

**Border Carbon Adjustment
Submissions Synthesis
to Inception Impact Assessment**

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The Commission published the IIA on March 4, 2020, and 219 stakeholder submitted their feedback. This number is relatively high, underscoring that the Carbon Border Adjustment Mechanism (CBAM) is topic of high interest to stakeholders, and relatively high on the agenda. Feedback was submitted by a variety of organizations, both from within and outside of the EU, representing companies/business organizations (62), business associations (89), academic/research institutions (10), consumer organizations (4), individuals (21), non-governmental organizations (21) and (4) public authorities (from Malta, Sweden, Ukraine, Italy). ERCST has participated by submitting its own feedback.

The objective of this paper is to highlight and summarize key points raised in the submissions, capturing the differences, commonalities and general trends in a synthesis, in order to provide the reader with a concise overview of stakeholders' positions on the prospect of a BCA in the EU. The analysis is limited to a total of 32 submissions, selected on their perceived quality and topical relevance. An overview of the submissions, highlighting the key point made, is presented in alphabetical order in [Summary table](#).

The analyzed submissions can be grouped in three main categories: industry (including associations), NGOs and think tanks/research institutions. [In-depth Synthesis table](#) provides a comparison of the main arguments raised by these three groups. Of course, not every point in the overview was raised in every single submission, however in the authors' opinion the main points capture the general sentiment of the groups as a whole.

It should be highlighted that while the IIA focuses on the perceived objectives of the policy initiative, as well as the scope of upcoming impact assessment, including which policy options will be considered, most submissions focused on the desired design and scope of the mechanism, and less on the scope of the IIA itself. In essence, many stakeholders seem run ahead of the assessment process by solely commenting on the design of the BCA, and the solutions it has to provide. As a consequence of submitted papers there will be need for further thinking how to design the mechanism and a single or multiple formula for calculating the adjustment.

The **Key elements of the Synthesis** focus on the following aspects:

1. The perceived objective of a BCA;
2. Developing policy options:
 - a. Type of policy instrument;
 - b. The methodological approach to evaluating the carbon content of imported products;
 - c. Emissions/sectoral and geographical/trade scope;
3. The use of revenues;
4. The operationalization of a BCA

Synthesis of the submissions

1. The perceived objective:

Several main objectives are raised in the submissions, with some stressing one over the other, including environmental (carbon leakage), competitiveness, incentivizing international action, or even generating income through tax revenues.

Overall, there seems to be an agreement that the primary goal of the BCA is combating climate change (so an environmental objective), as this would both be necessary to comply under WTO rules, as well as simplify the internal decision-making process in the EU.

For the first group, maintaining the competitiveness of the EU industry is important, and should be explicitly referred to in the objectives for a BCA. For them, a BCA should be a tool to level the playing field for EU industry in terms of the monetary impacts of climate policies. Indeed, a BCA would put a price on carbon for importers, ensuring the domestic uptake of lower-carbon products as well as avoiding the risk of carbon leakage. Moreover, if competitiveness is one of the objectives, in this group's logic a BCA should also apply to exports, as EU industry is competing in the global market with less stringent climate policies.

Many submissions highlight the potential of a BCA to mitigate emissions globally, and also to encourage trading partners to introduce equivalent climate measures in their jurisdictions.

A general aspect being raised is the revenue generating potential of a BCA. We can identify a number of proposals when it comes to the use of revenues. While some highlight the attractiveness of a new revenue stream to the EU institutions, low-income Member States or the EU industry (e.g. through adding revenues to the EU's own resources, or increasing for example the size of the EU ETS Modernization / Innovation funds), others argue that the safer option would be to use the revenues for international transfers, e.g. to some international climate fund, or directly financing climate action in LDCs.

2. Developing policy options

In the IA, the Commission mentions that a number of policy options will be developed based on three building blocks. Overall, no submissions seem to question this approach, and no additional building blocks have been raised.

a. Type of policy instrument

The first building block relates to the ‘shape’ of the BCA mechanism, and how it will be assessed in the IA. Options include an extension of the EU ETS, or a standalone tax new carbon customs duty. The IA mentions that the legal and technical feasibility of these options will be assessed, including how they relate to the EU’s current measures to avoid the risk of carbon leakage.

Again, most submissions seem to support this approach, and we did not identify ideas going beyond that scope of BCA policy options. Some submissions, especially those that oppose the idea of a BCA, do argue to include other type of instruments in the assessment. These alternatives could include for example green contracts.

Some submissions highlight that the need to establish of market for low carbon products is essential. This view is also supported by the NGOs arguing that there is a need to explore complementary/alternative measures to facilitate the required investments in, and uptake of, low carbon technologies, including through contracts for difference or even subsidies. The need to create a lead market for low carbon products is by many considered to be essential, and would also require the greening of public procurement.

The question how a BCA would relate to the EU’s current measures to avoid the risk of carbon leakage lead to opposing views. Indeed, the speed and need of phasing out free allocation remains one of the key divergence issues among the participants to the feedback. However, this indicates that most respondents are already trying to provide answers to the questions the impact assessment is supposed to clarify.

Industry is generally in favor of a BCA, but only as a complimentary measure (not alternative) to free allocation and indirect costs compensation. It is being raised that the current system of free allocation will likely ‘run out’ towards the end of ETS Phase IV, but that combining it with a BCA for selected sectors would guarantee sufficient protection against the carbon leakage. On the contrary, most NGOs would see a BCA mechanism as a clear alternative to free allocation and are in favor of an immediate replacement of one approach to the other.

Moreover, the IA also mentions that the policy options will also have to be assessed in relation to the EU’s trade acquis (WTO rules and FTA), as well as other international commitments. Naturally, most respondents are highlighting the need for WTO compliance, and stress the need for the CBAM to ensure equal treatment and be transparent in order to ensure this.

Many submissions also comment on the impacts a CBAM can have on global trade flows and relations, and highlight the risk of retaliation measures. Respondents from trade-intensive Industry argue that the IA should assess the trade impacts of a CBAM, as well as the impacts of potential retaliatory measures put in place by trade partners on the EU economy, both at sector/product level and at EU level, including for renewables and storage technologies.

b. Methodological approach to evaluate the carbon content and carbon pricing of imported products

Many stakeholders provide recommendation to the methodological approach as framed in section B of the IIA. First, there seems to be no prevailing view on a methodology to estimate a products' embedded emissions. Some support the benchmark approach (average GHG emissions of the 10% best performing EU producers), while others promote the idea of 'best practice' as a default value for imports. The latter option might be easier to implement and would not impose any 'burden of proof' on the importer in case their product is less carbon-intensive way. This would require further reporting and verification which some raise as posing difficulties.

In the upcoming discussion, one possible solution could be to determine a general carbon footprint for each trading partner country, as to avoid a situation of shuffling emissions sources (like private contracts for renewables) and labelling cleaner production processes "for export". In the submissions which focused on trade implications, some suggest that the calculation could be based on a standard rate for certain products for all countries, for example for products which carbon content is quite homogenous all over the world, as is the case for fertilizers and ammonia. For more complex products, like agricultural products for example, each country of origin would have a different value (customs tariffs).

Generally, there is no objections to aligning the carbon adjustment with the EU carbon price. The EU price is not fixed in time, taking into account the future EU climate policies, the performance standards or sectoral tariffs which can elevate the actual cost of CO₂ emissions compliance. However, some stakeholders do urge the EC to also include indirect costs and final cost of climate policies in the EU before comparing it with the carbon costs and content at origin.

Once the methodology for carbon content and domestic carbon costs is determined, there also needs to be a methodology for the calculation of adjustment. The key question is which policies will be taken into account when calculating the difference i.e. only explicit carbon prices, or also other climate policies?

It is clear that many different suggestions are made in the submissions, and that further thinking is necessary on how to design a single or multiple formula for calculating the adjustment.

c. Scope issues: sectoral, geographic and trade coverage

Numerous submissions address a variety of scope issues. Generally, industry representatives are in favor of having a broad scope regarding the direction of trade coverage. They are looking for solutions to maintain competitiveness for both imports and exports.

When it comes to the sectoral scope the different preferences are expressed towards the broad or narrow scope: from Energy Intensive Trade Exposed (EITEs) sectors to power and natural gas. Some focus on the trade intensity of sectors and argue that those sectors whose products are not traded globally might be good to test the procedures and international reactions. Examples include cement and electricity production. However, it is important to highlight that this approach might have higher regional impacts. Some sectors even volunteer to be included in the pilot phases, including aluminum, steel, cement and fertilizers.

Regarding geographic coverage, some submissions raise the possibility to exempt certain countries, such as least developed countries. If any exemptions are made for countries or regions, it will be important to assess the basis on which they would be introduced, including legal justification.

One option highlighted in submissions is that a potential exemption for trading partners could be conditional on their climate policies. However, it has to be kept in mind that having ambitious climate policies in place does not automatically imply a low CO₂ intensity of a given economy or products.

3. Revenues recycling

Numerous submissions take a stand on the use of revenues, and for some raising revenues is even one of the primary objectives of the BCA. Some associations and poorer EU Member States hope that the revenues of a BCA mechanism can follow the ETS model and be distributed among the MS and the EU. As one of the first common EU taxation measures, the revenues could become part of the EU's own resources and support further climate change action.

On the contrary, NGOs and some research institutions rather suggest to “play it low” and redirect the revenues towards international climate finance, so that the money goes back to developing economies. They argue that such a mechanism would generate low-carbon investments and growth in these countries, while simultaneously putting a price on CO₂ in those countries.

4. Operationalization of the BCA

As part of the European Green Deal architecture, the BCA proposal is subject to both the EGD's timeline and institutional governance. As the proposal is expected in 2021 together with other climate and energy measures, many submissions argue that the BCA should be complimentary to changes introduced to ETS and policies for non-ETS sectors, moreover. similarity is desirable for the general methodological approach to carbon pricing and content, as well as energy taxation.

As stated in the IIA: The starting point for the exercise will be the new baseline scenario of the European Green Deal and its higher ambition for 2030. Not many submissions have asked the question whether the BCA mechanism will have a set start or a sunset date? Moreover, when it comes to replacing free allocation, it should be clarified in the scenarios what is the start date and the process will be towards 2030.

Depending on the type of policy tool selected (e.g. tax, ETS extension, tariff), the governance of the mechanism this will likely fall under a different management and supervisory body. Some NGOs argue that regardless of the type of policy instrument, cooperation between different DGs, including TAXUD, CLIMA and TRADE will be essential.

In the period leading up to the proposal and operationalization of a BCA, may EEAs already highlight that it is important that the Commission communicates the intention and possible impacts of the EGD and BCA with trade partners.

In-depth comparison of main groups

Industry (1)	NGO (2)	Think tanks & research institutes (3)
General view		
<p>Supportive of CBAM and regard it to have a competitiveness objective</p> <p>Depending on trade intensity (retaliation concerns)</p> <p>In favor of also covering EU exporters</p>	<p>Generally in favor of the CBAM because of to the strong international signal it sends out and the incentive it gives to build carbon markets outside the EU</p>	<p>More holistic thinking on the full scope of policy options. Taking into account CBAM main objectives: diplomatic, competitive, carbon footprint consumption, carbon leakage</p> <p>Some are sceptical regarding the political and international feasibility</p>
WTO compliance		
<p>Precedent WTO cases show that a carbon border adjustment can be implemented in a transparent way / non-discriminatory</p>	<p>WTO compliance provided the trade retaliate actions should be avoided - not to repeat experience with aviation and stop the clock</p>	<p>WTO compliance possible providing equal treatment and transparency</p> <p>Sensitive to global trading partners, asymmetrical effort (competitiveness focus)</p>
Position on free allocation and scope		
<ul style="list-style-type: none"> • Generally in favor of preserving free allocation (as a consequence suggested extending benchmarks to imported products / comparing imports to EU average); alternatively: <ul style="list-style-type: none"> ○ Supplementary to free allocation ○ Gradual phase out • Keeping an option in the IA of BCA coexisting with ETS measures • Possible pilot sectors: Steel, Cement, Fertilizers • Maintain indirect cost compensation • Sectoral scope: EITes, Power, natural gas 	<ul style="list-style-type: none"> • Strong view that BCA should be considered as an alternative to free allocation • Impact assessment should include assessment of different options (free allocation of allowances vs BCA vs combination) and assess environmental benefits • Estimation of embedded emissions / Calculation of adjustment: Recommend BCAs based on existing sectoral carbon footprint benchmarks • Narrow sectoral coverage (EITes) 	<ul style="list-style-type: none"> • A parallel system aligned with the EU ETS (phasing out the free allocation) • Looking into impacts inside and outside the EU • For the pilot taking into account low trade intensity (attention to EU neighboring countries for cement and electricity) • Highlight the difficulties in measuring embedded carbon from foreign producers • Possible exemptions: linking existing ETs and offering preferential treatment for certain developing countries

Low carbon technologies and carbon leakage protection

Recommend creating market for low carbon products based on existing / supported low carbon technologies (protection of investments)	Required investments to low carbon technologies through contracts for difference or alternative measures such as subsidies, public procurement	Market for low carbon products (broader discussion should be covered in the IA) Mention alternatives : i.e. carbon product standard
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Recycling revenues

Funds collected through EU carbon border adjustment mechanism can support 'fresh money' for EU budget and/or Just Transition (Revenue recycling)	Funds from BCA used to support developing countries (i.e. financing ITMOs)	Funds potentially go to Modernization/Innovation Fund, if more to broader budgets. The safe version could be supporting the global climate financing
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Summary of key points raised in analyzed submissions

Organisation	Key points
Agora Energiewende	<ul style="list-style-type: none"> • Free allocation is unsustainable in the long-term • Carbon product standard is the best option for long-term carbon leakage protection • Any CBAM would likely encounter significant domestic and international political opposition
ArcelorMittal	<ul style="list-style-type: none"> • A CBAM should be a complementary measure in addition to existing carbon leakage provisions—not a replacement (as a BCAM replacing existing carbon leakage measures would undermine industry’s financial ability to invest in breakthrough technologies) • A CBAM should not be implemented abruptly as to avoid disrupting existing provisions • A long-term regulatory framework is required for the advanced transition phase and the post-transition
Bruegel	<ul style="list-style-type: none"> • Overall negative view of CBAM • A BCA will cause political friction • Will be undermined by indirect leakage and difficulties in measuring embedded carbon from foreign producers • In a BCA it will be difficult to draw a strict line between covered and non-covered sectors (i.e. EITEs)
Business Science Poland	<ul style="list-style-type: none"> • Measuring the impact - EU is responsible for 9% of global emissions; the Green Deal would decrease it to 4% • the need to cover imports by the EU climate policy to capture the carbon footprint coming from imports • CBAM will create market incentives for third countries to increase their climate ambitions – by allowing exporters to prove their emissions are lower than those of the EU industries • CBAM should not be alternative to existing measures – they serve different purposes • Free ETS allowances or compensation for indirect emissions ensure level playing field in the EU and on the export markets • CBAM requires a pilot approach (suggested fertilizers)
CEE Bankwatch Network	<ul style="list-style-type: none"> • Strongly supports a carbon border tax for the electricity sector • The EU not becoming net importer, but exchange electricity with countries on its borders such as Bosnia and Herzegovina, Serbia, Ukraine, Belarus and Russia (some part of the Energy Community Treaty so comply with EU’s acquis, possibly adopting price on carbon) • In case of the EU accession it will be easier to follow the EU climate legislation

Cefic	<ul style="list-style-type: none"> • Policy options should help mitigate carbon leakage and incentivize emissions reduction globally • The EC should consider several scenarios for carbon pricing and carbon leakage prevention including direct and indirect carbon costs • Revenues should be used to support low carbon manufacturing and investments
CEMBUREAU	<ul style="list-style-type: none"> • CBAM should co-exist with free allocation under the EU ETS, at least until the end of Phase IV • CBAM design should be transparent for both EU and non-EU producers and have positive climate impact worldwide • CO2 charge exemption for EU exporters (export rebate)
Central European Energy Partners	<ul style="list-style-type: none"> • CBAM should not replace the current ETS system (including free allowances and indirect costs compensation) • It should be introduced gradually
Cerame-Unie	<ul style="list-style-type: none"> • In favor of maintaining the existing system of free allocations based on benchmarks representing best performers • CBAM should primarily be targeted at sectors that are import intensive • Revenues should be allocated towards the low carbon transition of the European industry • The Impact Assessment should consider other regulatory instruments (i.e. bilateral agreements)
Change Partnership	<ul style="list-style-type: none"> • Does not support CBAM • CBAM will hurt trade relations • Describes reactions and failings of ETS aviation measure • Cement and steel have a history of price fixing and a CBAM would be a protectionist policy benefiting these oligopolies
ClientEarth and Ember	<ul style="list-style-type: none"> • The CBAM should take into account and be assessed: <ul style="list-style-type: none"> ○ As alternative to the measures in the ETS that aim to address carbon leakage (free allowances and indirect cost compensation) ○ To ensure compatibility with the Energy Taxation Directive under revision ○ In light of the New Industrial Strategy, White Paper on Instrument on Foreign Subsidies, update of the Industrial Emissions Directive • A CBAM can be compatible with WTO rules • The measure should apply in the areas: Trade of electricity through interconnectors; Fossil fuel imports to the EU • Form - several options based on compatibility with WTO rules, timing of the mechanism, adaptability and effectiveness • Legal basis and instrument- Article 192 of the TFEU provides better legal basis than Article 207 (a regulation is preferred over a directive) • CBAM to be adopted through cooperation of DG TAXUD with DGs CLIMA, TRADE, ENER, COMP and ENV

EdF	<ul style="list-style-type: none"> • CBAM could be easier to design for the power sector due to existing methodologies to estimate the carbon content of electricity • CBAM should be part of wider package (together with bilateral agreements and measures to trigger low-carbon investments) • EC should assess impacts of a CBAM on low-carbon value chains – mainly renewables and storage
Enel	<ul style="list-style-type: none"> • Assessment should include evaluating the impacts both at sector/product level and at EU level, especially renewables and storage tech • A CBAM should apply to imports only • Advocate for a staged implementation
Environmental Defense Fund	<ul style="list-style-type: none"> • Positive view (see it as a way to encourage ambition in other countries) • IA should include assessment of different options (free allocation of allowances vs BCA vs combination) and environmental benefits • Recommends BCAs based on existing sectoral carbon footprint benchmarks • In favour of narrow sectoral coverage (EITEs), and should include natural gas • Funds from BCA should be used to support developing countries (i.e. financing ITMOs)
Eurelectric	<ul style="list-style-type: none"> • Precedent WTO cases show that a CBAM needs to be implemented in a transparent way and respect the key principles of fairness, proportionality and non-discrimination • Leading to desired greater international cooperation and a more global carbon pricing
EUROFER	<ul style="list-style-type: none"> • CBAM should be a complementary measure in addition to existing carbon leakage provisions—not a replacement (a BCAM replacing existing carbon leakage measures would undermine their financial ability to invest in breakthrough technologies) • It should not be implemented abruptly as to avoid disrupting existing provisions • A long-term regulatory framework is required for the advanced transition phase and the post-transition
Eurometaux	<ul style="list-style-type: none"> • CBAM should not undermine or replace the existing carbon leakage measures, (indirect costs compensation and EU ETS free allowances) • CBAM design must reflect the additional indirect costs European producers face compared to other global producers • It must cover the entire value chain
European Roundtable on Climate Change and Sustainable Transition (ERCST)	<ul style="list-style-type: none"> • Objectives should be clear and include both carbon leakage and acknowledge competitiveness (market for low carbon products) • The IA should examine broader set of policy options – not only BCA • Timing of any mechanism is critical <ul style="list-style-type: none"> ○ Is it envisaged only after 2030? ○ Needs to be part of the package not a promise that will/may come ex-post

	<ul style="list-style-type: none"> • Decompose into 12 design options: policy mechanism, trade coverage, geographic scope, etc. • Focus on 5 criteria: environmental objectives, competitiveness, legal feasibility, technical feasibility, administrative implications • Examine socio-economic impacts: In EU; Outside EU
Fertilizers Europe	<ul style="list-style-type: none"> • The fertilizer sector should be evaluated in the CBAM IA • The actual carbon intensity of imported products should be subject to costs equal to those borne by EU producers (i.e. ETS costs) • CBAM should be implemented simply in addition to and without interfering with the current ETS free allocation • The CBAM based on product benchmark set in the EU ETS • Burden of proof: allow importers to show carbon intensity of products is better than/equal to EU level • Any CBAM needs to include equivalent measures for EU-based exporters
Fortum Corporation	<ul style="list-style-type: none"> • CBAM in the power sector is more straightforward than in industry (also no free allocation in the EU ETS for the power sector) • For the power industry, CBAM should be European-wide and market-based and applied uniformly in all neighboring countries to the EU • Guarantee of origin is needed to prove the origin of imported electricity
(AFEP) French Association of Large Companies	<ul style="list-style-type: none"> • Competitiveness should be given “equal footing” to the carbon leakage mitigation objective of BCA • The impact assessment should assess whether the CBAM can be designed in such way that it does not trigger cross-sectoral distortions, and examine whether a CBAM can be combined with EU ETS • Legal review of CBAM should consider potential retaliatory measures put in place by trade partners
FuelsEurope	<ul style="list-style-type: none"> • CBAM will improve the effectiveness of policies aimed at fighting climate change in the EU and globally • However, it does not deteriorate the global competitiveness of the EU industrial sectors • Internal EU carbon price resulting from both direct and indirect emissions
IFIEC	<p>International Federation of Industrial Energy Consumers key points:</p> <ul style="list-style-type: none"> • Effective carbon leakage safeguard policies needed, especially with increased climate ambition • Detailed impact assessment needed on all possible policy instruments • Complete industrial value chains need to be assessed in transparent way in cooperation with all stakeholders
Europe Jacques Delors	<ul style="list-style-type: none"> • A CBAM is necessary because: <ul style="list-style-type: none"> ○ We are moving towards increase in carbon prices on the European market, so the risk of carbon leakage can't be underestimated ○ The EU is a net CO2 importer for approximately 30% of domestic CO2 production (in products)

	<ul style="list-style-type: none"> ● On the BCA design: <ul style="list-style-type: none"> ○ A parallel system aligned with the EU ETS ○ Targeted launch on pilot products: electricity and cement ○ Nature and use of the levy: not a tax - EU own resource financing an independent agency responsible for assessing the carbon content of imported products and an energy transition fund for the least developed countries ○ Fairness ensured by an independent agency ○ Phasing out of free allowances simultaneously ○ A "test" period: negotiations and necessary exemptions (linking existing ETSs and preferential treatment for some developing countries) ○ Designing the BCA to mitigate adverse effect on least developed countries and exporters of carbon-intensive products
Ministry of Development of Economy, Trade and Agriculture of Ukraine	<ul style="list-style-type: none"> ● Sensitive element to the European Green Deal which should find delicate balance between different areas of policies, international law, economy and social development (WTO rules and the EU-Ukraine Association Agreement, Energy Community Treaty) ● EU is anchor trade partner for Ukraine, with more than 40 percent of share in its international trade ● Recovery package to prioritize over other initiatives. Steel sector is already having trouble with activities being put on hold
Norsk Hydro	<ul style="list-style-type: none"> ● Existing carbon leakage measures should be maintained ● CBAM should be focused on aluminum industry ● CBAM alone not sufficient: protection against the indirect emissions vs covering the indirect costs
PepsiCo	<ul style="list-style-type: none"> ● A CBAM can encourage trade partners towards higher climate goals ● EC should consider establishing a Carbon Custom Union with trading partners that have similar carbon reduction ambitions ● the Commission should prioritize alignment between sectors covered by the ETS within the EU and those that will be covered externally
Polish Electricity Associations	<ul style="list-style-type: none"> ● This mechanism should not replace existing EU ETS carbon leakage measures; ● The mechanism should cover electricity imports from third countries; ● Funds collected through CBAM will generate new revenues which can be transferred to MSs with the biggest investment needs
Resources for the Future	<ul style="list-style-type: none"> ● Compatibility of CBAM with a cap & trade ● Issues with WTO compatibility without a domestic tax on GHG-intensive products ● Propose framework that utilises a Greenhouse Gas Index (GGI) as an administrative tool to evaluate BCAs based on a GHG tax

<p>Sandbag Climate Campaign</p>	<ul style="list-style-type: none"> • A CBAM will guarantee a level playing field for EU industry on their way to developing net zero processes • Alternative approaches to be considered: Product standards to complement CBAM, but cannot replace them – policies portfolio needed • CBAM should apply initially to emissions intensive trade exposed sectors plus power generation • To avoid windfall gains to emitters, CBAM and free allocation should not cover the same emissions • Implementation of CBAM should be phased in during Phase IV of the EU ETS • EU producers will benefit in industries where importers have emissions above the EU free allocation benchmark • Work on establishing rules and data for implementation should begin immediately • To minimize International opposition, the CBAM needs to be designed to fit clear and well-defined criteria • Design of measures to counteract resource shuffling can draw on experience in California • Value added thresholds should be used to avoid bypass of CBAM • Revenues generated from the CBAM could be used to reinvest in climate measures and fund innovation
<p>Solvay</p>	<ul style="list-style-type: none"> • CBAM should not replace current ETS measures - ETS free allocations based on genuine benchmarks should be kept • It should ensure the competitiveness of EU exports
<p>Total</p>	<ul style="list-style-type: none"> • Overall positive view on a CBAM (current measures for carbon leakage are not sustainable in long-term) • Recommend that the CBAM applies to a sector/sub-sector representing a family of products • Ask for a transition period for the move from free allowances and compensation of indirect cost to a CBAM • Creating market for low carbon products essential in carbon leakage
<p>WWF European Policy Office</p>	<ul style="list-style-type: none"> • BCA must be implemented as an alternative to free allocation and be part of a wider set of policies to ensure the decarbonisation of industry (in accordance with the European Green Deal) - A phase-in of BCA needs to be linked to phase out free allocation • A CBAM will be a catalyser in contributing to EU's industrial decarbonisation, and influence third countries to join the club • Working only with a significant and rising carbon price • Evidence for the occurrence of carbon leakage has been extensively argued. There is a risk of an investment leakage rather than a carbon leakage in Europe. A full assessment on all carbon leakage options necessary. • Design: <ul style="list-style-type: none"> ○ Cover only energy-intensive sectors under the EU ETS, mainly steel, cement, and basic chemicals ○ Introduction of a CBAM is not the solution to tackle lack of investment in low-carbon technologies (public innovation policy required)

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| | <ul style="list-style-type: none">○ Alternative measures: Contracts for difference or subsidies to mitigate investment risks and support heavy industries necessary○ To consider: obligation to purchase low carbon materials in public procurement to create a lead market for low carbon technologies |
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