





growing under the EU – Japan Economic Partnership Agreement (EPA) which was implemented in 2019. These aluminium exports were worth 67 million EUR in 2018 and grew to over 112 million in 2020. Yearly exports of [fertilizers and cement](#) were less significant, worth around 2,5 million EUR and 5,5 million EUR respectively between 2017-2020.

Since 2019, the iron, steel and aluminium sectors have adapted and started using the lower tariffs provided under the EU – Japan EPA. In 2019, around 23% of these exports to the EU used the lower tariffs of the agreement. In 2020, this was more than 90% for iron and steel exports and around 45% for aluminium exports. Given these sectors' eagerness to make use of the lower tariffs, it might be a daunting prospect that they will be subject to a new kind of tariff starting 2026. Moreover, under the EPA some European import tariffs on aluminium products will only be phased out fully starting in 2024. This leaves a short window of opportunity for this sector to make use of tariff-free treatment before a carbon tariff will be applied. If, after the first stage of CBAM, the EU judges that the mechanism works as intended, there is a possibility that the sectoral scope will be extended and that other Japanese imports will start paying a carbon tariff. There is currently no certainty about which sectors will be included, but it is likely that products further down the value chain will be integrated as well.

Yet, if producers already pay a price for carbon emissions in Japan, it is possible that this cost will be deducted from the carbon price levied at the European border. So, what kind of carbon pricing mechanisms are there currently in Japan? Unlike in the EU, there is no nationwide

