets actively implemented in 2026. However, this policy has also come as a shock for many developing nations, including India, acting as a protectionist trade barrier for them.

This policy would see a debate this year at the 13th Ministerial Conference from 26th to 29th February 2024 in Abu Dhabi, with India already pulling out all its guns to tackle the EU-CBAM Policy.

CARBON MARKETS AND CARBON TRADING TO REDUCE GLOBAL ENVIRONMENTAL EMISSIONS

Just like in a market, one buys and sells products, in carbon markets, the products are in the form of "carbon credits". Carbon Trading involves the sale and purchase of such carbon credits at a global level. Let's suppose we have a country A and a country B. Country A has very high carbon emissions, whereas Country B has low emissions. Certain levels of emissions would be allowed to balance development activities. However, when the emissions go beyond the permissible limit, Country A would have to balance it out by purchasing carbon credits from Country B. It is a type of monetary compensation paid by Country A to the global community and a monetary incentive received by Country B from the global community. In this way, although individually, Country A and Country B will give out the same level of emissions, a balance is maintained for the global environment.

Such carbon markets can be both compliance-based and voluntary in nature. In compliance with the carbon market type, carbon markets have to be compulsorily created as per regional, national or international requirements.[1]

1. The working of the EU ETS Mechanism (Emissions Trading System)

Even before the EU-CBAM Policy came into being, the EU already had the EU ETS Mechanism in place. *The EU ETS Mechanism is a compliance carbon market*. In the ETS

[1] *What are carbon markets and why are they important?*, UNDP (May 18, 2022), https://climatepromise.undp.org/news-and-stories/what-are-carbon-markets-and-why-are-they-important.

trading market, there are certain carbon allowances that work, such as carbon credits. Where any industry functioning in the EU exceeds its permissible limits, it is required to buy such carbon allowances to balance those carbon emissions. This is based on strict carbon pricing rules; that is, every carbon unit is priced at a "carbon price based on these rules". The carbon price can vary depending on the cost that the EU has to bear to reduce carbon emissions. It is a mechanism of sustainable development- allowing a balance between development and the environment by allowing industries to work by emitting a certain permissible level of CO_2.[2]

2. **If the ETS system is already in place, why was there a need to bring CBAM Policy- the problem of Allowance Banking under ETS**

The pertinent question is whether ETS works efficiently as a compliance carbon market regulating carbon emissions; what more is to be done by the recent EU-CBAM Policy? The answer to this question lies in the drawbacks of the ETS System.

The ETS system can manage "carbon leakage", that is, bypassing the payment of carbon prices through import mechanisms (*as would be discussed under EU-CBAM Policy*), but fails to create a global incentive or an incentive on the part of such emitting industries to emit less in the future. This is because the ETS System also provides certain 'free allowances' to certain competitive industries that are earning huge profits in the EU, thereby allowing them to develop further. These free allowances or even other purchased carbon allowances from the EU Trading Market encourage a system of "Allowance Banking".[3]

In "Allowance Banking", the industries tend to easily purchase several carbon units in the form of carbon certificates, even if they are not emitting that much. This is easy for them as they are already earning huge profits, and trading off emission requirements for their profits is always the better option for them. These carbon certificates are then banked with them for future purposes, such that now they can emit as much as they wish without the fear of paying

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[2] *EU ETS – Emissions Trading System*, DNV (Oct. 2, 2023, 5:57 PM), https://www.dnv.com/maritime/insights/topics/eu-emissions-trading-system/eu-allowances.html#:~:text=EU%20Allowances%20(EUAs)%20are%20a,the%20cost%20of%20reducing%20emissions.

[3] Emily Benson et al., *Analyzing the European Union's Carbon Border Adjustment Mechanism*, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES (Feb. 17, 2023), https://www.csis.org/analysis/analyzing-european-unions-carbon-border-adjustment-mechanism.

again from their pocket.[4] This, in effect, totally destroys their incentive to reduce emissions, thus failing in the primary goal of 'sustainable development' as the future incentive gets lost.

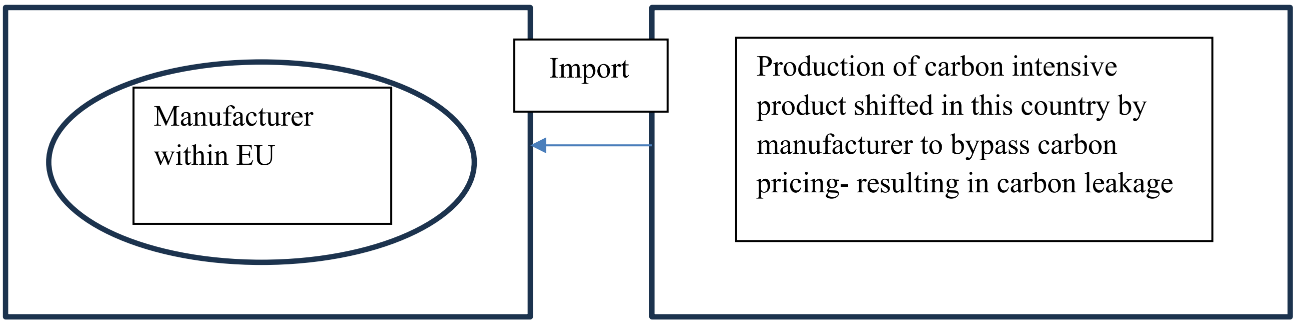
3. The coming of the EU CBAM Policy: Its Objectives and Working

To tackle this problem of 'zero incentive of reduction of emissions', the EU CBAM Policy came into being. Its *primary objective is 2-fold environmental,* that is-

1. To avoid carbon leakage and thereby protect its domestic market from carbon-intensive products- bringing in a 'protectionist' agenda, which is, therefore, also resulting in trade barriers.
2. To encourage non-EU countries to focus more on 'greener technology' to reduce its carbon intensiveness.

Let us understand the workings of this policy through a diagrammatic explanation-

EU- having strict carbon pricing rules ***Non-EU country- less stringent carbon policy***



When the above happens, carbon leakage is caused for the EU as the manufacturer does not need to pay the carbon tax any more through its bypassing strategies of producing the carbon-intensive product in a non-EU country with less stringent climate policies and, thereafter, importing that carbon-intensive product into the EU. So, the EU loses out on restricting carbon intensiveness in its market, and the same is not balanced out with the carbon tax.

With the coming of the EU-CBAM Policy, now even the importers have to buy a carbon certificate on import of any carbon-intensive product from outside, the price of which would be equivalent to the carbon price under the EU-Carbon Pricing Rules. This could also be

[4] Sotirios Dimos et al., *On the impacts of allowance banking and the financial sector on the EU Emissions Trading System*, SPRINGER (July 2, 2020), https://link.springer.com/article/10.1007/s41207-020-00167-x.

looked into from another side, that is, from the exporting country's side. The exporting country will have to pay a carbon tax if it wants to cross the EU border for all its carbon-intensive products. This tax paid by the exporting country would be deducted from the price that the importers had to pay. Hence, this policy is based on an import-based tariff.[5]

It is this import-based tariff that not only acts as an environmental protection measure but also leads to the formation of certain trade barriers, leading to protectionism for the EU domestic markets. Moreover, once the exporting countries have to pay such high tariffs based on the carbon intensiveness of their products, it will force them to adopt greener technology to get rid of such tariffs, which will now act as a sanction upon them.

4. Protectionism and How Does EU-CBAM Policy Fit into it

Protectionism is a policy adopted by the national governments to protect and promote only their own domestic markets by restricting imported products and their competitiveness in the domestic market by application of various trade barriers such as tariffs, import quotas, voluntary export restraints, local content requirements, subsidies, and other administrative measures.

Environmental measures can sometimes take the form of disguised trade limitations that can further degrade trade facilitation. The United Nations in its Press Release[6] has stated that "Trade protectionism disguised as environmental and labour laws should be eliminated by industrialised countries". According to the United Nations, such environment-based trade policies affect the products of LDC countries by restricting access to such large industrialised markets.

The EU has time and again brought in environmental policies that seem to encourage its own protectionist agendas, thereby affecting developing countries, especially the least developed countries. One good example of this would be the REACH Regulation for the management of

[5] Saptaporno Ghosh, *Explained | What is the EU's carbon border adjustment mechanism?*, THE HINDU (May 24, 2023, 8:30 AM), https://www.thehindu.com/news/international/explained-what-is-the-eus-carbon-border-adjustment-mechanism/article66886488.ece#:~:text=CBAM's%20primary%20objective%20is%20to,with%20more%20carbon%2Dintensive%20imports.

[6] *Trade Protectionism Disguised as Environmental and Labour Law Should Be Eliminated, Second Committee Told*, UNITED NATIONS Press Release GA/EF/2841 (Oct. 30, 1998), https://press.un.org/en/1998/19981030.gaef2841.html.

global chemicals that had the ability to substantially restrict the trade and economic stability of such countries. In fact, in the Doha Declaration itself, it was clearly stated,

"*The majority of WTO Members are developing countries. We seek to place their needs and interests at the heart of the Work Programme adopted in this Declaration…[W]e shall continue to make positive efforts designed to ensure that developing countries, and especially the least developed among them, secure a share in the growth of world trade commensurate with the needs of their economic development*".[7]

But if developed countries like the EU focus only on their ability to reach a zero-carbon level within the shortest possible period and do not consider the trade barriers created for the other WTO members, the entire global trade can be at risk of "environmentalism as a disguised protectionism".

HOW WILL THE DEVELOPING COUNTRIES SUFFER FROM THE IMPLEMENTATION OF SUCH POLICY?

Carbon-intensive industries are a major factor that contributes to the development. Unlike developed economies, it is a great burden for developing and least developed countries to cut down their emissions totally without considering their need for development at par with the ever-demanding global economy.

A developing country, Kenya, has pointed out quite sadly in a statement, "*Why do developed countries impose their environmental ethics on poor countries that are simply trying to pass through a stage they themselves went through? After taking numerous risks to reach their current economic and technological status, why do they tell poor countries to use no energy, agricultural or pest control technologies that might pose some conceivable risk of environmental harm? Why do they tell poor countries to follow sustainable development doctrines that really mean little or no energy or economic development?*"[8]

[7] *'Enlightened' Environmentalism or Disguised Protectionism?- Assessing the Impact of EU Precaution-Based Standards on Developing Countries*, NATIONAL FOREIGN TRADE COUNCIL (April 2004), https://www.wto.org/english/forums_e/ngo_e/posp47_nftc_enlightened_exsum_e.pdf.

[8] ibid.

What is more concerning is the expansive scope that EU-CBAM Policy can take in the future with covering more and more emission-based sectors- all of those that are currently now included in its ETS Trading System.[9]

1. **Carbon Tax barrier of EU CBAM Policy- creating a global economic and social restriction**

Carbon taxes are a way to "internalise the environmental costs", thereby helping to balance out the environmental issues with that of social and economic incentives. However, the picture of the industrialised countries does not fit well with that of the developing countries. This is because most developing countries have energy-intensive sectors producing large emissions that are highly exposed to international trade, to which a sudden alternative is hard to develop. Due to this, carbon taxes can act as economic and social restrictions rather than promoters. One might say that carbon taxes can help foster the revenue base as well as help developing countries transform their informal sector into a formal one, as many small firms would realise that they need to pay the same tax if they remain in either.[10] This although, cannot be compared to a case where the tax is not limited by domestic barriers and where such tax majorly targets carbon intensive sectors.

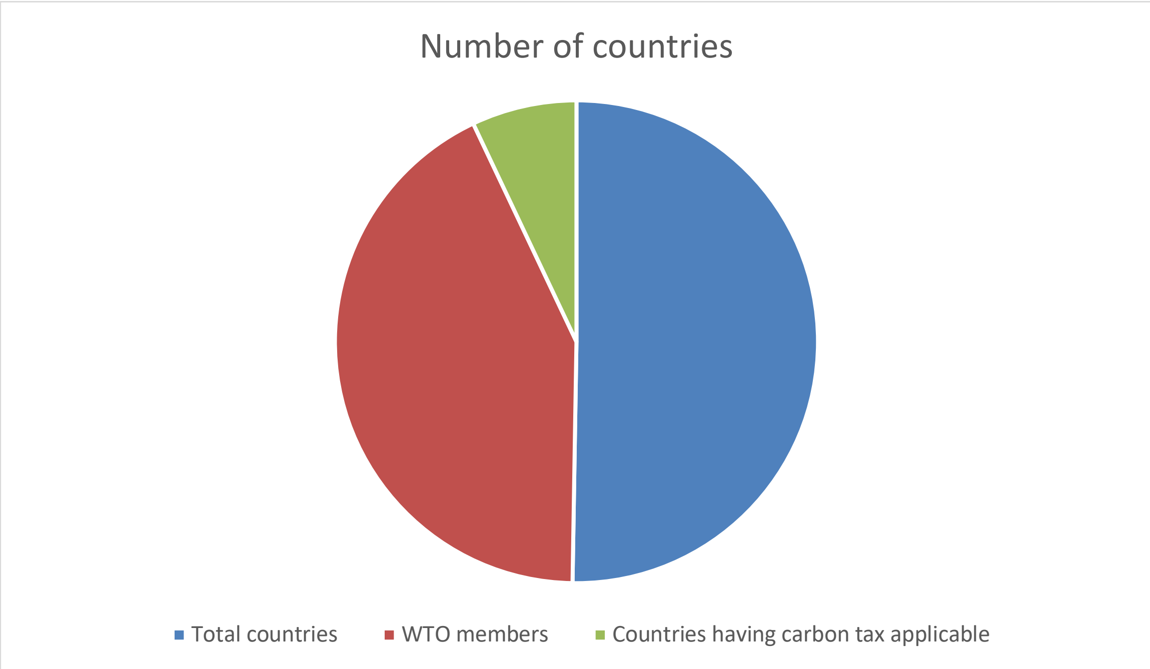
A proper carbon tax barrier by the EU should not try to fit in its structure with all the "developing countries" in the realm of global trade. Such carbon tax should take into account social and economic structure and circumstances prevailing in the domestic environment of such developing countries. The reality is quite visible when facts and figures clearly show how the exports of such carbon-intensive products could affect a large percentage of the economic costs of such countries, with India setting an example of a 20-35% rise in export economic cost.[11] The problem that is not being realised is that developing countries do not have a well-formed carbon policy setup from which evidence can be taken and compared to create a better carbon taxation system. Without comparative evidence, a structure that runs counter to the existing social and economic framework of the developing countries is gradually proliferating. Massive international coordination and an available setup of domestic

[9] ibid, Footnote 5.

[10] Anna Pegels, *Taxing Carbon in Developing Countries*, DIE (Jan 25, 2024, 6:56 PM), https://d-nb.info/1259851591/34.

[11] *Editorial: India must strategise against EU carbon tax*, THE HINDU BUSINESS LINE (Oct. 22, 2023, 8:44 PM), https://www.thehindubusinessline.com/opinion/editorial/india-must-strategise-against-eu-carbon-tax/article67449523.ece.

policies already implementing carbon taxation strategies in developing countries are prerequisites to any global carbon tax barrier that the EU is currently trying to impose. UNCTAD has clearly identified that, as of now, such a structure is prominently missing, which makes a theoretically helpful carbon tax a potential risk aggregator for the global social and economic scenario.[12] To look at a proper figure-based structure, if we have a total of 193 countries in the world, then 164 countries are members of WTO, which shows the massive involvement of both "developed and developing countries" in international trade that impacts both the domestic and global economy. However, when this is compared to the number of countries having a carbon tax policy already applicable, the number is just a meagre 27, which includes the EU and excludes India.[13]



A simple analysis of the above pie chart shows the requirement of first increasing the grey area. This sudden EU carbon tax, with most countries having a lack of even a domestic carbon taxation structure, can really destabilise the ongoing development areas in these countries. Developed countries may also not have a carbon taxation structure in place. However, they have certain advantages over and above the developing countries that can be categorised into three-fold-

[12] *Carbon Pricing: A Development and Trade Reality Check*, UNCTAD (Jan. 25, 2024, 7:08 PM), https://unctad.org/system/files/official-document/ditctab2022d6_en.pdf.
[13] Olivia Lai, *What Countries Have A Carbon Tax?*, EARTH.ORG (Sep. 10, 2021), https://earth.org/what-countries-have-a-carbon-tax/.

1. They can swiftly implement carbon tax infrastructure in their setup if they want, thereby easily adjusting to the EU CBAM structure.
2. They do not need to focus on carbon-intensive sectors as of now and, hence, would not have to bear the brunt of the economic and social impact that the EU CBAM Policy will bring along with it.
3. In the case of many developed countries, if not all, the EU does not have a higher stand, which is the case with many developing countries. India is the forerunner of developing countries and hence also has the capacity to conduct talks with the EU that most developing and least developed countries cannot. Developed countries, on the other hand, may just reduce their exports to the EU if they also start facing negative consequences that will harm the EU more than such developed countries.

Carbon tax barriers have also involved discussions on a global carbon taxation structure with global carbon pricing fixed by regulators throughout the globe. This can actually be environmentally more beneficial as a more coordinated approach can help reduce carbon emissions globally. Presently, the EU CBAM Policy directly focuses on the reduction of carbon emissions for its own domestic markets, which indirectly or coincidentally also impacts global carbon emissions. The *World Trade Report of 2022 on* "*Climate Change and International Trade*" has pointed out how a global carbon pricing strategy would first require inter-coordination. With countries independently imposing carbon pricing norms like the EU, free rider problems may arise where the countries may not be inclined to implement such policies and wait and watch other countries take action only to take benefit out of it. Moreover, without a coordinated global approach, the ratio of burden sharing among the developing countries may be highly disproportionate and, hence, irrational in theory as well as practice. Moreover, a highly effective global pricing scheme would require major updated details of carbon-intensive products, market prices, etc., which demands credible and functioning domestic institutions and regulators in all such countries, which is far from the reality at present. Trying to implement global carbon taxation regimes or independent taxation structures like the EU without this well-formed base can even result in a negative impact on the environment with countries (mostly the "developing and least developed countries") trying to look at carbon tax evading techniques that may result in high carbon leakages, thereby frustrating the very foundation of such systems.[14]

2. Specific problems to be faced by India- Why India wants to challenge CBAM at the 13th Ministerial Conference

Being not only a developing economy but also a fast-growing one, India specifically has several issues if the EU CBAM Policy comes into effect. Some of them are-

1. EU is the third largest trading partner in India, which makes the policy a huge cause of concern as its major trade exports will be affected.
2. India, being a fast-growing and developing economy at the same time, will only grow its exports in the future rather than curtail them. The Policy seeks to achieve a totally opposite and counter-productive goal for India's development.
3. The scope of CBAM is also expansive, in the sense that it would also cover other sectors in the emissions market gradually, which would cover more than 50% of India's global exports to the EU.[15]
4. India has a large number of carbon intensive sectors, most of whose products are meant for export purposes.
5. India at the moment does not have a "carbon pricing scheme" in place, which affects India's export competitiveness over other countries as India may have to pay more carbon tax under this policy due to this, which other countries having schemes may reduce or avoid.[16]
6. Significant harm would be caused to the Balance of Payments for India- as India would not receive any greater value on imports, but excessive value drain would occur in the export sector due to this policy.

3. Future conflicts with WTO Principles that may arise for the EU-CBAM Policy-

1. The *Most Favoured Nation rule (GATT Article I)*, which is a bedrock of the Principle of Non-Discrimination, could be affected in case the EU, under this Policy, starts to discriminate against the exporting countries based on "their carbon content", which could most likely be the case. Many developing nations, including India, may not

[14] *World Trade Report: Climate Change and International Trade*, WTO (Jan 31, 2024, 9:07 PM), https://www.wto.org/english/res_e/booksp_e/wtr22_e/wtr22_e.pdf.
[15] ibid, Footnote 5.
[16] *Carbon Border Adjustment Mechanism*, DRISHTI IAS (May 11, 2023), https://www.drishtiias.com/daily-updates/daily-news-analysis/carbon-border-adjustment-mechanism.

have sufficient resources or tools available to reduce carbon emissions immediately and such discriminatory practices may act as trade barriers in violation of WTO norms.[17] At the same time, however, the 'likeness of the products' must also be seen in the application of the principle.

2. In case the carbon adjustment policy is not only limited to import-based tariffs as a border measure but also applies certain internal taxes and regulations on such carbon-intensive imported products over and above its domestic products, there may be a chance of violation of the ***National Treatment Principle under GATT Article III***, also under "Principle of Non- Discrimination". Hence, if the EU is to bring about this policy also in the ambit of 'internal measures', parity must be maintained.
3. This could also pose an attack on the ***Special and Differential Treatment principle (GATT Article 36 Para 8)*** by not allowing trade liberalisation of the developing and least developed economies.
4. The import tariffs could act against the 'bound duties' undertaken by the EU under the ***Schedule of Concessions (GATT Article II)*** if such import-based tariffs exceed the EU's tariff bindings.
5. Quantitative import prohibitions like the one ushered in by this policy could be considered as a ***protectionist measure in violation of Article XI of GATT***.[18]

At the same time, however, the EU can counter all the above Multilateral Trading System principles by invoking "*Article XX of GATT (General Exceptions)- health and environment exception under XX(b)"*- but the same must be commensurate with the Chapeau of Article XX, that is the exception must not act as a disguised restriction and should not be arbitrary and unreasonable.

CAN INDIA COME UP WITH CERTAIN RETALIATORY TACTICS, OR WILL THIS FOSTER GREATER TRADE BARRIERS?

First of all, India challenged the policy at the "13th WTO Ministerial Conference" held in February 2024 on the grounds of the negative impact it will create on developing and least-

[17] Bart Le Blanc, *Potential conflicts between the European CBAM and the WTO rules*, NORTON ROSE FULBRIGHT (Feb. 2023), https://www.nortonrosefulbright.com/en/knowledge/publications/9c5d9ec6/potential-conflicts-between-the-european-cbam-and-the-wto-rules.

[18] *Trade Related Aspects of a Carbon Border Adjustment Mechanism: A Legal Assessment*, EUROPEAN PARLIAMENT (DIRECTORATE-GENERAL FOR EXTERNAL POLICIES) (Oct. 3, 2023, 6:26 PM), https://www.europarl.europa.eu/cmsdata/210514/EXPO_BRI(2020)603502_EN.pdf.

developed economies in global trade. Hence, using the Multilateral Trading System under WTO and a consensus-driven approach to prevent the policy from coming into effect would be the primary retaliatory technique.[19]

Secondly, India could also seek certain waivers (Article IX:3 of Marrakesh Agreement) if, in any case, the policy comes into force looking at environmental concerns so that by that time, India could also create a carbon pricing scheme in place to reduce the carbon tax burden on it to a certain extent.

Thirdly, India could take certain Safeguard Measures under the WTO Agreement on Safeguards- as temporary import restrictions on carbon-intensive products produced by India so that India may at least be able to increase demand for such products within its domestic markets while its export competitiveness is down. Moreover, India can also enter into an agreement with the EU by showcasing to the EU that rather than enforcing such a blanket measure at the initial level, it can first trigger its safeguard measures temporarily on specific imports that affect its environment and carbon leakage.[20]

Fourthly, although this should be a last resort and also not unilateral through the approved system, *India could apply a "Calibrated Retaliation Mechanism"* wherein it imposes in a phased manner certain customs duties on EU products "mirroring the effect EU is causing through its policy".[21]

On the positive side of enforcing this policy in a better way, India and the EU have started talks with respect to the EU CBAM Policy and have agreed to *"a constant engagement to achieve the right solutions"*.[22] Moreover, the Indian government is also looking forward *to entering into clean technology partnerships with the EU* so that they can upgrade their

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[19] Manoj Kumar & Neha Arora, *India plans to challenge EU carbon tax at WTO*, REUTERS (May 17, 2023, 2:57 AM), https://www.reuters.com/world/india/india-plans-challenge-eu-carbon-tax-wto-sources-2023-05-16/.

[20] *POLICY BRIEF | The EU's Carbon Border Adjustment Mechanism: how to make it work for developing countries*, GSP HUB (Oct. 6, 2023, 7:03 PM), https://gsphub.eu/news/brief-cbam#:~:text=Safeguards,CBAM%20levy%20to%20specific%20imports.

[21] *India should use calibrated retaliation mechanism to deal with EU's carbon tax: GTRI*, THE TIMES OF INDIA (Sep. 20, 2023, 10:50 AM), https://timesofindia.indiatimes.com/business/india-business/india-should-use-calibrated-retaliation-mechanism-to-deal-with-eus-carbon-tax-gtri/articleshow/103799479.cms?from=mdr.

[22] Mukesh Jagota, *India-EU agree to engage on carbon tax*, FINANCIAL EXPRESS (May 18, 2023, 2:15 AM), https://www.financialexpress.com/economy/india-eu-agree-to-engage-on-carbon-tax/3091704/.

competitiveness in the ever-growing environment-friendly international market[23], with other countries like the USA, the UK, China, etc., also trying to enforce similar policies like CBAM.

INDIA'S STANCE UP TO NOW ON REDUCING CARBON INTENSIVENESS-PROGRAMS, SCHEMES AND COMMITMENTS

India, being a developing country with significant energy needs for its development and which has not as of yet contributed much to the global warming scenario as compared to other developed countries, cannot focus on an immediate carbon reduction strategy and instead focuses on a long-term plan to reduce carbon intensiveness. India works in cooperation with the UNFCCC, reporting and coordinating with it on carbon reduction policies and initiatives. In fact, in 2008, India launched its *"National Action Plan on Climate Change (NAPCC)"* to bring about a balance between development and climate goals. This "*Long term Low Carbon Development Strategy*" relies on a 7-prong strategy[24]:

1. *Incorporating renewable resources and low carbon technology options to generate energy and electricity*- Initiatives include setting up of Green Energy corridors, a Policy on Energy Storage Obligations, Hydro Purchase Obligation Policy to mandate hydropower use, targeted rise in nuclear energy resources by 2032.
2. *Incorporating low-polluting and fuel-efficient transport system*- Initiatives include achieving a 2025 target of having a 20% ethanol blend in petrol, PM Gati Shakti, and achieving Bharat Stage VI emissions.
3. *Promoting such urban planning structures that lead to low carbon and climate change resilient infrastructure*- Initiatives include introducing codes like the "National Building Code" and "Energy Conservation Building Code" and coming up with plans like the National Solar Mission and National Cooling Action Plan.
4. *Usage of green hydrogen technology and bio-based materials in the MSME sectors*- Initiatives include moving to bio-based fuels, decarbonisation of much required sectors of steel and cement through the use of research and development.

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[23] *If EU Goes Ahead With Carbon Tax, India Will Respond With Retaliatory Tariffs: Reports*, SWARAJYA (Mar. 21, 2023, 12:18 PM), https://swarajyamag.com/economy/if-eu-goes-ahead-with-carbon-tax-india-will-respond-with-retaliatory-tariffs-reports.

[24] *India's Long Term Low Carbon Development Strategy*, MOEFCC (GoI) (Feb. 11, 2024, 11:34 AM), https://unfccc.int/sites/default/files/resource/India_LTLEDS.pdf.

5. *Engaging in public-private partnership models to create capacity-building techniques and technology for specific CO_2 removal*- In this arena, a good amount of capital financing is required as India requires the model of "Carbon Capture Utilisation and Storage", which is quite expensive to implement.
6. *Improving forest vegetation cover and upgrading the functioning of State Forest Departments*- Initiatives include policies like National Mission for a Green India, Nagar Van Yojana, National REDD+, and actions like moving towards greener national highway areas.
7. *Focusing on bettering international trade and other mobilisation areas to provide for increased climate-specific and carbon reduction financing*- High costs are required for this transition to a low carbon economy, as has already been noticed for the implementation of the CCUS system for CO_2 removal. In such a scenario, *international trade* objectives should not clash with Indian policy structures that seek to empower domestic producers to create environment-friendly goods and services. At the same time, *carbon adjustment strategies like that of EU-CBAM can directly impact Indian international trade, which in turn will create further hurdles in the long-term Indian initiatives to tackle climate change* through carbon reduction measures.

Moreover, the *interim budget released by Finance Minister Smt. Nirmala Sitharaman for the year 2024-25* also shows increased expenditure as compared to the earlier 2023-24 budget towards tackling climate change and incorporating carbon reduction strategies. These include setting up *solarised rooftops* for a huge number of 1 crore households for starting the rapid shift towards renewable energy demands and enabling 300 units of free electricity to reach such households; *harnessing wind energy* with an initial potential of 1 GW; and incorporating a phase-wise *blending process of natural fuels like biogas in CNG in the transport sector*.[25] Hence, what is prominently evident in India is not totally at a loss when it comes to carbon reduction initiatives, but all of this is based on a gradual, long-term process that could also sustain India's development curve. Hence, sudden international measures like carbon taxation at its border by the EU not only has the outcome of disrupting global trade but also hampers

[25] *Net-zero goal: India's interim budget focuses on green economy, climate investments*, THE ECONOMIC TIMES (Feb. 1, 2024, 6:05 PM), https://economictimes.indiatimes.com/industry/renewables/net-zero-goal-indias-interim-budget-focuses-on-green-economy-climate-investments/articleshow/107328700.cms?from=mdr.

such carbon reduction initiatives undertaken by developing countries as loss of international trade with such prominent players like the EU will derail the entire capital financing required for such projects.

It must be noted that *India does not have an express carbon taxing scheme but has implied carbon pricing mechanisms,* some of which are:

1. Coal Cess
2. Perform Achieve Trade Schemes
3. Grant of Renewable Energy Certificates

Coal Cess, introduced in 2010, worked like a carbon tax, which then went to the "National Clean Environment and Energy Fund" for its specific use in carbon reduction initiatives. Similarly, the *Perform Achieve and Trade Scheme,* along with a grant of *Renewable Energy Certificates,* worked in a similar fashion to the carbon markets (a parallel analogy can be drawn to the Emissions Trading System of the EU). It encouraged energy-intensive sectors to comply with techniques that could save energy consumption, which, when saved, could be used to trade the excess energy with other industries that may not have achieved a good result. This could be traded and purchased in the form of Renewable Energy Certificates. All this was part and parcel of the "National Action Plan on Climate Change", as discussed before.[26]

The major problem with the actual success of these implicit carbon tax and carbon pricing mechanisms was in their implementation. The coal cess collected was being used not for its specific purpose of carbon reduction but for any general purpose, and the introduction of the GST, which subsumed this coal cess as a compensation cess, resulted in a total loss of its specific goal. For the "Perform Achieve and Trade Scheme" and Renewable Energy Certificates, leniency in target achievement resulting in renewable energy certificates being traded off at very negligible prices failed to create a motivation for the ones wanting to comply with it and a sanction for the ones failing to comply with the same. At the same time, with long-term carbon reduction policies and strategies in place for India, as shown above, the introduction of an express carbon tax at present could lead to later confusion in revenue

[26] *Perform, Achieve, Trade*, BUREAU OF ENERGY EFFICIENCY (Feb. 11, 2024, 12:01 PM), https://beeindia.gov.in/en/programmes/perform-achieve-and-trade-pat#:~:text=Perform%2C%20Achieve%20and%20Trade%20(PAT)%20is%20a%20regulatory%20instrument,saving%20which%20can%20be%20traded..

generation streams and a deviated focus from the long-term plans and initiatives.[27] Even if an express carbon taxing measure is not available in India, a *Net Effective Carbon Rate (Net ECR)* is levied on almost 54.7% of the GHG emissions, and this is in the form of *fuel excise taxes and fossil fuel subsidies,* which are yet again another form of implicit carbon pricing strategy. To compare the Indian GHG emissions sector-wise, the most is released from the road transportation sector, while sectors such as fisheries and agriculture have almost zero or even negative GHG emissions.[28] With India's political landscape favouring climate change measures, researchers point out the importance of introducing a carbon tax for India, which can help reduce emissions to a large extent (as WHO reports that $40 per tonne of such emissions will reduce 1.7 billion tonnes for India accounting for almost 30% of its overall emissions by the year 2030) and could also influence other G20 countries to follow in India's footsteps. India, being on a high development gradient, fears the imposition of carbon tax due to the effect it will have on the economy with increasing costs for production and manufacturing. India's present dependence on coal-based energy generation could only be tackled by long-term measures that would again bring about extra costs from the carbon tax and a highly fragmented economy filled with small sectors and MSMEs, leading to highly inaccurate data on actual carbon emissions. The multiple tax structure had also inhibited the imposition of such tax. However, if introduced, the same could be successfully incorporated into the GST regime.[29] However, while all this debate persists whether India should bring about an express carbon tax or not, especially in the face of this new EU-CBAM Policy that has caused a huge hurdle due to the prevailing carbon intensiveness in India, one cannot deny that from very long before- starting from 2010-2015 period, 'carbon tax-like measures' like cutting of carbon subsidies, increasing fossil fuel taxes or increasing the coal cess have been taken, which has actually helped India in reduction of its emissions to a good level from what it was before.[30] It may so happen that the Indian economy, at least at present, is more suited

[27] Subrata Sekhar Rath & Jyotsna Goel, *Carbon Taxes could be India's Inclusive Climate Mitigation Strategy*, CBGA INDIA (June 7, 2023), https://www.cbgaindia.org/blog/carbon-taxes-could-be-indias-inclusive-climate-mitigation-strategy/#:~:text=India%20does%20not%20have%20an,schemes%20and%20Renewable%20energy%20certificates.

[28] *Pricing Greenhouse Gas Emissions: Key findings for carbon pricing in India*, OECD (Feb. 11, 2024, 12:20 PM), https://www.oecd.org/tax/tax-policy/carbon-pricing-india.pdf.

[29] Prof. Mohammed Khaja Qutubuddin, *How India's Carbon Tax Implementation Could Set a Precedent for G20 Countries*, EARTH.ORG (Apr. 12, 2023), https://earth.org/india-carbon-tax/.

[30] *From Carbon Subsidy to Carbon Tax: India's Green Actions*, PRESS INFORMATION BUREAU (Feb. 27, 2015, 12:30 PM), https://pib.gov.in/newsite/PrintRelease.aspx?relid=116058.

to such measures rather than a direct and sudden imposition of a carbon tax to drastically reduce its carbon intensiveness just to be in consonance with the EU-CBAM Policy. Doing so may affect India in the long run by completely frustrating its other carbon-related measures and future-based outlooks.

INDIA AND EU TRADING AND OTHER INTERNATIONAL RELATIONS- HOW HAS IT BEEN IN THE PAST AND IS THERE SCOPE FOR RECONCILIATION?

In terms of trading relations, EU-India cooperation has been at quite a stronghold. According to statistics, the EU is 3rd largest trading partner of India, and India is the 10th largest of the EU. Hence, strained trading relations can negatively impact both countries. In the year 2000 the very first India-EU summit had taken place to signify the initiation of robust international relations. Thereafter, the 12th such annual summit that first happened in India went on to discuss several bilateral trade negotiations and the issuance of "*Joint Declarations on Research and Innovation Cooperation and Enhanced Cooperation in Energy*", which also promoted relations in the energy sector. The year 2005 marked a landmark event with India and the EU constituting an Energy Panel taking relations on energy security forward. Under this energy panel, several sub-groups were formed, especially the ones dealing specifically with clean technology and energy-efficient models.[31] These events marked stepping stones in India-EU international relations, and it must be noted that today, the persisting conflict between India and the EU remains on this link between trading and energy cooperation. Recently, in 2021, the "*EU-India High-Level Dialogue on Trade and Investment*", also including within its ambit the "*EU-India Trade Sub-Commission*", was established following the 2020 India-EU summit. This improved strategic trading relations between India and the EU, with both nations agreeing to formulate a mutually beneficial trading agreement and such trading negotiations that would better the market access.[32] Today, the EU-CBAM Policy, with its carbon taxation regime at EU borders, has disrupted such market access for India, and it is high time that the EU is reminded once again of the "*mutually beneficial*" trading arrangements that it had negotiated with India.

[31] *India-EU relations*, MEA (July 2013), https://www.mea.gov.in/Portal/ForeignRelation/India-EU_Relations.pdf.
[32] *EU trade relations with India. Facts, figures and latest developments*, EUROPEAN COMMISSION (Feb. 13, 2024, 6:14 PM), https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/india_en.

As per the measures that India could take against the EU-CBAM Policy, one of such measures is the *Calibrated Retaliation Mechanism,* which seeks to mirror the same effect for the EU as the CBAM Policy is creating for India. This could be harmful even for the EU, as India's imports to the EU are on an increasing scale, although low as compared to China, and India's imports can offer the required diversification of products that the EU lacks. Also, with such counter acts, India-EU relations can turn sour, which India cannot afford at the present moment due to the high Foreign Direct Investment share that the EU occupies in the Indian FDI market. Also, the EU has a good market for intermediate products in India that is later used to complete the manufacturing cycle. Moreover, the persisting clash between India and the EU over the sustainability model that the EU follows (the one that also led to the EU CBAM Policy), which India looks at with suspicion of protectionist agendas, is something that inhibits improved trade and investment between India and EU thus falling foul of economic and social factors. The concern is not whether India can adopt sustainable frameworks. India is inclined towards the same. The concern is India's sensitivity towards the immediate adoption of such sustainable frameworks before it has a proper transition plan to shift to carbon neutrality that inadvertently results in decreasing trade in CBAM-affected sectors when actually there should be increased collaboration between India and EU to tackle the same.[33] Before the CBAM was introduced in May 2023, high-level talks between the Indian Prime Minister and European Commission President in 2022 had ended in the formation of the "*India – EU Trade and Technology Council*" to increase the cooperation in trade and technology areas between India and EU, thus pointing out the improving trading relations between the two countries.[34]

Talks regarding the India-EU Free Trade Agreement have also not been concluded. What started in 2013 was again re-launched only 9 years later, in 2022, with the hope that the same would be agreed upon before the general Lok Sabha elections of India to be held in 2024. This FTA would have been very beneficial if the EU had accepted the lower tariffs for Indian imports into its territory, thereby giving a boost to the Indian export sector. Along with this, India is also in talks under this agreement itself to make the visa process for the EU easier for

[33] *India and the European Union in 2030: Building a Closer Economic Relationship*, OBSERVER RESEARCH FOUNDATION (July 12, 2023), https://www.orfonline.org/research/india-and-the-european-union-in-2030.

[34] *India-European Union Bilateral Relations*, MEA (Sep. 30, 2023), https://indianembassybrussels.gov.in/pdf/230930%20Unclassified%20India-EU%20Bilateral%20Brief.pdf.

Indian professionals seeking to work there.[35] This would have improved the economic and social status of India in the international sphere manifold, as the EU is a huge economy with which to come into partnership. But all this is now tougher with newer obstructions in the process of getting reduced tariffs. One such is the EU-CBAM Policy, which runs almost counter to the objectives sought to be achieved by the *India-EU FTA Agreement* because it now imposes increased tariffs through carbon taxation for carbon-intensive products, thus hampering rather than upgrading the Indian export sector. This FTA is also deemed to be one of a kind as the EU will enter into an FTA with an 'emerging economy' like India for the very first time. The requirement for an increased pace to conclude this FTA stems from the fact that parallel negotiations on agreements that are considered significant in the trading perspective, like the "*Transatlantic Trade and Investment Partnership (TTIP)*" or the "*Regional Comprehensive Economic Partnership (RCEP)*" are also continuing and could be approved soon. The hurdle in the completion of the FTA also comes from India's side, which has several disagreements on the reduction of tariffs on wine and alcohol, which is a huge revenue source for India. At the same time, conflicts in relation to the liberalisation of the EU professional services sector are also coming in the pathway of a successful negotiation.[36] What must be realised from the Indian side now is that it is negotiating with a bigger economy that has more options on its plate apart from India. Losing out on this FTA agreement could be highly disadvantageous for India, and the same has become a cause of greater concern after the EU-CBAM Policy and the restrictions it has indirectly imposed. This is not to say that by entering into this FTA agreement, India should totally lose out on its revenue generation from the wine and alcohol market, but India should at present compare the consequences of losing out on this revenue and not having this agreement in place that could be the much-needed counter to the ongoing CBAM Policy. Reconciliation in this regard is the best thing as of now as it would help India in increasing its exports in certain sectors to tackle the heavy decrease in export of carbon-intensive products for the time being till a plan for carbon neutrality is achieved or the EU reduces or puts on hold through a waiver such immediate carbon taxations at least for the developing and least developed economies.

[35] Sushma Ramachandran, *India-EU FTA is a win-win for both economies*, DECCAN HERALD (Dec. 14, 2023, 11:56 AM), https://www.deccanherald.com/opinion/india-eu-fta-is-a-win-win-for-both-economies-2810694.

[36] Sangeeta Khorana, *The FTA: a strategic call for the EU and India?*, EUROPEAN COUNCIL ON FOREIGN RELATIONS (Oct. 2020), https://ecfr.eu/special/what_does_india_think/analysis/the_fta_a_strategic_call_for_the_eu_and_india.

Taking such things into consideration, in a historic move, India and the four EFTA (European Free Trade Association) nations signed an FTA pact recently on March 10, 2024, after almost a long wait of 16 years. This is considered a very significant step towards reconciliation between European countries and India towards a more equitable trade just after the backlash was received from the EU-CBAM Policy. As a sort of collaborative arrangement, this FTA will bring in mutual gains for both parties, with India providing tariff concessions and duty-free market access into India for certain products and EFTA nations investing in greater FDI in India and providing employment and research effectiveness to the Indian youth.[37] India had earlier signed another FTA agreement with UAE, and this is the second such initiative, but this time with EFTA countries, known as the "Trade and Economic Partnership Agreement" or the TEPA. It must be noted that the EFTA nations that have signed this agreement do not form part of the EU- Norway, Iceland, Switzerland and Liechtenstein.[38] However, this is an important step forward in collaboration with European countries with whom India is majorly involved in international trade, even if the EU takes the largest trade share. The gains in international trade and investments that would occur through this FTA could at least balance out the loss that is being caused to India due to the EU-CBAM Policy until a full-fledged carbon reduction strategy can be brought into place and India is able to tackle the CBAM Policy in the sphere of international trade without any compromise on its part.

G20 CHAIRMANSHIP OF INDIA- CAN THIS HELP BRING IN BETTER GLOBAL STANDARDS FOR CARBON REDUCTION WITHOUT AFFECTING INTERNATIONAL TRADE?

India is also currently chairing the G20. Under its *G20 chairmanship*, it has introduced the virtual summit titled "Voices of the Global South". The G20 and this summit seek to show the 'North' that includes the EU and the dire conflicting situations of the Global South, with most countries struggling to balance out both debt and climate issues at the same time. The Global South, which also involves India, has a strong desire that the 'North' recognise the 'South' and restrain itself from taking undue advantage of such global disparities between the

[37] Asit Ranjan Mishra, *16 years, 21 rounds of talks: India-EFTA free trade agreement a reality*, BUSINESS STANDARD (Mar. 12, 2024, 9:15 AM), https://www.business-standard.com/economy/news/16-years-21-rounds-of-talks-india-efta-free-trade-agreement-a-reality-124031000641_1.html.

[38] Suhasini Haidar, *India signs free trade pact with 4 European countries*, THE HINDU (Mar. 10, 2024, 12:42 PM), https://www.thehindu.com/news/national/india-european-free-trade-association-ink-free-trade-agreement/article67935003.ece.

two regions, like in the name of EU-CBAM Policy, for the 'South' is a symbol of total autocratic behaviour bringing about "green protectionism" and "regulatory imperialism".[39]

G20 can play a very significant role in promoting global-based uniform measures for carbon emission reduction and reducing such unilateral measures as is being taken by the EU. It has been noticed that among the G20 countries, very few numbers that is mostly inclusive of the EU, the UK, and Japan, will have increased export and positive welfare impacts if the CBAM Policy is implemented. It is also seen that although China receives a huge blow in terms of exports in CBAM-affected sectors, its welfare remains on the positive side because of its ability to productively reallocate its exports to non-tax-based sectors. However, expecting such sort of product reallocation for developing or least developed countries at this point in time is extremely foolish. In terms of the *role that can be played by G20*, it could be:

1. Bringing in a multilateral solution (maybe through the Paris Agreement) to replace such unilateral measures.
2. Introducing uniform global reporting standards for CO_2 determination.
3. Incorporating Special and Differential Treatment and waivers on a global scale.
4. Building a climate-carbon reduction financing strategy wherein the developed countries who generate increased revenue due to initiatives like CBAM could redistribute such revenue as financial assistance to developing and least developed countries who face a negative welfare impact and export downfall.
5. Allowing industries in the "developing and least developed countries" to choose the type of climate reduction strategy that would be suitable for their institutional, political and economic structures.
6. Developing trade in environmental goods so that clean technology is made more accessible for all countries, thereby facilitating increased conversion to carbon-reducing mechanisms.[40]

CHALLENGES PUT FORWARD BY INDIA AT THE 13TH MINISTERIAL CONFERENCE- A LOOK AT THE SAME:

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[39] Josep Borrell, *Three messages from New Delhi*, EUROPEAN UNION EXTERNAL ACTION (Mar. 11, 2023), https://www.eeas.europa.eu/eeas/three-messages-new-delhi_en#:~:text=Regarding%20the%20Carbon%20Border%20Adjustment,representatives%20present%20in%20New%20Delhi..

[40] Paul Baker et al., *Devising a Response to Carbon Border Adjustment Mechanisms for G20 Countries*, G20 INDIA 2023 (Mar. 11, 2023, 9:19 PM), https://t20ind.org/research/devising-a-response-to-carbon-border-adjustment-mechanisms-for-g20-countries/.

For the first time, a ministerial conference was held revolving around trade and environment as a major theme. The concept of sustainability, "environmental unilateralism", and how the present WTO trading rules are not comprehensive enough to tackle such policy concerns in the field of trade and environment was discussed as an important issue in the 13th Ministerial Conference held during late February.[41] India, however, had stated that in WTO meetings, it would not generally debate on sustainability or climate vis-à-vis that of international trade and keep its demands more restricted or narrowed down on direct trade issues. This is to further safeguard its trade interests with major trading blocs while keeping bilateral negotiations ongoing. India also stated that such issues that are more related to climate and environment and the ways in which it creates disguised trade restrictions could be better discussed and debated in multilateral forums like the United Nations rather than WTO.[42] Piyush Goyal, a Commerce and Industry Minister of India, speaking at the 13th WTO Ministerial Conference, highlighted the fact that such unilateralist measures in the name of "environmental protection" not only impact international trade but also affect the rights of parties to multilateral environmental agreements. This is because the multilateral environmental agreements also provide for greater flexibility in terms of responsibilities towards the environment dependent upon the state of development of the nation.[43] Moreover, India, at this 13th MC, has also blocked another major obstacle being put forth before it by the EU in the form of a proposal seeking to link the subject of industrial economic policy with that of international trade policy for exercising scrutiny even over the industrial economic policy of developing nations. India contended that "industrial policy" is a concurrent list matter where states also make policy or provide industrial subsidies that do not majorly affect exports and, hence, may not come directly within the scope of international trade. It was also argued by India that these tactics by the EU are to curb and scrutinise the industrial subsidies that have to be provided by the Indian states and the national government to counter the EU-

[41] DDG Jean-Marie Paugam, *Trade, sustainability and climate: What is at stake 30 years after WTO's creation?*, WTO BLOG (Mar. 5, 2024), https://www.wto.org/english/blogs_e/ddg_jean_marie_paugam_e/blog_jp_28feb24_e.htm.

[42] Dhirendra Kumar, *India to exclude non-trade issues at WTO talks, to engage with EU on CBAM*, LIVE MINT (Feb. 7, 2024, 6:33 PM), https://www.livemint.com/economy/india-to-exclude-non-trade-issues-at-wto-talks-to-engage-with-eu-on-cbam-11707305229178.html.

[43] *India expresses serious concerns in WTO meet over unilateral protectionist measures*, THE HINDU (Feb. 26, 2024, 10:37 PM), https://www.thehindu.com/news/international/india-expresses-serious-concerns-in-wto-meet-over-unilateral-protectionist-measures/article67889564.ece#:~:text=The%20CBAM%20will%20translate%20into,EU%20starting%20January%201%2C%202026.&text=WTO%20MC13%20%7C%20What's%20on%20the,will%20be%20hit%20by%20CBAM..

CBAM Policy, which is a sort of direct interference in internal matters of India of tackling CBAM.[44]

CONCLUSION

What is the EU CBAM Policy- an environmental boon or a disguised trade restriction?

It is difficult to conclude such a statement in white or black. More so, when the EU CBAM Policy is not yet in force, although it cannot be negated that the Policy would bring about great environmental friendliness and incentives for countries worldwide, the question is whether the time and stringency of the policy are correct at the specific moment with several developing and least developed countries struggling to achieve their development goals along with tackling other environmental hardships.

It is also true, at the other end of the spectrum, that this policy has every chance of becoming a huge trade restriction, especially for the growing economies that can affect the major base of trade facilitation under the Multilateral Trading System. It needs to be seen whether India could act as a forerunner and representative for the developing economies against the EU CBAM Policy while also trying to balance out its relations with the EU. The 13th Ministerial Conference has also been utilised by India to put forward its challenges and grievances against the EU-CBAM Policy and other proposals being placed by the EU in furtherance of the same to safeguard its own trade advantages and international trading relations.

SUGGESTIONS

In brief, ways to tackle EU-CBAM by developing and least developed nations- specific focus on India:

To state in brief, the following measures can be identified to tackle the EU-CBAM Policy as a balancing act between climate and environment sustainability and economic sanctions by way of carbon taxation and reduced exports in international trade-

1. WTO Multilateral Trading measures like-
    - Putting up challenges resulting in debates and discussions at Ministerial Conferences

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[44] Asit Ranjan Mishra, *WTO MC13: India blocks EU proposal to link trade with industrial policy*, BUSINESS STANDARD (Mar. 4, 2024, 10:50 PM), https://www.business-standard.com/economy/news/india-blocks-eu-proposal-to-link-trade-with-industrial-policy-at-wto-mc13-124030400933_1.html.

- Seeking waivers under "Article IX:3 of WTO Agreement."
- Applying Safeguard measures under "WTO Agreement on Safeguards" to temporarily restrict carbon-intensive product import increases the internal demand to tackle the loss in exports
- Challenge with regard to violation of basic international trading principles like Special and Differential Responsibility and violation of "Article XI GATT" (imposition of protectionist measures in the form of quantitative restrictions)

2. Calibrated Retaliation Mechanism- sanction-based approach towards EU- phased-wise imposition of greater tariffs or customs duties.
3. Improving its own carbon reduction strategies, policies, schemes, carbon reduction, and climate change financing avenues and further developing its own carbon pricing mechanisms, most of which seem to be at a dormant stage. Alongside this, ways to shift towards non-fossil fuel-based energy sources like solar power should be built to come in more consonance with the CBAM Policy if it is to be ultimately followed.
4. Improving India-EU international relations further through dialogues, India-EU trade summits, joint declarations, formation of sub-commissions on trade and energy, cooperative mechanisms and entering into more Free Trade Agreements, specifically with the EU, if possible, as has already been done with UAE and certain EFTA nations.
5. Applying G20 multilateral solutions that can restrict unilateral protectionist measures and bring in uniform global standards for CO_2 reporting, carbon reduction, and carbon reduction financing through assistance from developed countries to developing and LDC countries.

Contending at the level of violation of not only WTO principles but also Multilateral Environmental Agreements due to such unilateral measures.