

***ERCST's rationale for the submission to the
Public Consultation for the Border Carbon
Adjustment Mechanism under the European
Green Deal***

The European Roundtable on Climate Change and Sustainable Transition (ERCST) welcomes the opportunity to participate in the European Commission’s public consultation for the Border Carbon Adjustment Mechanism under the European Green Deal.

ERCST’s response to the Public Consultation builds on the work that it had done previously, and a long-term interest and examination of issues related to addressing carbon leakage and competitiveness.

One essential component of this work that contributes to the response to this Public Consultation is the **ERCST project on Border Carbon Adjustments in the EU**, which was launched in November 2019, and aimed at providing analytical input to the discussion on BCAs and to foster an informed debate with domestic and international stakeholders as the CBAM file progressed through the early stages of the legislative process.

We feel that recapping the main findings of the project will put our response in perspective.

The concluding Report of the project, entitled “[Border Carbon Adjustments in the EU: Issues and Options](#)” was published on September 30th, 2020. The report unpacked how to address the challenges of carbon leakage which emerge from the asymmetrical climate change policies which different countries have committed themselves to in order to fulfill the global objective expressed under the Paris Agreement.

The report first identifies three main functions that need to be addressed:

- Continuation of carbon leakage protection;
- Impact of free allocation on downstream carbon price signals;
- Creation of a market for low carbon products.

Then, drawing on extensive feedback obtained through the stakeholder consultations, the report offers a detailed analysis of the building blocks of BCAs as a policy option in the European context, discusses alternative policy options, and considers different combinations of policy instruments to achieve the desired outcomes.

The report applies a heuristic multi-criterion analysis to BCAs and breaks this policy instrument down into eight design elements, each with several implementation options. These options are assessed on the basis of five evaluation criteria: environmental benefit; competitiveness benefit; legal feasibility; technical and administrative feasibility; and political and diplomatic feasibility.

Three possible combinations of options were then developed and assessed through the same criteria as part of a scenario-building exercise:

- a **‘most probable’ scenario** that reflects the limited information available to date in statements and documents of the European Commission and other relevant entities;
- a **‘play it safe’ scenario** that seeks to minimise legal and political risk as well as technical complexity; and
- an **aggressive ‘go getter’ scenario** that seeks to maximise environmental and competitiveness benefits.

Finally, two additional policy instruments, consumption charges and carbon contracts for difference, are evaluated using the same criteria matrix, and each instrument as well as combinations thereof

assessed and compared with a view to understanding how well this might achieve the goals of the prospective CBAM.

So far, the project has only provided an overview of the issues and options related to a BCA in the context of the EU, and assessed the environmental, economic, fiscal, administrative and legal implications of the range of policy options imaginable, and constructed coherent policy packages. However, the project has not made any judgement on the desirability, or shown any preference, towards any of the identified scenarios.

Summary of the Paper

Overview. As part of the European Green Deal (EGD), the European Commission is currently elaborating a legislative proposal for a Carbon Border Adjustment Mechanism (CBAM) to prevent greenhouse gas emissions leakage and level the playing field between European and foreign emitters. This report brings together the main takeaways from the project ‘Border Carbon Adjustments (BCAs) in the EU: Issues and Options’ launched in November 2019 to provide analytical input and foster an informed debate with domestic and international stakeholders as the CBAM file progresses through the early stages of the legislative process.

Context. Europe’s CBAM is being elaborated as we approach several important crossroads, and that is no coincidence: EU climate ambition is likely to see a step change with the European Green Deal; international negotiations are on hold, affecting the process in which countries are required to present new, more ambitious climate pledges; and the outcome of the upcoming U.S. presidential election will have far-reaching ramifications for climate action everywhere. The outcomes of these parallel processes will profoundly affect the political dynamic of the CBAM proposal and its discussion in the relevant EU institutions. It is important to recognize, therefore, that the entire EU CBAM process is still shrouded in a lot of uncertainty, but also that the timeline for putting in place a solution is rapidly shrinking.

Raising ambition and solving leakage are intertwined. There are two intertwined inevitabilities in play: the continued increase in the ambition of EU climate action, and finding new ways to deal with carbon leakage and competitiveness. The EU’s announced global leadership on climate is welcome and globally necessary, but it is unlikely to materialize unless Europe finds a solution to the leakage and competitiveness problems that come with getting out ahead of trading partners. Finding a new solution to carbon leakage and competitiveness may not be a sufficient condition, but it is a necessary one.

CBAM: A silver bullet? The EC is pinning its hopes on border carbon adjustment—long considered, never adopted—as a solution, and has set in motion the processes to move it forward. This puts a lot of pressure on an instrument that can be useful but is no silver bullet; it faces challenges that will need to be addressed before it can be adopted. The CBAM will need to work within a framework that will emerge at different levels in the EU.

Political challenges. While trade partners may reflexively push back against the CBAM, the EU is not alone in facing the challenges of leakage/competitiveness. Those partners also have to find a solution, and that creates opportunities for cooperation if the EU manages the diplomatic dimension well. International informal consultations in the context of this project have revealed two main findings: there is awareness but not belief externally (and maybe domestically) that a EU CBAM will happen; in other words, the inevitability of a CBAM is not yet accepted; there is opposition but also an unexpected level of acceptance that, given the shifting attitudes towards climate change around the globe, some solution to the leakage problem is needed, and that there needs to be a dialogue to make CBAMs a cooperative and not an adversarial approach.

Legal challenges. Concerns about WTO compatibility tend to focus on whether a BCA would violate free trade disciplines contained in the General Agreement on Tariffs and Trade (GATT). Any effective BCA would almost inevitably breach GATT's provisions on non-discrimination, because it is by definition meant to differentiate between low- and high-carbon goods that are otherwise comparable, or "like". The real legal battleground thus is GATT Article XX with its environmental exceptions, which could allow such a breach. But meeting the conditions of that provision is a demanding proposition. The environmental motivation of the BCA becomes key, but so does the process, which has to be fair, transparent and inclusive.

Design challenges. There are a number of balances that need to be addressed in finding a solution: addressing carbon leakage is not enough without addressing competitiveness; both external and internal competitive aspects need to be addressed if a solution is to be considered viable. Many policy options to ensure the competitiveness of European exports are also legally vulnerable. Continued free allocation under the EU ETS when a CBAM is in place or applying a CBAM to exports by remitting the costs of ETS compliance, risk being considered a prohibited export subsidy under the WTO's Subsidies and Countervailing Measures (SCM) Agreement. Some BCA design choices that minimize legal risk and the potential for political backlash entail trade-offs in the environmental or competitiveness benefits they afford. Still, there are designs that offer a good balance between environmental and competitiveness benefits, on the one hand, and legal and political risk, on the other. Several design choices can minimize the administrative burden on the EU, in particular reliance on default values for imported products. The most intractable challenges may relate to crediting of foreign policies, managing avoidance strategies such as resource shuffling and trans-shipment, and addressing impacts on the competitiveness of downstream EU producers.

Going forward. The framework that will emerge over time, not through one single legislative initiative, could include various components such as contracts for difference, consumption charges and standards. There are a number of different objectives that need to be met, and there will be different instruments to meet them.

Public Consultation on the Carbon Border Adjustment – Rationale for answers

1) To what extent are you familiar with the following initiatives and legislation at EU and international level?

2) Please rate your level of agreement with the following general statements

	i. Strongly agree	ii Somewhat agree	iii. Somewhat disagree	iv. Strongly disagree
a. Putting in place an EU Carbon Border Adjustment Mechanism is justified if differences of ambition between the EU and third countries in fighting climate change persist.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. By reducing risks of carbon leakage, a Carbon Border Adjustment Mechanism can help achieving the EU objective of climate neutrality by 2050 and contribute to global climate efforts.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. A higher price on some imported products due to the introduction of a Carbon Border Adjustment Mechanism in the EU would be acceptable if it contributed to global climate efforts	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. A Carbon Border Adjustment Mechanism would impose unnecessary burden on EU industry	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

a. strongly agrees – the implementation of a BCA is justified in the context of increasing climate ambition asymmetry.

b. strongly agrees – a BCA is a good way to reduce the risk of carbon leakage hence contributing to achieving the EU’s climate ambitions

c. strongly agrees- a higher price on some imported products, if the BCA is focused and a well-designed tool, could be a real incentive to produce of lower carbon products in the EU and with trading partners, contributing to global climate efforts

d. Somewhat agree – Because of EU’s climate ambition, the EU industry has higher compliance goals (ETS etc.) and may raise prices from EU products.

3) Questions on the risk of carbon leakage

3.1 In view of EU’s enhanced climate ambition, the risk of carbon leakage is likely to:

- i. Increase
- ii. Remain unchanged
- iii. Decrease

- i. Increase – looking at the ETS and its evolution in terms of cap and free allocation, enhanced climate ambition will accelerate the trends and incentivize industries to relocate if nothing is done to ensure their competitiveness within and outside the EU. Carbon leakage and competitiveness concerns are intrinsically interconnected.

3.2 To what extent do you agree with the following statements?

a. Carbon leakage is already a reality	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. Current measures to address the risk of carbon leakage under the EU Emissions Trading System and State Aid Rules, such as free allocation of allowances and indirect cost compensation are effective in limiting the current risk of carbon leakage	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. Current measures to address the risk of carbon leakage under the EU Emissions Trading System are sufficient in limiting the risk of carbon leakage even in view of the EU's enhanced climate ambition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
d. A Carbon Border Adjustment Mechanism could be effective in addressing the risk of carbon leakage	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e. A Carbon Border Adjustment Mechanism can be effective in encouraging the deployment of less carbon intensive technologies and ambitious climate policies in partner countries	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f. A Carbon Border Adjustment Mechanism can lead to a change in consumption patterns in the EU, by making available the choice of less carbon intensive products	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g. Reducing greenhouse gas emissions can be better achieved through regulatory means such as performance standards for products placed on the EU market	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

- a. Strongly agree – There is some evidence that the implementation of the ETS caused carbon leakage, even with compensation schemes such as free allocation.
- b. Somewhat agree – see answer above
- c. Strongly disagree – EU's enhanced climate ambitions would increase the risk of carbon leakage in the current framework, other measures such as a CBAM is necessary in order to address competitiveness and carbon leakage issues.
- d. Strongly agree—Depending on the chosen design, the BCA could be suited to address the risk of carbon leakage by ensuring the competitiveness of EU's industry inside and outside EU borders.
- e. Strongly agree – Again, depending on the design and ambition of the BCA, it can be effective to deploy a low-carbon market product within the EU. A substantive price difference between low and high carbon products would allow substitution or improvement in carbon contents.
- f. Strongly agree – see answer above

- g. Somewhat disagree – In theory, the introduction of standards could be more effective. However, its political feasibility is highly uncertain looking at the current climate diplomatic scene, functioning of the EU and could have unintended consequences such as tensing relationships with trade partners.

4) The objective of the CBAM is to address the risk of carbon leakage from the EU to other countries. Please rate to what extent do you agree that the following should also be part of the objectives of the CBAM

	0	1	2	3	4	5
a. Enable policies that aim at reducing carbon emissions in the EU	<input type="radio"/>	<input checked="" type="radio"/>				
b. Fostering the reduction of greenhouse gas emissions at global level	<input type="radio"/>	<input checked="" type="radio"/>				
c. Ensure a carbon - level playing field for producers in terms of the impact of carbon-driven costs	<input type="radio"/>	<input checked="" type="radio"/>				

All 3 options presented in the public consultation are considered very important (5) as the CBAM should have several purposes; addressing the climate ambition asymmetry, help in achieving reduction in carbon emissions and ensure a playing field.

5) Which of the following EU policy areas are the most important to take into account in the design of the CBAM

	0	1	2	3	4	5
a. Climate, notably the EU Emissions Trading System	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
b. Trade	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
c. Energy taxation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
d. Development aid	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
e. Industry	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
f. Research and innovation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
g. Circular economy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

All policy presented in the public consultation should be considered in order to design the most efficient and cohesive CBAM possible. Most relevant (5) to the CBAM are climate, trade and industry policy areas (a., b. and e.) as they will be directly affected by the implementation of the CBAM. Energy taxation, Research and Innovation and Circular economy (c., f. and g.) are also quite important (4) to consider. Finally, development aid (d.) is also relevant (3) but less so considering it will be impacted indirectly.

6) Which of the options do you consider as appropriate for the design of a CBAM? Please also indicate your view about the effectiveness and impact of each option

6.1 A tax applied on imports at the EU border on a selection of products whose production is in sectors that are at risk of carbon leakage. This could be a border tax or customs duty on selected carbon intensive products.

6.2 An extension of the EU Emissions Trading System to imports, which could require the purchasing of emission allowances under the EU Emissions Trading System by either foreign producers or importers.

6.3 The obligation to purchase allowances from a specific pool outside the ETS dedicated to imports, which would mirror the ETS price.

6.4 Carbon tax (e.g. excise or VAT type) at consumption level on a selection of products whose production is in sectors that are at risk of carbon leakage. Under this option, the tax would apply to EU production, as well as to imports.

Out of the four options presented (1. A carbon tax in the form of a border tax, 2. An extension of the EU ETS to imports, 3. Obligation to purchase allowances from a specific pool outside the ETS, 4. a Carbon tax at consumption level), the option 6.3 , with the creation of a specific pool outside the ETS looks like the most appropriate design for a CBAM. It would be an effective way to address carbon leakage and be separated from the EU ETS, guaranteeing a limited impact on EU producers while ensuring their competitiveness. It is also less controversial than a tax, thus easier to adopt (as only need of a majority and no need of unanimous vote) and to a certain extent more legally feasible regarding the WTO and the non-discrimination rule.

7) Please rate the proposals in the list below with regard to their relevance for the coverage of the CBAM:

	i. Strongly agree	ii. Somewhat agree	iii. Neither agree or disagree	iv. Somewhat disagree	v. Strongly disagree
a. The Carbon Border Adjustment Mechanism should cover not only direct emissions but also include indirect emissions that occurred in the production of the electricity used to produce the product	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. Carbon Border Adjustment Mechanism should cover the emissions of the complete value chain, not only the emissions of the last stage of production before import into the EU	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. The Carbon Border Adjustment Mechanism should differentiate in the treatment of imports of finished products, intermediate products and primary inputs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
d. Emissions from international transport of the goods covered should be taken into account by the Carbon Border Adjustment Mechanism	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- a. Strongly agree – The objective is a level playing field for Scope 1 and 2 emissions, in order to ensure that the impact of meeting obligations from direct and indirect emissions is addressed. Addressing indirect emissions through a CBAM, in whatever

form that takes, or another mechanism, in line with WTO rules, is an important feature that needs to be incorporated, if carbon leakage is to be addressed.

- b. Somewhat agree – in order for the CBAM to be the most effective possible, covering the entire value chain should be done. However, the complexity of the calculation and information collection could impose too much more administrative burden on the EU compared to the enhanced environmental protection (in terms of marginal cost)
- c. Strongly disagree – differentiating between product could add an important layer of complexity, administrative burden and issues of legal feasibility with marginal increase in effectiveness of the CBAM.
- d. Strongly agree – there is relevance in integrating international transport of good in order to have the most comprehensive view of embedded emissions.

8) The Commission indicated in its Green Deal communication that the CBAM would be proposed for selected sectors

8.1 Please indicated if you agree that the following could be relevant in determining the coverage of the CBAM

	i. Strongly agree	ii. Somewhat agree	iii. Somewhat disagree	iv. Strongly disagree
a. Should focus on products from activities covered by the EU Emissions Trading System	●	○	○	○
b. Should focus on products from activities covered by the EU Emissions Trading System with highest risk of carbon leakage	○	○	○	○
c. Should not focus only on a product but address the relevant parts of value chains related to the product	○	○	○	○

In order to be effective, the CBAM should be part of an entire framework and not a “silver bullet” stand-alone legislation. That is why it should be a focused instrument on activities energy intensive and trade intensive, reflected in the EU ETS in activities with high risks of carbon leakage.

Strongly agree to the a) and under the understanding that it consumes the b) as well.

For c) the answer is: initially not, because it would be simply too complex; but later on, when the data improves etc., the scope could expand further and further down the value chain as more products are included.

Specific implementation issues

10) Please indicate to what extent you agree that the calculation of the carbon content of imported products should be based on

	i. Strongly agree	ii. Somewhat agree	iii. Somewhat disagree	iv. Strongly disagree
a. EU product benchmarks for free allocation under the Emissions Trading System, i.e. the greenhouse gases emitted during the production process	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. Country of origin-specific product benchmarks to be defined for direct emissions	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. Global product benchmarks to be defined for direct emissions	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. EU emission factors to be defined for indirect emissions, i.e. the emissions caused by the generation of electricity used to produce the covered product	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
e. Country of origin-specific emission factors to be defined for indirect emissions	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f. Global emission factors to be defined for indirect emissions	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
g. A factor for both direct and indirect emissions taking into account the production method used in the installation where it was produced	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
h. A method that traces the build-up of emissions across the value chain of a product in different countries	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
i. Giving importers the possibility to demonstrate in a verifiable manner how the product was manufactured	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
j. The Commission Product Environmental Footprint method (which is in line with the international standard ISO 14067 and considers both direct and indirect impacts)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
k. Product Environmental Footprint Category Rules developed based on the Commission Product Environmental Footprint method, which also include a benchmark reflecting average environmental performance	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

Calculation of carbon content for both direct and indirect emissions should be done based on country of origin-specific product benchmarks (b. and e.) in order to be the most precise possible. However, the administrative burden and lack of data availability could seriously impede this choice. The global emission and product benchmarks would encounter the same issues and lack of data (c. and f.). The adoption of the EU emission factors benchmark are the most reachable and politically feasible options (a. and d.).

Developing a method to trace the build-up of emissions across the value chain and having a factor for both direct and indirect emissions (g. and h.) is likely to add complexity and unnecessary burden compared to more straightforward calculation methods.

Calculating embedded emission thanks to the commission product environmental footprint method (j. and k.) does not look like the most relevant approaches as it adds the complexity of transforming some environmental footprint into a carbon “content” and a carbon price (e.g. if the manufacturing of one product endangers biodiversity, how do I translate it into a carbon price). Even though it would be the most comprehensive way of calculation, it risks adding too much complexity and administrative burden on the CBAM. As the tool should be specific, it would be more relevant to tackle some of the environmental footprint with other policy tools such as certification labels and regulations.

11) Please indicate to what extent you agree that the verification of the carbon content of imported products should:

	i. Strongly agree	ii. Somewhat agree	iii. Somewhat disagree	iv. Strongly disagree
a. Be based on independent third party verification	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. Allow for self-certification, supported by occasional external audit	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Even though the employment of an independent third party would be the most objective option, it could be regarded as intrusive by trading partners and could possibly deteriorate international relationships. Allowing for self-certification, with accountability from occasional external audit could be more suited even though it decreases the accountability and possibly the effectiveness of a CBAM.

12) Please indicate to what extent you agree with the following statement (on export rebate)

	i. Strongly agree	ii. Somewhat agree	iii. Somewhat disagree	iv. Strongly disagree
Provided that it is necessary to achieve the objective of reducing the risk of carbon leakage, the possibility to grant a rebate to EU exporters should be explored under the Carbon Border Adjustment Mechanism	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Strongly agree- The possibility of export rebate should be explored to ensure a comprehensive analysis to design a CBAM even though it bears some risks of impeding the decarbonization of some sectors

13) The CBAM should have adequate anti circumvention mechanisms

13.1 Please indicate which of the following avenues for circumvention would pose significant risks and should be prevented:

a. Substitution between primary inputs and semi-finished goods	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. Resource shuffling in the form allocating low carbon production only to the EU with no or negative effect to the overall CO2 emissions	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. Transshipment strategies if the possibility for exempted countries is included	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. Avoidance based on slight modification of the product	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

The most significant risk would be transshipment strategies (c.) which, in the case of the implementation of a CBAM threatens the relevance of the tool.

Avoidance, resources shuffling, and substitution seem less problematic risks even though substitution would also undermine the effectiveness of a CBAM.

14) Additional considerations on the scope of the CBAM

	i. Strongly agree	ii. Somewhat agree	iii. Somewhat disagree	iv. Strongly disagree
a. Should not allow for any exemptions. All imports should be subject to a carbon border adjustment mechanism equally no matter where they came from	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. Should allow for exemptions for least developed countries	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

	i. Strongly agree	ii. Somewhat agree	iii. Somewhat disagree	iv. Strongly disagree
c. If a partner country has climate policies creating sufficient incentives for emission reductions, similarly to the EU for the products in scope then no Carbon Border Adjustment should be levied (relevant policies could include national or regional emissions trading system, carbon tax, or regulatory system in relevant sectors at home)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. If a partner country has climate policies creating sufficient incentives for emission reductions which result in higher carbon costs than in the EU for the products in scope, then the Carbon Border Adjustment should result in a credit for the importer for the difference in carbon cost	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

To delimit the geographic scope of a CBAM, it would be relevant to propose exemptions for partner countries with strong climate policies. Option c. should be taken into account, but there could be policies beyond the similar ones to the EU and not necessarily less effective reducing carbon emissions. However, option d. should be taken into consideration and could be a way to address global asymmetric climate ambitions.

Having an exemption for least developed countries is relevant (b.), even though it opens to risks like transshipment and weakens the legal feasibility, especially related to WT compliance on the non-discrimination principle.

15) Please indicate if you agree with the following statement

15.1 Economic impacts (impact UA and UK?)

	i. Strongly agree	ii. Somewhat agree	iii. Somewhat disagree	iv. Strongly disagree
a. The Carbon Border Adjustment Mechanism would increase costs for EU businesses in downstream sectors	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. The Carbon Border Adjustment Mechanism would have a positive impact on the competitiveness of EU industry in the sectors concerned	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. The Carbon Border Adjustment Mechanism would negatively affect EU exporters in the sectors concerned	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. The Carbon Border Adjustment Mechanism would have a positive impact on investment in the EU	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
e. The Carbon Border Adjustment Mechanism would encourage the consumption of less carbon intensive products	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
f. The Carbon Border Adjustment Mechanism would have a positive impact on innovation in the EU and elsewhere by promoting clean technologies	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
g. The Carbon Border Adjustment Mechanism would result in the relocation or replacement of activities from partner countries into the EU	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
h. The Carbon Border Adjustment Mechanism would result in the relocation or replacement of activities from the EU to partner countries in the downstream sectors to which Carbon Border Adjustment Mechanism would apply	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

a. Somewhat agree- CBAM would increase costs for specific downstream sectors which currently import a lot of material, but it should remain a minor effect.

b. Strongly agree – a CBAM can only have potential positive impacts on the EU industry within the borders if only imports are taken into account.

c. Somewhat agree – in the short term, EU exporters would experience negative effects, depends if covers exports or not.

d. Somewhat agree – the longer-term impact of CBAM would make the EU more competitive, therefore attracting more investment within and outside borders.

e. A well designed, specific CBAM would encourage the consumption of less carbon intensive products

f. Somewhat agree- if the revenues from the CBAM is redirected to an innovation fund or CCfDs, it could be an effective way to foster innovation within the EU. The effect elsewhere is uncertain.

- g. Somewhat disagree, a CBAM would improve the competitiveness of EU industry therefore could incentivize relocation. However, the effects remain highly uncertain, looking that apart from carbon prices, other key factors are taken into account to delocalize/relocate.
- h. Somewhat disagree – same argument as above – it would be especially visible if the CBAM has a restrained sectoral scope.

15.2 Environmental impacts

	i. Strongly agree	ii. Somewhat agree	iii. Somewhat disagree	iv. Strongly disagree
a. The Carbon Border Adjustment Mechanism would improve the effectiveness of policies aimed at fighting climate change in the EU	○	●	○	○
b. The Carbon Border Adjustment Mechanism would be effective in reducing carbon emissions globally	○	●	○	○
c. The Carbon Border Adjustment Mechanism would promote the adoption of similarly ambitious climate policies by our trading partners and thus contribute to the reduction of global emissions	○	●	○	○

a. Somewhat agree – by differentiating between high carbon and low carbon products within the EU, the CBAM would incentivize the decarbonisation of carbon intensive industrial processes, therefore contributing to EU’s climate ambitions

b. Somewhat agree – The global impact of the CBAM remains uncertain as it will highly depend as its perception of trading partners. If the CBAM is not perceived as a punitive measure or a too strong push from the EU to align climate ambitions, it could be effective at reducing global carbon emissions.

c. Somewhat agree – it will heavily depend on the design and the state of play of climate relations for the CBAM to promote adoption of ambitious climate policies. If the CBAM is specified to some sectors and accompanied with other initiatives/regulatory tools, it could be a lever. Helps some that are covered by carbon pricing. It is uncertain that a CBAM alone or which is perceived at too punitive would be able to address the issue of asymmetry of climate ambition. For now, too many factors remain uncertain for an assured answer.

15.3 Social impacts

	i. Strongly agree	ii. Somewhat agree	iii. Somewhat disagree	iv. Strongly disagree
a. The Carbon Border Adjustment Mechanism would avoid job losses in the EU due to the substitution of EU production by production from partner countries with lower climate ambition.	●	○	○	○
b. Depending on the sectors covered, the Carbon Border Adjustment Mechanism, as part of a broader climate policy, would increase the price of consumer products including those related to basic needs.	●	○	○	○
c. The Carbon Border Adjustment Mechanism would have negative effects in terms of jobs in sectors downstream from those to which it applies by increasing the cost of their inputs, which their competitors in partner countries do not bear.	●	○	○	○
d. Potential negative effects on the living standards of the poorer segments of the population should be compensated	●	○	○	○

a. rather unclear question - The Carbon Border Adjustment Mechanism would avoid job losses in the EU due to **the substitution of production from partner countries with lower climate ambition by EU production** – agree – A well designed CBAM could allow for job relocation within the EU as European industry would be more competitive, at least within EU borders.

b. Strongly agree – There is a real risk that the CBAM will be reflected through increased prices for consumers, especially if the CBAM’s price is too high. A focused sectoral scope could however avoid having products related to basic needs within it.

c. Strongly agree- carbon intensive materials are certainly at risk of increased prices with the CBAM implementation. This risk could be decreased if the revenues from the CBAM are redirected to those downstream sectors in order to foster low carbon processes and eventually material substitution.

d. Strongly agree – uncertainty of the CBAM designs also includes its potential effect on living standards. However, if those impacts primarily the poorer segments of the population, they should definitely be addressed.

15.4 Administrative impacts

a. The Carbon Border Adjustment Mechanism would increase the administrative burden for exporters and importers into the EU

- i. Yes
- ii. No

Due to:

- i. Complexity of establishing the carbon content of the product
- ii. Alignment with measurement standards
- iii. Verification and reporting procedures

b. The Carbon Border Adjustment Mechanism is likely to increase the administrative burden for public administrations in the EU

- i. Yes
- ii. No

Due to:

- i. Monitoring needs
- ii. Adjustment of customs systems

c. The Carbon Border Adjustment Mechanism is likely to result in higher administrative burden for SMEs

- i. Yes
- ii. No

a- Yes, a CBAM would increase the administrative burden on importers and exporters, especially regarding the complexity of calculation of embedded emissions, alignment and verification and reporting procedures.

b. Yes, similarly, the CBAM would increase administrative burden in public administration due to the certain complexity of its design and implementation. Both monitoring needs and adjustment of customs systems are also factors.

c. Yes in general, it could have an impact on a SMEs with high trade intensity outside the EU.