In cooperation with IER

German Economic Team

NO 02 | APR 2026

POLICY STUDY UKRAINE

CBAM and Ukraine: Short-term implications

Veronika Movchan, Yiğit Tahmisoğlu

Copyright © 2

Executive summary

- CBAM entered its definitive phase on 1 January 2026; certificate sales for 2026 imports open on 1 February 2027, with a surrender deadline of 30 September 2027
- UKR export structure shows high exposure: CBAM-covered exports to the EU amounted to USD 3.4 bn in 2025 (~15% of total EU exports, ~2% of GDP), concentrated almost entirely in iron and steel (~92%)
- **The short-term impact of CBAM on UKR will be strong and frontloaded:** UKR exports to the EU **would fall cumulatively by USD 1,392 m (-41%) over 2026-27**
- **Sectoral impacts are highly uneven:**
  - **Iron and steel** accounts for **89% of total losses (USD 1,245 m)**; **cement** faces a near-complete collapse with **-96% fall in exports to EU; and aluminium is largely unaffected (-2%, USD 2 m)**
- To mitigate the short-term impact of CBAM and protect its exposed industries, UKR should:
  - **Provide immediate support for plant-level emissions verification.** In the short term, verified emissions data will likely not be available, EU importers are likely to rely on punitive default values. The immediate priority is to build plant-level reporting capacity and facilitate financial support for third-party verification, with practical arrangements that make auditing feasible under wartime constraints
  - **Raise the domestic carbon tax** (designed to be creditable under CBAM rules) and channel revenues into a Decarbonisation Fund, deploying it with CBAM exposure explicitly in mind and prioritising investments that simultaneously reduce embedded emissions and strengthen compliance readiness
  - On the EU side, **explore the case under Article 30(7)** - the CBAM force majeure clause - and advocate in parallel for a political commitment to recycle CBAM revenues collected on UKR exports back into reconstruction and decarbonisation of UKR industry

Copyright © 2025 BE Berlin Economics GmbH | All rights reserved.

Structure

1. Introduction
2. Overview of CBAM
3. Ukraine‘s relevant export structure
4. Methodology and assumptions
5. Results
6. Conclusions
7. Policy recommendations

Annexes:

Annex I. Data sources and estimates

Annex II. Model description

Annex III. Sensitivity analysis

Copyright © 2026 BE Berlin Economics GmbH | All rights reserved.

1. Introduction

Background

- Carbon Border Adjustment Mechanism (CBAM) is an EU climate policy tool that applies a carbon price to imports of selected goods from non-EU countries to address carbon leakage and align carbon costs with EU producers under the ETS
- CBAM currently covers six carbon-intensive sectors: aluminium, cement, iron and steel, fertilisers, electricity, and hydrogen
- Since 1 January 2026, importers must pay for the embedded emissions of covered imports following the end of the transitional period (2023-2025)
- By pricing embedded emissions, CBAM increases the effective cost of exporting carbon-intensive products to the EU for non-EU producers, including Ukraine
- The short-term macroeconomic and sectoral effects remain uncertain, while untransparent and varying cost estimates circulate in the public debate in Ukraine
- A credible short-term assessment is therefore needed to inform policy design and support adjustment

Purpose of this analysis

- Assess the short-term (2026-27) financial burden of CBAM on Ukraine, disaggregated by sector
- Bring realism and transparency to the discussion of CBAM's impacts in Ukraine by grounding estimates in consistent assumptions and sector-specific exposure

Copyright © 2026 BE Berlin Economics GmbH | All rights reserved.

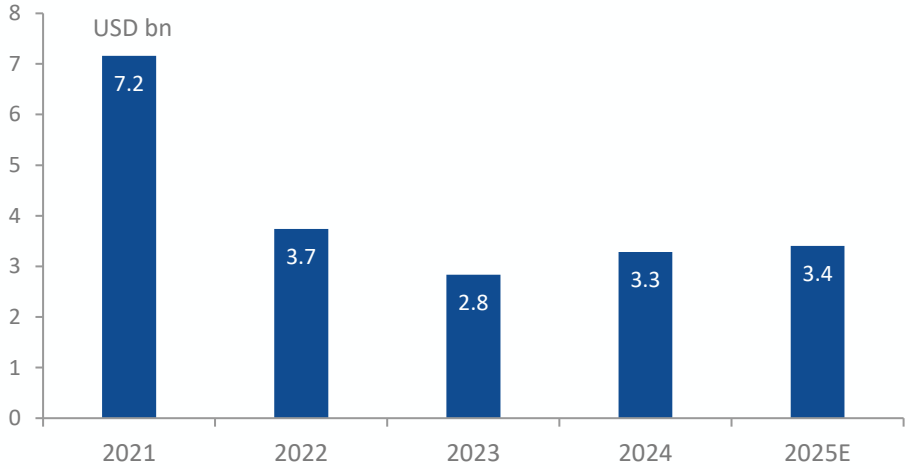
2. Overview of CBAM

- CBAM is phased in gradually, mirroring the phase-out of EU ETS free allocations, and reaches full implementation by 2034
- How CBAM works in practice:
  - EU importers submit an annual declaration of imported quantities and embedded emissions
  - Non-EU producers provide verified embedded-emissions data and supporting documentation to EU importers through the Third Country Operators Portal in the CBAM Registry
  - If verified data are not available, EU importers must use default values, which are punitive by design and can increase the effective CBAM cost for the exporter
  - Importers surrender the corresponding number of CBAM certificates, with certificate prices linked to the EU ETS allowance price
  - Certificate pricing uses a quarterly average in 2026 and a weekly average from 2027 onwards
- Payments for 2026 imports begin in 2027
  - CBAM certificate sales start on 1 February 2027 for the 2026 compliance year
  - The first declaration and surrender deadline for emissions embedded in 2026 imports is 30 September 2027
- If an equivalent carbon price has already been paid in the country of production, the corresponding amount can be deducted, subject to eligibility and evidence requirements
- From 1 January 2028, CBAM's scope is set to expand to selected steel- and aluminium-intensive downstream products (to be covered in a separate study)

Copyright © 2026 BE Berlin Economics GmbH | All rights reserved.

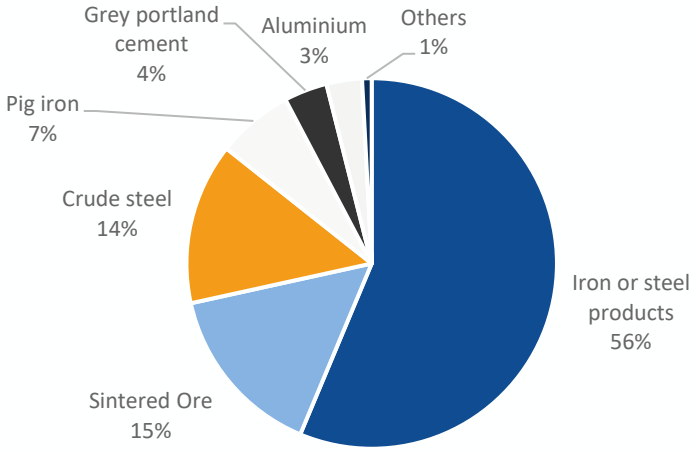
3. Ukraine's relevant export structure

UKR exports of CBAM goods to the EU



Sources: own display based on State Statistics Service of Ukraine (Ukrstat, 2026)
UKR exports (see Annex I for details)

Product structure of UKR exports of CBAM goods to the EU



Sources: own display based on State Statistics Service of Ukraine (Ukrstat, 2026)
UKR exports (see Annex I for details)

- UKR exports of CBAM goods to the EU, 2025 est. (see Annex I for details):
  - USD 3.4 bn, +4% yoy
  - 15% of UKR's total exports to the EU
  - Close to 2% of UKR GDP (2025 est.)
- The full-scale aggression and related losses reduced absolute UKR CBAM exposure, as in 2021, UKR CBAM exports to the EU were USD 7.2 bn and 27% of exports to the EU
- However, the EU share in UKR total CBAM exports was 68% in 2025, a large expansion compared to 41% in 2021, so the potential for reorientation narrowed
- CBAM impact is concentrated on the iron and steel sector, accounting for 92% of the total CBAM exports
- Cement (4%) and aluminium (3%) are two other sectors with a noticeable CBAM share

➢ **UKR features a high exposure to CBAM**

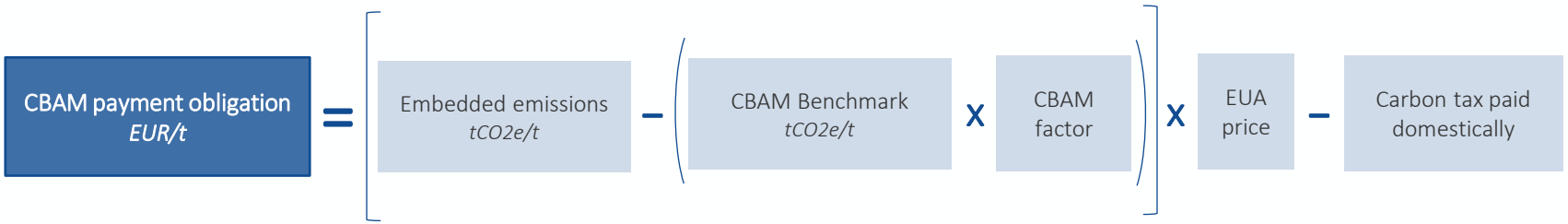
➢ **CBAM impact is concentrated in the iron and steel sector**

Copyright © 2026 BE Berlin Economics GmbH | All rights reserved.

4. Methodology and assumptions: CBAM

- **Time horizon of our analysis:** 2026-2027 (focus on short-term implications)
- **EU ETS price assumption:** EUA futures prices for 2026 and 2027 (annual averages)
- **Domestic carbon price in UKR:** EUR 0.6/tCO_2 (current level)
- **Embedded emissions:** Country-specific default values published by European Commission. In the short term, it is not expected that installation-level verified emissions will be available at scale; EU importers are therefore likely to rely on default values
- **Default-value treatment:** Announced default values by the European Commission are set at the higher bound (punitive by design), with additional mark-ups applied in 2026 (+10%) and 2027 (+20%) to incentivise countries to report and verify actual emissions. Therefore, our CBAM estimates represent an upper-bound cost estimate

Calculation of CBAM payment obligations



Source: Own display based on European Commission Regulation (EU) 2025/2620

Copyright © 2026 BE Berlin Economics GmbH | All rights reserved.

4. Methodology and assumptions: trade impact

- To assess the export impact, we estimated the ad valorem equivalent of the CBAM payment based on EU import unit values
- The impact on Ukrainian exports to the EU is assessed using a **partial equilibrium model**, based on the following assumptions:
  - CBAM acts as an additional import duty imposed on exports to the EU, increasing import prices, thereby affecting EU import demand
  - The EU demand response is determined by the role of different importers, the extent of import price increase (depending on the CBAM values), the EU import demand elasticity, and the elasticity of substitution among import sources, which are subject to different country-specific default values (i.e. additional "import duties")
- The model covers:
  - 22 regions, including UKR, intra-EU trade, and the rest of the world aggregate
  - Import demand elasticity, differentiated by product
  - Elasticity of substitution among import varieties (Armington elasticity); baseline elasticity set at 5
- Estimates are based on **CBAM default values**, reflecting the assumption that companies will not be able to complete the verification before the Sep-2027 deadline for 2026 CBAM payments
- **Data**: Ukrstat for UKR trade data, Eurostat for EU imports, WITS SMART for EU elasticities
- **Base year**: 2025
- See Annex II for detailed methodology

Copyright © 2026 BE Berlin Economics GmbH | All rights reserved.

5. Results: CBAM cost for Ukraine's exports to the EU

CBAM cost on UKR exports, average by sector and product groups, USD per tonne

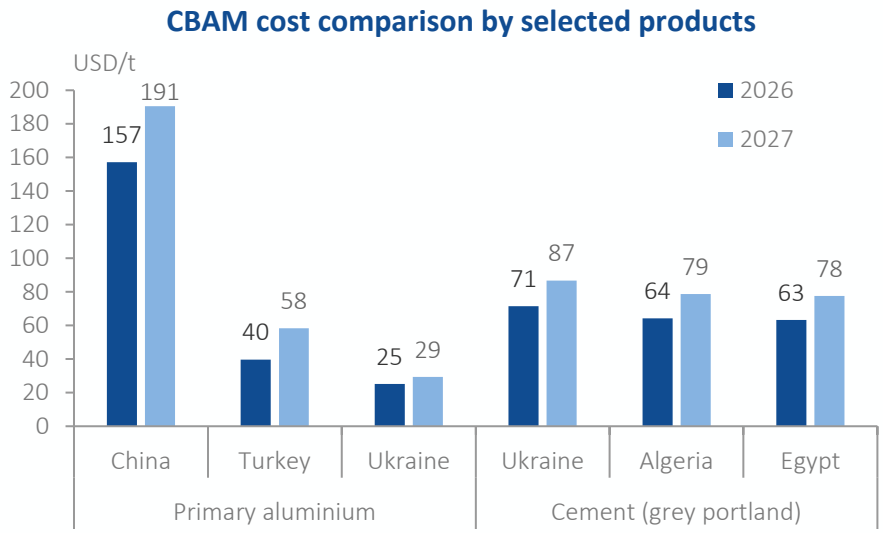
	CBAM cost 2026	CBAM cost 2027
Cement (grey portland)	70.7	86.0
Fertilisers	78.9	82.6
Ammonia	*64.8*	*70.1*
Aluminium	63.0	72.5
Primary Aluminium	*25.3*	*29.3*
Iron and steel	146.6	178.6
Sintered Ore	*4.0*	*5.3*
Pig iron	*84.5*	*107.1*
Ferroalloys	*96.0*	*123.7*
Crude steel	*135.6*	*166.3*
Hot Rolled Coil	*114.7*	*142.2*
Other iron and steel products	*143.9*	*175.4*
Hydrogen	570.0	690.9

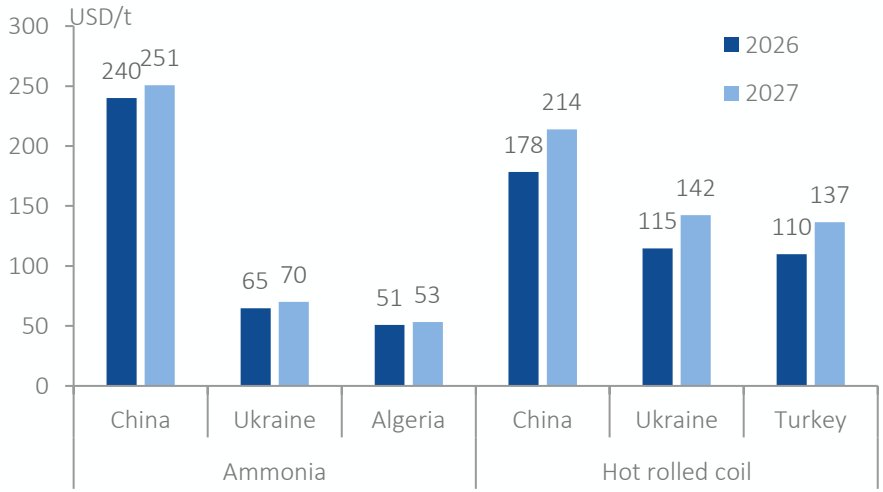
Sources: own estimates based on European Commission Regulation (EU) 2025/2621 and Regulation (EU) 2025/2620

- CBAM cost exposure is uneven across sectors
- Short-term impact mainly on the iron and steel sector. Double exposure:
  - Sector dominates UKR CBAM exports to EU
  - Faces the highest absolute CBAM cost per tonne (USD 146.6 in 2026, rising to USD 178.6 in 2027)
- Aluminium and fertilisers also face significant per-tonne CBAM costs, but their smaller weight in the export structure limits the aggregate impact
- These additional costs should be interpreted alongside those of competing exporters: **UKR competitiveness will depend on its relative CBAM burden vis-à-vis other exporters** competing for the same EU buyers

Copyright © 2026 BE Berlin Economics GmbH | All rights reserved.

5. Results: CBAM cost for Ukraine's exports to the EU





Sources: own estimates based on European Commission Regulation (EU) 2025/2621 and Regulation (EU) 2025/2620. Based on the use of country specific default values for the corresponding years.

- We illustrate the CBAM costs for selected products, comparing UKR to major exporters of those products to the EU
- UKR relative position differs markedly by product
- **Aluminium (primary):** UKR holds a relative advantage vis-à-vis some major competing exporters (China and Turkey)
- **Cement (grey portland):** UKR at a slight disadvantage relative to North African exporters, facing roughly 10% higher CBAM cost than Algeria and Egypt
- **Ammonia:** UKR at a disadvantage compared to low-emission producers from North Africa
- **Steel (Hot Rolled Coil)**: Significant cost addition per tonne, slightly higher burden compared to major exporters like Turkey, added cost nearly as high as Chinese producers, which has the scale that UKR does not have to absorb the cost increase

- **CBAM costs rise further in 2027 as mark-ups increase: exporters stuck on default values will face a compounding disadvantage**

Copyright © 2026 BE Berlin Economics GmbH | All rights reserved.

5. Results: CBAM impact on UKR exports

Impact of the CBAM on UKR exports to the EU (USD m)

	UKR exports to EU			Change, 2027/2025	
	2025A	2026E	2027E		
	USD m	USD m	USD m	USD m	%
Cement	**147**	**10**	**5**	**-142**	**-96%**
Grey portland cement	*128*	*10*	*5*	*-123*	*-96%*
Fertilizers	**9**	**6**	**6**	**-3**	**-34%**
Aluminium	**105**	**103**	**104**	**-2**	**-2%**
Iron and steel	**3,140**	**2,107**	**1,895**	**-1,245**	**-40%**
Sintered Ore	*519*	*544*	*533*	*14*	*3%*
Pig iron	*226*	*93*	*77*	*-149*	*-66%*
Ferroalloys	*1*	*1*	*1*	*0*	*-17%*
Crude steel	*480*	*384*	*336*	*-144*	*-30%*
Iron or steel products	*1,915*	*1,084*	*949*	*-967*	*-50%*
Total	**3,401**	**2,227**	**2,010**	**-1,392**	**-41%**

Sources: own estimates based on PE model (see Annex II) using Eurostat and UKRSTAT data

- Impact on UKR exports to the EU:
  - 2026: - USD 1,175 m (-35% yoy)
  - 2027: - USD 217 m (-10% yoy)
  - **2026-27 cumulative: - USD 1,392 m (-41%)**
- Under CBAM default values, the CBAM initial impact would be the strongest
- As a result, UKR's share of the EU imports for CBAM products would reduce from 1% in 2025 to 0.7% in 2027
- Impact varies significantly across sectors:
  - In nominal terms, the **iron and steel exports will be affected the most** (USD 1,245 m, or 89% of the losses), **losing half of the exports of iron and steel products to the EU**
  - In relative terms, **cement** is the most vulnerable: **exports to the EU fall by 96%,** with UKR's share of grey Portland cement in the EU imports down from 7.4% to 0.5% (2025 vs 2027)
  - At the same time, iron ore exports grow by 3% as trade reallocation redistributes market share in UKR's favour
- **Strong impact, uneven across sectors**
- **Iron and steel products the most exposed**

Copyright © 2026 BE Berlin Economics GmbH | All rights reserved.

6. Conclusions

- **Ukraine's exposure to CBAM is significant, but highly concentrated**
  - CBAM-covered exports to the EU amount to around USD 3.4 bn – roughly 15% of UKR total exports to the EU and close to 2% of GDP
  - Exposure driven almost entirely by iron and steel, which accounts for ~92% of UKR CBAM exports
- **If CBAM default values apply in 2026-27, the impact will be strong and frontloaded:**
  - **UKR exports to the EU would fall by USD 1,175 m (-35% yoy) in 2026**, as the full weight of default-based costs hits in the first compliance year
  - **In 2027**, the additional mark-up in the CBAM default values adds further pressure, but will have a much smaller additional impact (as the sharpest adjustment has already occurred), estimated at USD 217 m (-10% yoy)
  - Cumulatively, the reduction in UKR exports to the EU amounts to **USD 1,392 m in 2026-27, or 41%** of the 2025 baseline. **That is equivalent to 0.7% of UKR GDP (2025)**
- **The short-term sectoral impacts are highly concentrated**
  - Iron and steel producers face the most significant pressure: **the sector will lose USD 1,245 m in exports to the EU cumulatively over 2026-27,** given both their export dependence on the EU and the magnitude of per-tonne CBAM costs
  - **Cement**, though smaller in absolute terms, faces a **near-complete collapse in the EU market: exports to the EU will fall by 96% over the same period**, as UKR's per-tonne CBAM cost runs well above North African suppliers

Copyright © 2026 BE Berlin Economics GmbH | All rights reserved.

7. Policy recommendations

» Prioritise emissions verification support for CBAM-exposed exporters

- In the short term, the main policy priority is to help firms avoid the use of punitive default values by improving plant-level emissions reporting and facilitating verification by accredited verifiers
- This can be done in the form of financial support to firms for the cost of accredited third-party verification, and practical arrangements that make verification feasible during wartime security constraints

» Increase the domestic carbon tax rate to reduce the net CBAM burden

- A higher domestic carbon tax would allow a larger share of the carbon price to be paid in UKR rather than at the EU border; it should be designed to be creditable under CBAM rules and accompanied by clear proof-of-payment documentation
- Revenues retained domestically should be channelled to a Decarbonisation Fund for industrial modernisation, and structured as bankable projects to attract EU matching grants and blended finance

» Use the Decarbonisation Fund strategically for CBAM-exposed industry

- In the short term, funding should prioritise investments that both reduce embedded emissions and improve compliance readiness
- Given limited fiscal space, allocation should be targeted and take into account CBAM exposure, expected emissions reduction, and implementation readiness

» Engage the EU on relief measures under Article 30(7) of the CBAM Regulation

- Article 30(7) contains an explicit force majeure clause allowing the EC to provide provisional measures to address exceptional circumstances where "*exceptional and unprovoked event.. has destructive consequences on the economic and industrial infrastructure of such country*"; given exceptional wartime circumstances of UKR, the government should examine whether the conditions for invoking this provision are met and, if so, pursue it in EU-UKR political dialogue
- Alternatively, UKR could explore the case for a political commitment from EC to recycle CBAM revenues collected on UKR exports back into reconstruction and decarbonisation of the UKR industry

Copyright © 2026 BE Berlin Economics GmbH | All rights reserved.

References

- Bajzik, J., Havranek, T. J., Irsova, Z., & Schwarz, J.(2020). Estimating the Armington elasticity: The importance of study design and publication bias. Journal of International Economics, Volume 127, 2020. https://doi.org/10.1016/j.jinteco.2020.103383
- European Commission. (2025). Commission Implementing Regulation (EU) 2025/2621 of 16 December 2025 laying down rules for the application of Regulation (EU) 2023/956 of the European Parliament and of the Council as regards the establishment of default values. Official Journal of the European Union, L 2025/2621. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202502621
- European Commission. (2025, December 16). Report from the Commission to the European Parliament and the Council on the application of the Regulation on the Carbon Border Adjustment Mechanism (COM(2025) 783 final). Publications Office of the European Union. https://eur-lex.europa.eu/resource.html?uri=cellar:05f0b7f5-da86-11f0-8da2-01aa75ed71a1.0001.02/DOC_1&format=PDF
- Hertel, T., & van der Mensbrugghe, D. (2019). Chapter 14: Behavioral Parameters (Center for Global Trade Analysis). Purdue University, West Lafayette, IN: Global Trade Analysis Project (GTAP). https://www.gtap.agecon.purdue.edu/resources/res_display.asp?RecordID=5950
- European Parliament, & Council of the European Union. (2023). Regulation (EU) 2023/956 of the European Parliament and of the Council of 10 May 2023 establishing a carbon border adjustment mechanism (CBAM). Official Journal of the European Union, L 130, 52–104. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023R0956
- Eurostat. (2026). International Trade. EU trade since 2002 by HS2-4-6 and CN8. Retrieved on April 11, 2026. https://ec.europa.eu/eurostat/comext/newxtweb/setupdimselection.do
- State Statistics Service of Ukraine. (2026). Foreign trade in individual types of goods by country of the world. Retrieved on April 5. 2026. https://www.ukrstat.gov.ua/operativ/operativ2025/zd/e_iovt/arh_iovt2025.htm

Copyright © 2026 BE Berlin Economics GmbH | All rights reserved.

About the German Economic Team

Financed by the Federal Ministry for Economic Affairs and Energy, the German Economic Team (GET) advises the governments of Ukraine, Belarus*, Moldova, Kosovo, Armenia, Georgia* and Uzbekistan on economic policy matters. Berlin Economics has been commissioned with the implementation of the consultancy.

**In Belarus and Georgia advisory activities are currently suspended.*

CONTACT

Garry Poluschkin, Project Manager Ukraine
poluschkin@berlin-economics.com

German Economic Team
c/o BE Berlin Economics GmbH
Schillerstraße 59 | 10627 Berlin
Tel: +49 30 / 20 61 34 64 0
info@german-economic-team.com
www.german-economic-team.com

Our publications are available under
https://www.german-economic-team.com/ukraine

Implemented by

Berlin Economics

Copyright © 2026 BE Berlin Economics GmbH | All rights reserved.

Annex I. Data sources and estimates

Sources for trade data:

- UKRSTAT: UKR exports of CBAM products by destination. Available periods: 2021-2024 and January-September 2025
- EUROSTAT: EU imports of CBAM products by source country. Available periods: 2021-2025

UKR exports to the EU:

- The analysis relies on a **constructed estimate of UKR exports to the EU, subject to CBAM**
- The information on prices (unit values) is sourced from UKR data (exporter), and the volume information is sourced from the EU data (importer)
- For 2025, the estimate is based on the volume for the entire 2025 (Eurostat) and unit values for January-September 2025 (Ukrstat)
- This approach avoids the mirror statistics biases caused by, e.g., discrepancies between the country of contract and the country of destination in UKR export data, differences in the date of the product leaving the UKR customs territory and entering the EU customs territory, as well as any misreporting or recording errors

Copyright © 2026 BE Berlin Economics GmbH | All rights reserved.

Annex II. Model description

The partial equilibrium model:

- **Base year:** 2025
- **22 regions:** Brazil, Canada, China, Egypt, India, Indonesia, Japan, South Korea, Norway, Serbia, South Africa, Switzerland, Turkey, Taiwan, UAE, UK, USA, Vietnam, Ukraine, intra-EU trade, rest of the world
- **Import demand elasticity**: differentiated by product
- **Elasticity of substitution**: baseline sigma = 5, alternative values sigma = 2 (low elasticity), sigma = 3.8 (median elasticity across sectors, according to literature), sigma = 7.3 (average elasticity for iron and steel manufacturing in GTAP)
- **CBAM ad valorem equivalent (AVE):** CBAM default value for each partner country divided by the EU unit value of imports from that country in 2025
- **Model description**:
  - For each product and source, the import price is defined as the export price per product plus the CBAM AVE
  - For each product, the aggregate price is determined by the share of the country in total product import, the price of imports per product and country, and the elasticity of substitution (CES function)
  - For each product, total imports are determined by the initial level of imports, the change in aggregate price and import demand elasticity
  - For each product and source, import quantity is defined by the initial level of imports, the share of the country in total product imports, the relative price of imports and the elasticity of substitution
- UKR exports to the EU are estimated based on the changes in EU import quantity, with prices of exports remaining at the baseline level

Copyright © 2026 BE Berlin Economics GmbH | All rights reserved.

Annex III. Sensitivity analysis

Impact of CBAM on UKR exports to the EU, % change in 2027/2025

	sigma = 2.0	sigma = 3.8	sigma = 5.0	sigme = 7.3
Cement	-75%	-92%	-96%	-99%
Grey portland cement	*-72%*	*-91%*	*-96%*	*-99%*
Fertilizers	-20%	-29%	-34%	-42%
Aluminium	-1%	-2%	-2%	-2%
Iron and steel	-23%	-33%	-40%	-51%
Sintered Ore	*-1%*	*1%*	*3%*	*2%*
Pig iron	*-46%*	*-57%*	*-66%*	*-78%*
Ferroalloys	*-8%*	*-13%*	*-17%*	*-23%*
Crude steel	*-19%*	*-25%*	*-30%*	*-47%*
Iron or steel products	*-27%*	*-42%*	*-50%*	*-63%*
Total	**-24%**	**-35%**	**-41%**	**-52%**

Sources: own estimates based on PE model (see Annex II) using Eurostat and UKRSTAT data. Sigma is the elasticity of substitution among import sources

- The results are sensitive to the assumed elasticity of substitution among import sources: a lower elasticity value means products from different sources are worse substitutes, so the redistribution of trade across sources is less pronounced
- The impact of different elasticities of substitution on UKR depends on whether the UKR CBAM default value is higher or lower compared to other sources
- Overall, the higher elasticity of substitution tends to penalise UKR as the EU imports shift towards intra-EU trade and the sourcing of imports from sources with lower or no CBAM burden
- The only exception is iron ores: higher elasticity results in redistribution towards UKR products
- Overall, depending on the elasticity of substitution, in 2026-2027, the CBAM-induced reduction in UKR exports could range from **24% to 52%** relative to the UKR exports to the EU (2025 baseline)

Copyright © 2026 BE Berlin Economics GmbH | All rights reserved.