From Free Trade to Trusted Trade

2026 Sustainability Initiatives for Metals and Manufacturing Supply Chains

For decades, metals and manufacturing supply chains operated on a simple assumption: if a product met technical specs and cleared customs, it could compete. That assumption is breaking down.

Progressing into 2026, market access will increasingly be governed by trust, not just trade rules. Governments, customers, and financiers are demanding proof of how products are made, what emissions they carry, and whether claims can withstand scrutiny. Sustainability is no longer a messaging exercise; it is becoming a gatekeeping mechanism.

This shift is structural, global, and already underway.

CBAM Signals the New Reality

The EU's Carbon Border Adjustment Mechanism (CBAM) is often described as a carbon tariff. That description understates its importance.

CBAM is better understood as a supply-chain architecture reset. As it enters its definitive phase, steel, aluminum, and other covered products must carry verified, product-level emissions data to access EU markets. Default values are punitive by design. Data gaps are treated as risk, not inconvenience.

More importantly, the European Commission has been explicit: CBAM is expected to expand downstream by 2028. Fabricated products, components, and semi-finished goods are likely next. This means CBAM will no longer stop at primary metals, it will follow value creation deeper into manufacturing supply chains.

For exporters and manufacturers, the message is clear: facility-level averages are no longer enough. Embedded emissions must be understood, allocated, and defended at the product level.

Digital Product Passports Are Coming

Running in parallel with CBAM is the EU's push for Digital Product Passports (DPPs**)**. These passports are intended to carry standardized information on material composition, emissions, and sustainability attributes across a product's lifecycle.

DPPs turn sustainability data into a transactional requirement, not a standalone report. Emissions data must live in operational systems, ERP, MES, procurement platforms, and not in slide decks or spreadsheets.

Companies that delay building this infrastructure risk being locked out of regulated markets or relegated to price-taker status.

California Shows How This Spreads Domestically

In the U.S., California's SB 253 and SB 261 laws illustrate how trusted trade expectations migrate inward. While legal challenges are ongoing and outcomes remain uncertain, the direction of travel is unmistakable.

Large companies doing business in California are being pushed toward emissions disclosure and climate risk transparency. Even if timelines shift or requirements narrow, customer expectations will not rewind. Once major buyers ask for emissions data, they rarely stop.

California is not the endpoint; it is the proving ground. And expect other states to follow absent federal level initiatives.

Frameworks Define the Language of Trust

As requirements multiply, global frameworks are emerging as the common language of credibility.

- **ISSB standards (IFRS S1 and S2)** are becoming the baseline for sustainability and climate-related financial disclosure worldwide.
- **EU ESRS**, mandatory under CSRD, set a higher bar—covering value-chain emissions, double materiality, and transition planning.

These frameworks are converging in structure, even if enforcement differs. Companies capable of meeting ESRS-level rigor are generally prepared for ISSB, CBAM, customer audits, and digital product reporting. Those that are not will face repeated, costly reinvention.

Framework alignment is no longer about compliance optics; it is about being recognized as a low-risk trading partner.

Energy Transition Cuts Both Ways

Energy remains a double-edged sword. Electricity price volatility and grid constraints are real cost risks for manufacturers. At the same time, grid expansion, transmission upgrades, renewable energy, and storage are driving durable, steel-intensive demand.

The winners will be companies that manage energy as both:

- A **cost exposure** to be hedged and stabilized, and
- A **market opportunity** to be served with compliant, traceable products.

The Strategic Shift Leaders Need to Make

The defining change of the next decade is this:

Free trade is giving way to trusted trade.

In trusted trade systems:

- Transparency is a prerequisite, not a differentiator.
- Reporting is part of commercial readiness.
- Data integrity determines who gets access and who absorbs cost.

For metals and manufacturing leaders, the strategic question is no longer *whether* to act, but *how deliberately*.

Companies that invest now in product-level emissions accounting, digital reporting infrastructure, and framework-aligned disclosure preserve optionality. Those that wait will find their options narrowed by customers, regulators, and markets acting faster than internal systems can adapt.