

SUSTAINABILITY PULSE

OF EGYPT



NOVEMBER 2025

Egypt

at the CBAM Crossroads

The **European Union's Carbon Border Adjustment Mechanism (CBAM)**, set to take full effect in January 2026, will significantly reshape global trade dynamics, particularly for countries like Egypt. This regulation, which applies to sectors such as **iron and steel, aluminum, cement, fertilizers**, and, for the EU mandates that exporters meet carbon pricing requirements tied to the EU Emissions Trading System (EU ETS) or the UK carbon tax. With 10% of Egypt's total exports affected by CBAM in 2024, as according to ExpoLink these sectors **account for 0.3% of Egypt's GDP and nearly 20% of its exports to the EU, valued at \$12.313 billion in 2023/2024.** This underscores Egypt's heavy reliance on the EU market.

At the same time, Egypt's domestic financial landscape is evolving to align with these changes. In June 2025, the Central Bank of Egypt issued a circular mandating that banks submit **biannual reports detailing the exposure of their clients in CBAM-covered sectors, their market shares, and the credibility of their decarbonization plans.**

This shift transforms CBAM from a purely environmental compliance issue into a matter of credit risk, liquidity, and bank reporting, placing added pressure on exporters to demonstrate credible transition strategies.

Looking ahead, CBAM is expected to expand beyond its current scope, likely including **glass production, petrochemicals, plastics, oil refining, and downstream metals** sectors that are both energy-intensive and carbon-intensive. As EU carbon pricing continues to tighten, Egypt, with its reliance on carbon-heavy industries, must invest in decarbonization technologies and energy efficiency to maintain market access and remain competitive. The integration of carbon intensity as a pricing factor will not only influence margins and market access but will also shape the financial conditions for Egyptian exporters.

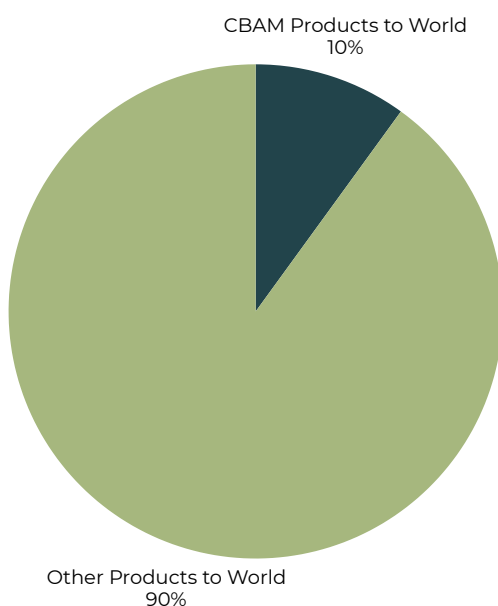
To stay competitive, exporters must act quickly to align with CBAM decarbonization goals and report embedded emissions to the European Commission on a quarterly basis.



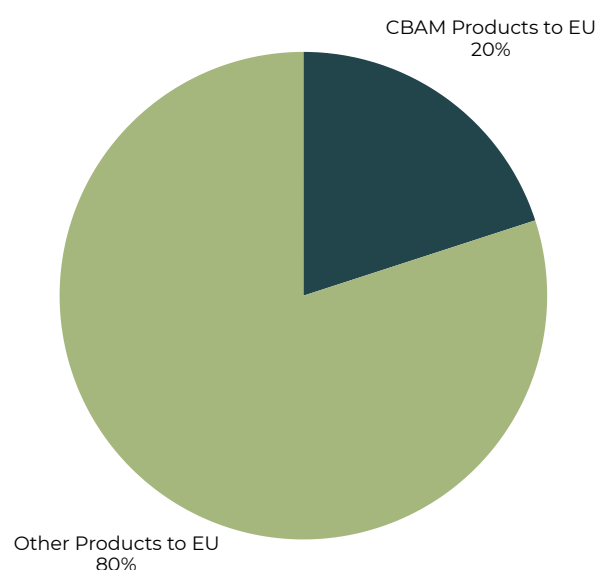
Egypt, like many developing countries, is highly exposed to the impacts of CBAM. In 2022, approximately **10% of Egypt's total exports were subject to the adjustments introduced by the CBAM**. The sectors most affected include energy-intensive industries such as fertilizers, iron and steel, aluminum, and cement. These industries not only represent significant export value but also contribute heavily to employment and industrial output in Egypt.

The economic implications of this exposure are stark. According to ExpoLink, **exports impacted by CBAM are estimated to account for around 0.3% of Egypt's GDP**, a figure that underscores the vulnerability of key sectors to rising carbon costs. At the EU level, according to SIS, these exports represent nearly **20% of Egypt's total exports to the EU**, which **amounted to \$12.313 billion in the fiscal year 2022/2023**. This concentration of CBAM-exposed exports demonstrates Egypt's significant reliance on the EU market and the potential risk to its export revenue should the carbon costs rise. World Bank **Trade Exposure Index (TEI) maps** show Egypt as one of the **most vulnerable countries globally**, ranking highest worldwide in iron & steel (0.1613) and fertilizers (0.1905), with notable exposure in cement (0.0083) and aluminum (0.0253).

Egypt's CBAM -First Phase- Applicable Exports to World (ExpoLink)



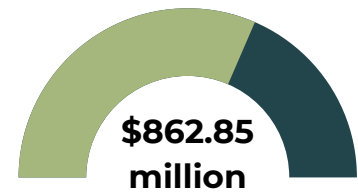
Egypt's CBAM -First Phase-Exports to EU (ExpoLink)





Iron & Steel

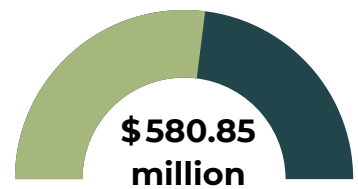
According to Trading Economics, Egypt's Iron and steel exports to **the EU accounted for \$862.85 million in 2024**, representing one of Egypt's most EU-dependent industrial flows. The sector is highly energy-intensive and relies heavily on natural-gas-based direct reduced iron (DRI) processes and electricity from a carbon-intensive grid.



Iron & Steel

Aluminium

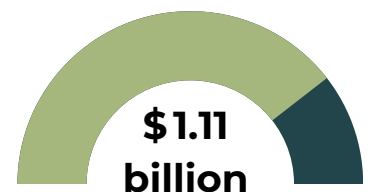
Aluminium is the most electricity-intensive industrial export, with Egyptian exports to the **EU reaching US\$580.85 million in 2024**. Because electricity accounts for over half the carbon footprint of aluminium production, Egypt's current natural-gas-dominated grid directly amplifies CBAM costs.



Aluminium

Fertilizers

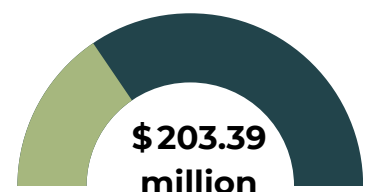
Fertilizers are Egypt's largest CBAM-exposed export category, **with US\$1.11 billion in exports to the EU in 2024**. Ammonia-based fertilizers have a particularly high emissions footprint due to natural-gas feedstock.



Fertilizers

Cement and Clinker

Cement exports to the EU and Mediterranean markets reached **US\$203.39 million in 2024**, Egypt's cement industry as a whole exported almost 10 million tons in 2024. Cement is one of the most carbon-intensive industrial products globally, emitting around 0.8–0.9 tons of CO₂ per ton of product.



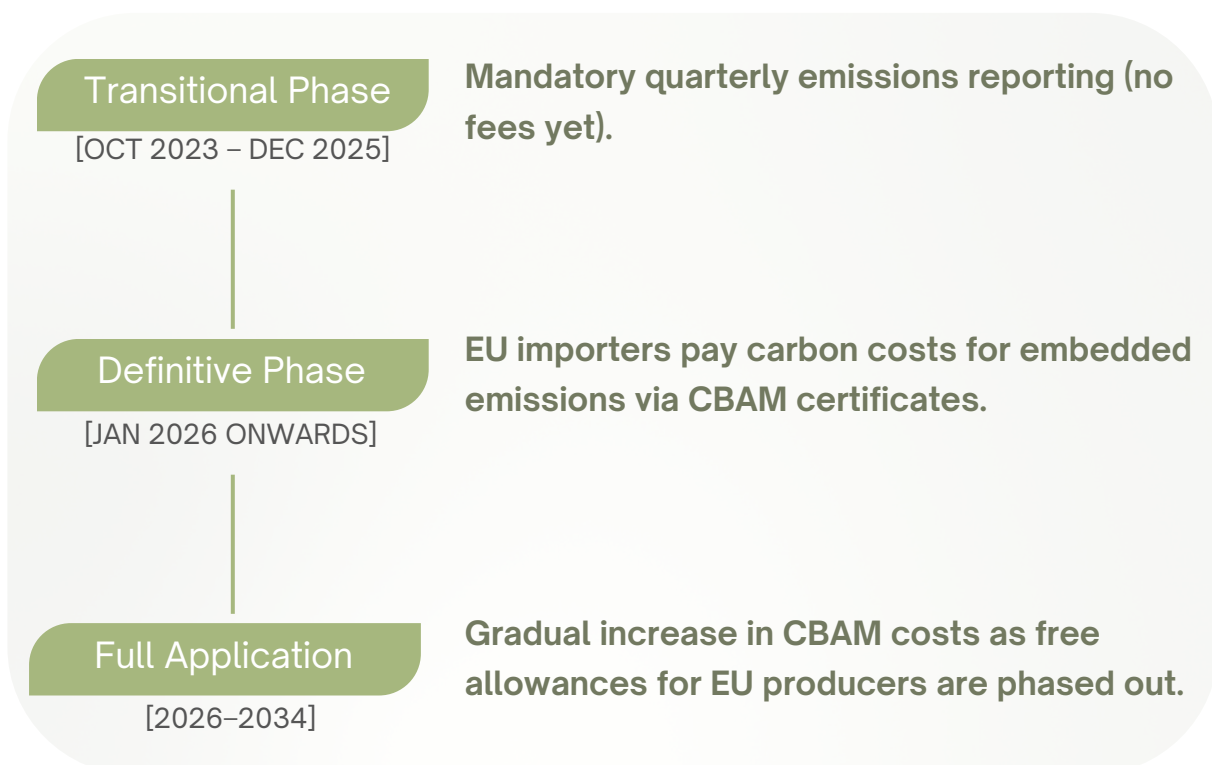
Cement and Clinker



Before the introduction of CBAM, only **EU producers** were required to pay for carbon emissions associated with their production processes. This system led to concerns about **carbon leakage**, where companies could relocate their production to countries with looser environmental regulations to avoid EU carbon costs.

Starting from **January 2026**, **exporters** will also be required to pay carbon costs at the **EU border**, unless their production processes are **low-carbon** or they can demonstrate **proper carbon measurements**. This ensures that **imported goods** are subject to the same carbon costs as EU-produced goods, addressing the risk of carbon leakage and promoting fairer competition between EU producers and foreign exporters.

This shift ensures that all goods entering the EU market are accounted for in terms of their carbon emissions, thereby aligning global production with the EU's climate objectives and preventing a situation where the EU's climate policies inadvertently disadvantage domestic industries.





As the **EU Carbon Border Adjustment Mechanism (CBAM)** transitions into full implementation by 2026, Egyptian exporters face a range of risks, as well as opportunities. The risks primarily stem from non-compliance with CBAM reporting requirements, while the opportunities lie in early adoption of green technologies and the establishment of credible emissions reporting systems.

Risk Scenarios for 2026–2030

1. Loss of EU Market Share.

If Egyptian companies fail to submit verified emissions data, EU importers will be forced to use default emissions values. These default values are typically much higher than actual emissions, raising the carbon cost of Egyptian products and making them less competitive in the EU market.

2. Contract Delays & Disruptions

EU importers will be unable to accept shipments that do not comply with CBAM reporting requirements. Discrepancies in data, missing Monitoring, Reporting, and Verification (MRV) documents, or unverified emissions data could result in shipment blocks, leading to delays, missed deadlines, and potential cancellations of contracts. This scenario could disrupt established trade flows with the EU, especially in industries like **fertilizers, iron & steel, cement, and aluminium**, which are highly susceptible to CBAM.

3. Margin Compression

Exporters who are unable to document their emissions will be forced to absorb the additional CBAM costs in order to maintain their EU market share. This will result in **margin compression**, where the cost of production increases without a corresponding increase in price, squeezing profitability and potentially leading to financial losses for exporters. This is particularly problematic for industries operating with low margins, such as **fertilizers** and **cement**.

4. Reputation and Compliance Risk

Late, incomplete, or inaccurate CBAM reporting could cause some damage to Egypt's reputation as a reliable trading partner. Non-compliance or discrepancies in emissions data may disqualify exporters from entering long-term EU supply agreements, reducing access to the high-value EU market.



Opportunity Scenario: Early Movers Win

Despite the risks, the early adoption of CBAM compliance can offer significant **opportunities** for Egyptian exporters. Companies that act proactively to meet CBAM requirements will position themselves as **low-carbon leaders in the region.**

1. Long-Term Off-Take Agreements

Exporters who comply with CBAM requirements early will be in a position to negotiate long-term agreements with EU buyers. As European companies prioritize green and sustainable supply chains, those who have established themselves as verified low-carbon suppliers will gain a competitive edge and enjoy more favorable terms with EU clients.

2. Investment Attraction

Companies that comply early with CBAM reporting requirements are more likely to attract investment for green industrial upgrades. By demonstrating a commitment to sustainability and aligning with EU carbon standards, Egyptian exporters can tap into green financing opportunities, which will help finance the transition to lower-carbon production technologies.

3. Competitive Differentiation

CBAM compliance can be leveraged as a differentiator in the market. By meeting or exceeding EU emissions standards, Egyptian exporters can set themselves apart from regional competitors such as Turkey, Algeria, Tunisia, and the Gulf Cooperation Council (GCC). This differentiation will help safeguard market share and increase profitability in the EU.

To mitigate the risks and capitalize on the opportunities associated with CBAM, Egyptian exporters must take **immediate action**. The following steps are critical for compliance and long-term success:

1. Establish Full MRV (Monitoring, Reporting & Verification) Systems

It is essential for exporters to develop robust **MRV systems** to measure **embedded emissions** (Scope 1 and 2), calculate emissions according to EU CBAM rules, and generate **plant-level emissions reports**.

2. Conduct a Plant-Level Carbon Audit

Exporters must assess their **fuel mix, production processes**, and calculate **process emissions**. Identifying energy-efficiency gaps and benchmarking against EU standards will help companies understand where improvements are needed and prepare for CBAM compliance.

3. Prepare for Full Reporting Requirements

From Q3 2024, exporters must provide **activity data, emissions factors**, and **verified CO₂ footprints** for each exported product. Product-level emissions documentation must be submitted, along with compliance declarations and **auditor-approved CBAM reports** to ensure smooth operations and avoid shipment disruptions.

4. Strengthen Policy & Regulatory Engagement

To support effective CBAM compliance, exporters should engage with specialized experts who can bridge the gap between **policy requirements and technical environmental standards**. **IPA**, with its strong expertise in public policy, government affairs, and international trade, play a critical role in navigating regulatory expectations and coordinating with EU and Egyptian authorities. Likewise, **Sustaina**, as a leading environmental consultancy with extensive experience and a large client base, excels in providing the **technical, emissions, and environmental advisory services** necessary for CBAM-aligned reporting and decarbonization planning.



Established in 2015 as the strategic arm of Influence Communications Group, a prominent marketing communications consultancy since 2007, IPA has become a leading public policy and public affairs firm, supporting over 90 clients across local and regional markets.

Our seasoned professionals shape government policies and foster stakeholder communication, while our think tank explores the political, regulatory, and socioeconomic landscape of the MEA region to drive positive societal change. Focused on Egypt and the MEA region, IPA provides strategic guidance to navigate the evolving business environment, ensuring success through informed decision-making.

www.ipa-mea.com

ipa@influence-me.com

(+2) 25213210/1



Sustaina is a leading environmental and technical consultancy specializing in solid waste, water and wastewater management, climate change, green buildings, and corporate sustainability.

Leveraging over 100 years of combined expertise, the firm supports industrial, infrastructure, and residential projects with ESG reporting, green building certifications, climate assessments, and capacity-building. Serving governments, donors, and major organizations across the MEA region, Sustaina helps clients navigate complex environmental challenges with practical, sustainable solutions.

<https://www.sustaina-int.com/>