

Announcement

**ERCST and IPEM to examine the role of Border Carbon Adjustments**

*BRUSSELS, MOSCOW (August 7, 2020)* – European Roundtable on Climate Change and Sustainable Transition (ERCST) and the Institute for Natural Monopolies Research (IPEM) are pleased to announce their collaboration in examining the role that Border Carbon Adjustments (BCAs) may play in addressing asymmetry in climate ambition under the Paris Agreement, with special focus on the plans that the European Union has to examine this option. In this context, ERCST and IPEM will hold a virtual Russia-EU “town hall meeting” on September, 8<sup>th</sup> 2020. This activity together with other similar planned “town hall” meetings will feed into a policy paper on the international views on BCA that ERCST will publish in collaboration with its partners.

The European Green Deal has strengthened the level of climate ambition, increasing the asymmetry of climate efforts by aiming to achieve climate neutrality in the European Union by 2050. This raises the question of how to deal with competitive pressure and carbon leakage, pushing BCAs to the front as a possible solution.

BCAs aim to alleviate negative effects caused by uneven climate policies by including imports and/or exempting exports. BCAs seek to level the playing field in competitive markets, incentivize trade partners to strengthen their own climate efforts and prevent leakage of carbon emissions to jurisdictions with weaker policies. These objectives can be achieved by a tariff or other fiscal measure applied to imported goods, the extension of regulatory compliance obligations (e.g. ETS) to imports or a tax exemption or regulatory relief for exports.

Yury Saakyan, General Director of IPEM said , that “in terms of Russia-EU active trade, including fossil fuels, metals, minerals and fertilizers, it is extremely important to evaluate prospects and risks of BCAs’ impact on the Russian economy and national interests in order to develop pathways toward sustainable development for both Russia and EU”

Andrei Marcu, Executive Director of ERCST emphasized that “the BCA, its design and impacts on trade and international cooperation need to be well understood, since it will become increasingly urgent to address the effects of asymmetrical climate change policies and BCAs are presented as a serious option. As think tanks, we will cooperate with colleagues in other countries in this effort”.

ERCST provides for a space for policy-makers, regulators and stakeholders to discuss climate change policy and the transition to a low GHG-economy in a sustainable way, with a focus on European climate policy but keeping in mind the global dimension of climate change policy. The experience and research input of its staff and of the stakeholders joining its activities allow the ERCST to make an intellectual analysis contributing to the European and international debates

on climate change policy. Continuing its work on carbon leakage protection, the ERCST is analyzing issues and options of designing BCAs in practice and discussing coherent ‘policy packages’ that could be implemented at the EU level in 2020.

The Institute for Natural Monopolies Research (IPEM) is a Moscow-based independent think tank and consultancy firm founded in 2005. It specializes in research on infrastructural sectors and related industries. Over the course of 15 years IPEM has completed more than 500 research projects. IPEM is member of 30+ expert and working groups of the Russian government bodies, infrastructure companies and business associations. Apart from commercial projects, IPEM is well known for research papers on such topics as the impact of utility tariffs on social stability and the effects of climate policy on the Russian economy.