



# Carbon border adjustment mechanism—

Open Public Consultation Responses

## ERCST

*24 November 2020*



# European Green Deal

- Aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy.
- Aims to make the EU the first climate-neutral continent in 2050.
- Aims to reduce carbon emissions by 55% in 2030.

# Context

EU increased its climate ambitions

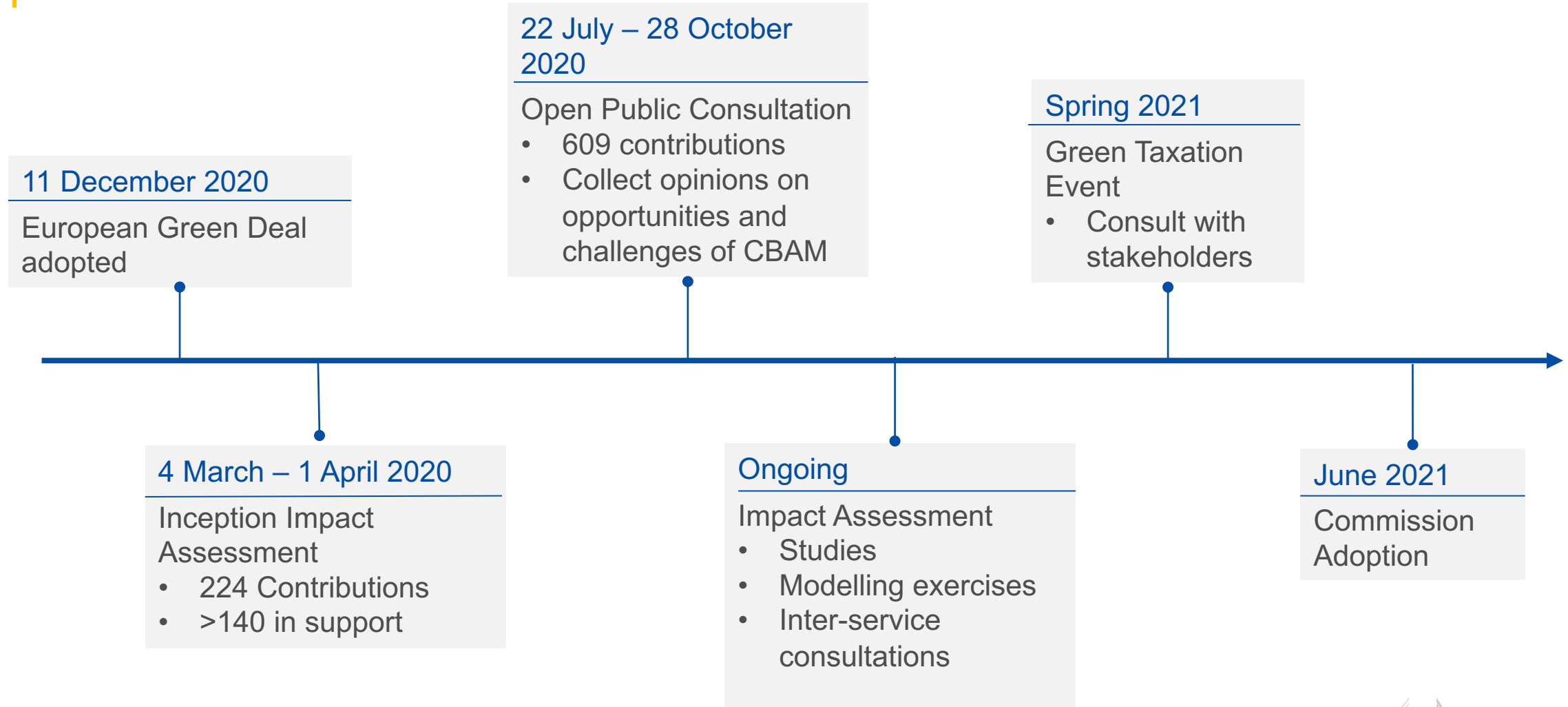
Risk of Carbon leakage is increasing

Consequences of effectiveness of EU's policies

Need to incentivise energy intensive industries to invest in low carbon technologies

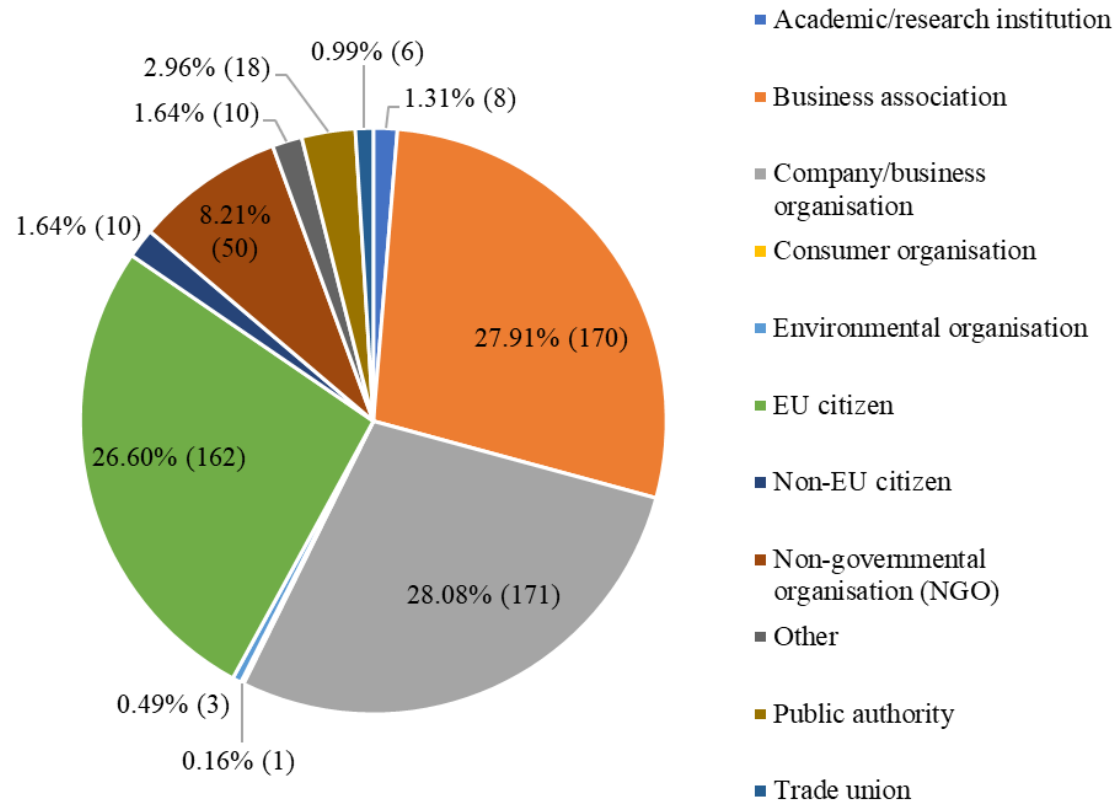
Green Recovery

# Timeline

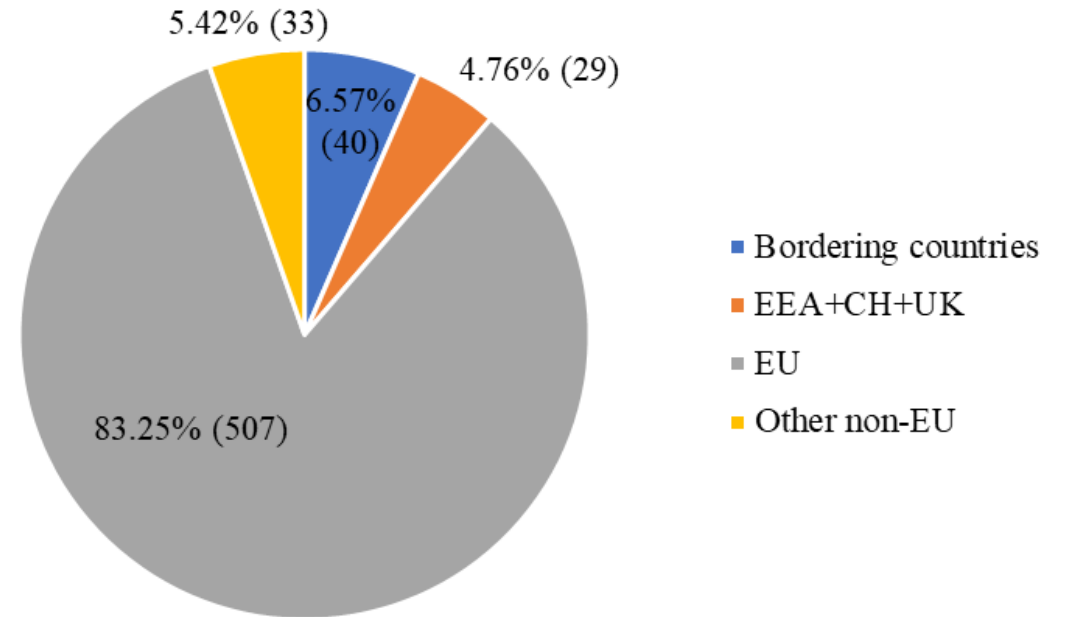


# OPC – Contributions

## Stakeholders



## Geographical coverage



# Justifications and Objectives

Stakeholders somewhat agree that:

Differences in climate ambition between the EU and the rest of the world justify CBAM

Can contribute to both EU and global climate efforts

Reduce risk of carbon leakage

Encourage use of less carbon intensive technologies in partner countries

Stakeholders somewhat disagree that:

CBAM would impose unnecessary burden on EU industry

Current measures (EU ETS) are sufficient to address carbon leakage in light of EU's enhanced climate ambitions

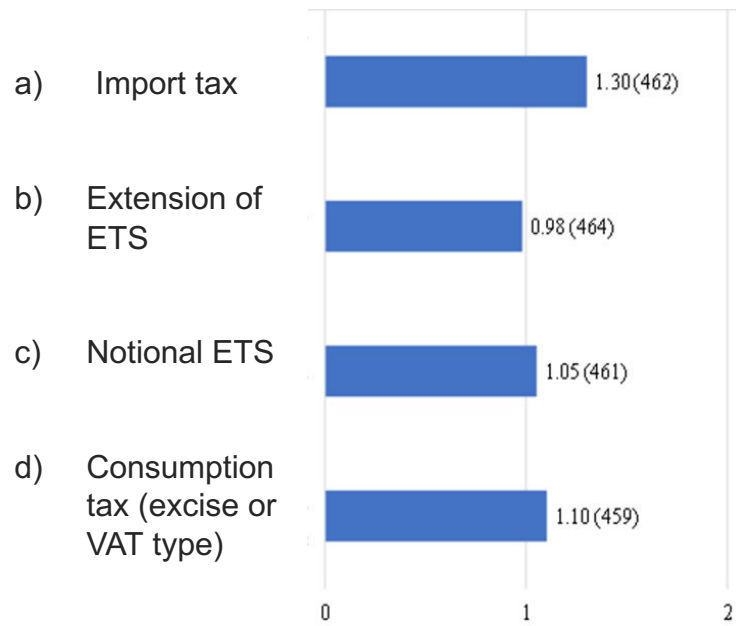
Stakeholders are neutral on:

Effectiveness of current state aid rules on addressing carbon leakage

View that reduction of emissions can be better achieved by regulatory means like performance standards for products on EU market

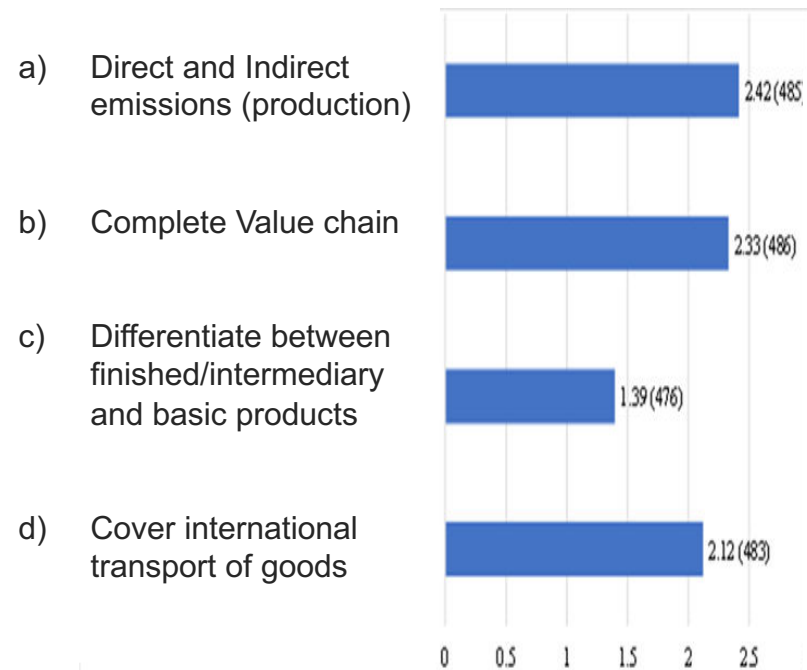
# Design options and coverage

## Design Options



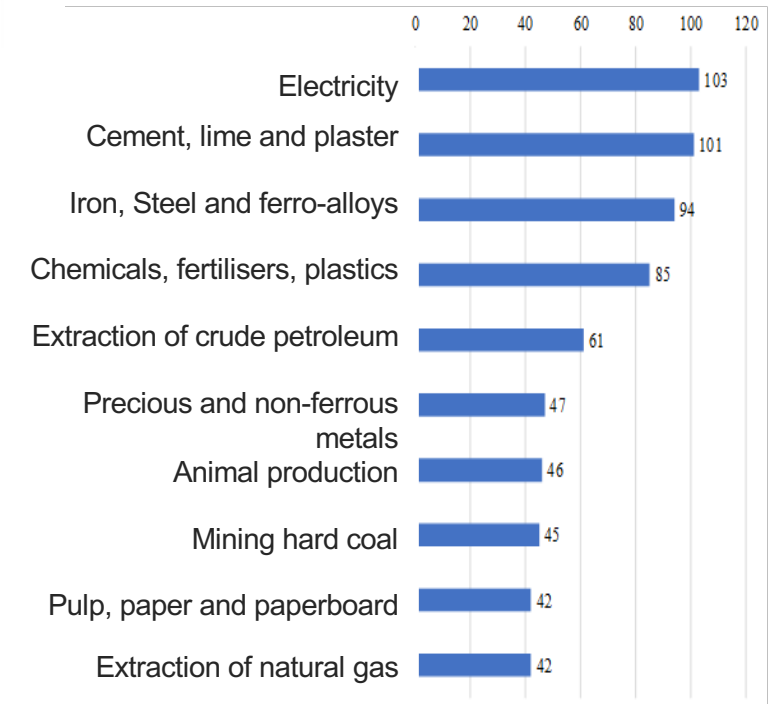
Legend: 0 = Not relevant 1 = Somewhat relevant 2 = Highly relevant

## Scope of Emissions



Legend: 0 = Strongly disagree 1 = Somewhat disagree 1.5 = Neither agree or disagree 2 = Somewhat agree 3 = Strongly agree

## Top 10 Sectors



# Implementation issues

Carbon content

Independent third party verification

Export rebate

Circumvention risks

Exemptions



# Expected Impacts

## Positive

- Encourage consumption of less carbon intensive products
- Innovation/promotion of clean technologies
- Competitiveness of sectors covered
- Investment in EU
- Improve effectiveness climate change policies
- Reduce carbon emission globally
- Promote adoption of ambitious climate policies in third countries
- 9 • Avoid job losses

## Negative

- Increased costs for EU businesses in downstream sectors
- Increase the price of consumer products including those related to basic needs
- Lead to job losses in downstream sectors (by increasing the cost of their inputs)
- Generate potential negative effects on the living standards of the poorer segments of the population
- Increase administrative burdens for importers, exporters and public administrations in the EU

# Key challenges

- Economic and environmental impacts
- Technical design (eg. Calculation of carbon content, default values)
- Balance the burden between EU and non-EU companies
- Ensuring robust data collection and verification process
- Retaliation measures
- Implemented in a way to strengthen global climate ambition
- Contributing to decarbonisation of strategic sectors through innovation and investment
- Definition of sectoral scope of CBAM
- Alignment with EU ETS