

Border Carbon Adjustment Public Consultations The Summary

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The European Commission published a questionnaire on a Carbon Border Adjustment Mechanism (CBAM) for the public consultation that took place between July 22 and October 28 2020. This public consultation targeted all stakeholders: national and sub-national administrations businesses, trade associations, non-governmental organizations, citizens, workers associations and trade unions, consultancies, think tanks, research and academic institutions. It was addressed to all sectors most notably to energy intensive industries and related economic activities. Numerous organizations went beyond the Questionnaire itself and submitted position papers.

The European Commission will also present the summary of the survey at some point in the near future. The institutions involved in the interservice process are covering climate action, customs, taxation, trade and likely climate diplomacy and external relations. The proposal for a CBAM is part of the European Green Deal (EGD) and will be tabled together with other sectoral measures in June 2021. The consultation process officially started when the Inception Impact Assessment was published on the March 4, 2020. ERCST in its Synthesis Paper¹ put together a summary of feedback received in that round. All stakeholders' submissions were available online and were divided in three categories: companies/business organizations, academic/research institutions and civil society.

The objective of this paper is to highlight and summarize key points raised in the submissions responding to the latest public consultation, capturing the differences, commonalities and general trends, in order to provide the reader with a concise overview of stakeholders' positions on CBAM for the EU. This paper is limited to the over 20 submissions that were made available to ERCST by some of the stakeholders that made submissions. An overview of the submissions covered, highlighting the key points made, is presented in alphabetical order in a summary table.

The outcome of the consultations can be grouped in the following main categories regarding the design of the mechanism: **Preferred option; Scope and pilot phase; Carbon leakage and free allowances; Calculation of carbon content; Impacts & circumvention; WTO aspects; and Alternatives.** Given the limited number of submissions considered for this paper, the official summary by the EC may be different.

The submissions reviewed seem to indicate that the issues are being slowly clarified as the discussions evolve. Two issues that deserve highlighting are the methodology for determining carbon content and the calculation of the level of the adjustment. One key question will be which foreign climate policies will be taken into account when calculating the adjustment i.e. only explicit carbon prices, or also other climate policies?

¹ [Synthesis Draft Paper – Border Carbon Adjustment Submission Summary to IIA, 28 May 2020](#)

General comments:

- Based on the submissions analyzed, stakeholders remain positive towards the border adjustment, but worried about the impact on the current domestic measures to address carbon leakage, and the functioning of the EU Emissions Trading System (ETS) at large. However, they also look for alternatives to the four CBAM policy instrument options tested by the EC in the Public Consultation questionnaire.
- There is some level of additional details in numerous positions when compared to the earlier feedback provided to the Inception Impact Assessment. While previously there was a visible focus on the impact that a CBAM may have on competitiveness, now the focus has shifted towards more pragmatic issues concerning the design of the mechanism and domestic regulation. There are nonetheless still voiced concerns over the risk of CBAM triggering retaliation measures by partners and impacting competitiveness of trade intense sectors.
- Some stakeholders remain sceptical regarding the mechanism's political and international feasibility. There is growing push back in relation to the phase out of free allocation of allowances and the immediate replacement of the current carbon leakage measures once the border adjustment mechanism enters into force. Stakeholders point out to the irreversibility of the process (e.g. following their participation in the pilot phase, sectors would not be able to move back to current arrangements).
- Some convergence regarding the design of the policy instrument and a certain degree of a common understanding of the mechanism among key stakeholders starts to emerge.
- Some additional comments and positions provided outside the Questionnaire would seem to indicate that stakeholders see the questionnaire as suggestive in its questions. Consequently, many stakeholders attached their full positions, some of which are referred to in the summary of this briefing.
- In the scope of climate diplomacy activities, there is recognition that the CBAM discussion undeniably increases the awareness of international climate action needs before the COP 26 which has been postponed to 2021. As a political tool the mechanism can bring results even before being implemented, such as the recent declarations on climate neutrality from Japan, China and Republic of Korea. There are hopes for an international consensus on carbon pricing. Among EU trade partners, there are also those in the process of EU accession and/or adopting EU standards and regulations on climate change climate, for which CBAM could breach existing bilateral agreements or put the existence of a free trade area under question (e.g. Ukraine). This raises the possibility of exempting such trade partners from the EU CBAM, and at the same time the need for introducing a CBAM in the territory of exempted countries in order to avoid the situation where they become a kind of carbon offshore (due to transshipment of carbon intensive products through exempted countries). Therefore, parallel mechanisms to CBAM could emerge in the context of ongoing accession processes.

- In case the EU ETS extension option is adopted as a solution, the potential impact on and adjustment to the ETS cap requires further studying; this should take into account that even in sectors where imports of emissions is not taking place at the moment, imported emissions might occur when the carbon leakage risk materializes in the future (e.g. cement with geographical transport limitations)
- As the discussions advance, a more holistic thinking on the full scope of policy options emerges, taking into account CBAM main objectives: addressing carbon leakage, addressing emissions from domestic consumption (incl. imports), leveling the playing field between European and foreign emitters (addressing competitiveness), and advancing climate diplomacy. The question remains how a CBAM would relate to the EU's current measures to avoid the risk of carbon leakage and to the various initiatives of the "Fit for 55"² legislative package to reduce emissions by at least 55% by 2030 when proposed in June 2021. Possible overlaps and synergies will be visible also between the energy taxation, emissions trading and CBAM.
- Generally, there are no objections to aligning the carbon adjustment with the EU carbon price as expressed through the EUA price. The EU carbon price is market driven, and taking into account future EU climate policies, the performance standards or sectoral tariffs which can increase the actual cost of CO2 emissions compliance, the price will also likely increase. Some stakeholders urge the EC to also include in the adjustment the indirect costs and final cost of climate policies in the EU before comparing it with the carbon costs and content at origin.

² To achieve a climate-neutral Europe by 2050, the European Commission will table the 'Fit for 55' package to reduce emissions by at least 55% by 2030. This will cover wide-ranging policy areas – from renewables to energy efficiency first, energy performance of buildings, as well as land use, energy taxation, effort sharing and emissions trading.

Key issues in Public Consultations

Answers to the Public consultations

Preferred option

- Option 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:
 - Some stakeholders are interested in this option as the most direct fiscal measure. Still, this could be a departure from the climate adjustment approach and disconnected from emissions trading. This option would need to go through WTO-compliance assessment.
- Option 2: **Extension of the EU Emissions Trading System** to imports, which could require the purchasing of emission allowances from under the EU Emissions Trading System (ETS) cap by either foreign producers or importers:
 - This option received some interest. It is impacting the current ETS regulations though and most likely puts pressure on sectors which are already in the ETS. It is potentially controversial for those who try to keep the current carbon leakage protection with the free allocation. Some would call it a California model³, but it is commented that this regional emissions trading was designed already with the border adjustment, not added afterwards.
 - When it comes to the EU ETS cap adjustment, it is necessary to assess the scope of the cap adjustment, for example for the top emitting ten sectors.
- Option 3: **Obligation to purchase allowances from a specific pool outside the ETS** dedicated to imports, which would mirror the ETS price:
 - Generally, the preferred option. Respondents highlight the advantages of mirroring the ETS price, and at the same time the flexibility of keeping imports in a separate pool of allowances (no cap for imports). This option is viewed as strengthening the ETS system without interfering with the current market.
- Option 4: **Carbon added 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:
 - This option seems to bring a new logic to the climate protection system, taking example from the most common fiscal approach. The advantage is that exports can be exempted from the taxation as it is in the VAT system. Complications relates to data availability and determining the carbon content of imports. It is seen by some as potentially replacing the current ETS system as such.

³ <http://www.environnement.gouv.qc.ca/changements/carbone/documentation-en.htm>

Scope and pilot phase

- The positions in this round of submissions strongly support a scope which would include EU exports
- Pilot phase: In the case of steel, the CBAM could initially apply only to finished and semi-finished steel products such as coils, slabs, plates, bars, billets, etc. A workable solution should, however, avoid carbon leakage risk also for products further downstream that are primarily based on steel, such as tubes, fasteners and wire drawings. Depending on the sector, CBAM could apply to basic/raw, semi products, and products of first processing.
- Other sectors that a pilot could consider besides steel include fertilizers, cement, electricity (imports of non-decarbonized hydrogen). Aluminum would like to be assessed, not included in the measure.
- At an early stage (pilot phase), CBAM provisions could be implemented for selected sectors or selected products within a sector– this is an important consideration for some sectors like the fuels sector, because of the high number of product types with different characteristics and the complexity of the value chain.
- The scope needs to take into account the different value chain characteristics of the various sectors, including imports of basic products, semi-finished products and downstream products.
- Important to consider the cross-dependency of sectors and associated impacts; e.g. CBAM for steel and/or cement will increase the cost for construction projects in the EU for all other sectors, versus non-EU jurisdictions

Carbon leakage and free allowances

- The general sentiment remains in favor of preserving the free allocation of allowances (and as a consequence some suggest extending benchmarks to imported products or comparing imports to EU average); alternatively, some support the gradual phase out of free allocation.
- For industry during an initial phase, EU CBAM must be complementary to the allocation of free allowances under the EU ETS. If this is not possible, sectors have expressed reluctance/resistance to be included the pilot phase. The sentiment is that once the free allocation is taken away, it will not be put back in place.
- Strong view from the civil society that BCA should be considered as an alternative to free allocation.
- There is the perception that industry will be given the choice between free allocation or CBAM. There is strong concern that stepping away from the current measures consequently lead to more carbon leakage than currently. The thesis is being put forward that the current system will likely ‘run out’ of free allowances towards the end of ETS Phase IV, but that combining it with a BCA for selected sectors would guarantee sufficient protection against carbon leakage with enough free allocation for those that stay with free allocation.

- There is a recommendation to keep an option in the impact assessment (IA) of BCA coexisting with ETS measures; IA should include assessment of different options (free allocation of allowances vs BCA vs combination) and assess related environmental benefits.
- For some sectors maintaining indirect cost compensation is essential in order to be interested to participate in the mechanism.

Calculation of carbon content

- Responses highlight the difficulties in measuring the embedded carbon from foreign producers
- Estimation of embedded emissions / calculation of adjustment: some recommendations for CBAM to be based on existing sectoral carbon footprint benchmarks
- 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 unless their product is less carbon intensive. This would require further reporting and verification which may pose difficulties.
- Some suggest that the calculation could be based on a standard rate for certain products for all countries, for example for products the carbon content of which is quite homogenous all over the world (e.g. ammonia). For more complex products, each country of origin would have a different value.
- Other propose that for particular sectors the calculation of the actual carbon content would be needed, in particular for those where indirect emissions play an important role. For some sectors, the total emissions from domestic production are equal to direct-only emissions because the production process is based on CO₂-free electricity generation sources, while potential imports could have more embedded carbon depending on different electricity mixes of the exporting countries.

Impacts & circumvention

- A CBAM reflecting the carbon content of imports as a carbon leakage measure, assumes that the carbon content of imported products has the same or higher carbon footprint as the European production. In the situation where default CO₂ value is attributed to the specific third country which has lower value than carbon intensity in country of origin, there might be a risk of circumvention, and attempts to use the differentiation among the exporters.
- With respect to use of the funds collected through CBAM they can support for EU Recovery Fund and/or Just Transition (revenue recycling); can be used to support developing countries (i.e. financing ITMOs) or potentially go to Modernization/Innovation Fund. Some go a step further and see CBAM revenues as a financing stream for industry innovation through Contracts for Difference or reforming the labour taxes and redistribution income for households.
- One possible solution to circumvention could be to determine a general carbon footprint for each individual trading partner country, so as to avoid a situation of shuffling emissions (attempts to label “for export” production from least emitting plant of a particular company), or one global value to avoid transshipment through third countries.

WTO aspects

- The general link with the trade policies and climate diplomacy remain valid, and there are signals from climate measures being adopted in other jurisdictions (China, S. Korea, Japan, possibly US), including in light of the updated NDCs towards the end of 2020 and the COP26 in 2021.
- The majority of answers are in favor of the CBAM because of the strong international signal it sends out and the incentive it gives to build carbon markets outside the EU
- The question remains if the WTO is the only forum to address BCA internationally. Other possible fora include the UNFCCC, G20, etc.
- Possible exemptions: linking existing ETs and offering preferential treatment for certain developing countries (SIDS, LDCs)

Alternatives

- Ideas floated on alternatives:
 - Climate Contribution paid by end consumer relative to the carbon intensity of the product in complement to current ETS system in order to cover costs not yet paid by producers
 - Import contribution with ETS price and free allowances (where system of free allowances is maintained)
- Alternative carbon leakage protection mechanisms other than CBAMs e.g.:
 - Designing the system as a market entry fee rather than a border mechanism: Since a VAT-type system would potentially add the (cost of) emissions at each step of a value chain some submissions suggested a market entry fee (i.e. a consumption charge limited to one step in a value chain, or a selection of steps).
 - EU product standards for GHG intensity
 - These will all ideally lead to a market for low carbon products
- An EU label of “climate friendly” product can also bridge the path in WTO negotiations allowing the differentiation of products (carbon standards)

Summary of key points raised in analyzed submissions

Organisation	Key points
AFEP French Association of Large Companies	<ul style="list-style-type: none"> • Prefers tax over the extension of the ETS option. Buying allowances from the pool outside of the ETS is highly relevant. Carbon tax (VAT like) is somehow relevant
BDI	<ul style="list-style-type: none"> • In no way can CBAMs replace the free allocation and the electricity price compensation. Therefore, many German industries harbor strong reservations against CBAM. A thorough and comprehensive impact assessment (IA) is indispensable prior to any legislative proposal on the part of the Commission. Together with various designs of CBAM, the IA should analyze additional carbon leakage protection instruments that could be added to the existing system of carbon leakage protection to better support the industries' transformations. Furthermore, the IA should for several alternative instruments extensively evaluate practicability, potential impacts on complex value chains and networks, and the impact on export conditions for businesses. • Suggestive questions in the Questionnaire should not predefine the design of the mechanism
Business Europe	<ul style="list-style-type: none"> • Urges the European Commission to consider a scenario in its future impact assessment where the existing carbon leakage measures co-exist with a CBAM • The priority should be given to establishing well-functioning international carbon markets and a global carbon price in line with Article 6 of the Paris Agreement • Argues that shifting to a system of full auctioning when a CBAM is in place would: increase the risk of retaliation, create significant investment uncertainty, decrease European companies' cost-competitiveness in third markets • The CBAM should have adequate anti-circumventing mechanisms: <ul style="list-style-type: none"> ○ The risk of substitution between imports of raw materials and finished or semi-finished products could be solved in the long term through the implementation of a CBAM that covers multiple parts of the value chain ○ the carbon content is based on the average of all installations of a particular producer. This would make it significantly more difficult for producers to game the system, and they will be incentivized to reduce the carbon content of their entire product offering, not just the part they export to Europe

	<ul style="list-style-type: none"> ○ There should also be strict conditions for a country to be exempted. One of those being that these countries should closely cooperate with the EU to prevent these transshipment strategies. Europe can build on the experience that exists in Trade Defense Instruments and involve OLAF-European Anti-Fraud Office whenever necessary ○ The collection and disclosure of carbon content data will be decisive for the success of measures relating to the carbon intensity of production worldwide ● Part of the risk of any BCA measure is that it sets a precedent for further restrictions on trade in the future based on other, non-climate related matters. Therefore, the EU should oppose calls for broadening the goals of any CBAM option to anything else other than global climate action and the risk of carbon/investment leakage ● Limit in duration of time and review clause ● Additional issues, i.e. reciprocal tariff concessions in the bilateral EU Free Trade Agreements
Carbon Market Watch	<ul style="list-style-type: none"> ● All forms of free allocation under the EU Emissions Trading System (EU ETS) are phased out completely and rapidly ● The CBAM is based on carbon performance benchmarks ● The CBAM should cover the highest emitting sectors ● The CBAM should cover direct and indirect emissions ● The most suitable design for a CBAM is an extension of the EU Emissions Trading System to imports – sceptical about the separate pool of allowances - would not expose importers to exactly the same conditions to which EU industry is subject ● The CBAM should allow importers to demonstrate their product is less carbon-intensive ● The CBAM should allow for country-based exemptions ● The revenues from CBAM should be recycled towards climate action ● There should be no rebates on exports ● The CBAM should be complementary to international climate diplomacy and product requirements
CEMBUREAU	<ul style="list-style-type: none"> ● It is imperative that any carbon border mechanism co-exists with free allocation under the EU ETS, at least until the end of Phase IV. ● The core objective of a carbon border mechanism should be that producers outside the EU compete on the same CO₂ cost basis as EU domestic producers. With this in mind, CEMBUREAU suggests some design principles which (1) are fair and transparent for both EU and non-EU producers, (2) will have a positive impact on climate worldwide, and (3) will avoid carbon leakage and imported CO₂ emissions.

	<ul style="list-style-type: none"> • Carbon border mechanism: design principles: <ul style="list-style-type: none"> ○ In an initial phase, an EU carbon border mechanism must be complementary to the EU ETS free allowances ○ A carbon border mechanism must be based on verified emissions from importers to the EU, not ‘average emissions’. It should include indirect emissions ○ A carbon border mechanism must follow a very transparent methodology and be fully WTO-compatible ○ An EU carbon border mechanism must be applicable to all sectors alike ○ A carbon border mechanism should provide for an CO₂ charge exemption for EU exporters • In the long-term, other forms of mechanisms could be envisaged
<p>European Business Association (Ukraine)⁴</p>	<ul style="list-style-type: none"> • Under the Association Agreement with the EU, Ukraine is obliged to implement a significant part of EU standards and regulations on combating climate change. This also applies to the system of greenhouse gas emission allowance trading, similar to the one operating in the EU. In fact, this will mean extending EU regulation to reduce greenhouse gas emissions to Ukraine’s economy. On the other hand, the introduction of the CBAM for goods/works/services exported from Ukraine to the EU will not be in line with the objectives of the Association Agreement and may in fact put the existence of a free trade area between Ukraine and the EU under the question. • In the case goods/works/services exported from Ukraine are exempted from the CBAM, it will be necessary to provide for the introduction of a similar mechanism in Ukraine for non-EU countries. This will prevent the import of products with a high carbon footprint to Ukraine. Otherwise, the Ukrainian domestic market risks becoming a kind of carbon offshore.
<p>EDF (Électricité de France)</p>	<ul style="list-style-type: none"> • Among the options proposed by the European Commission, EDF supports a mirror system of the ETS –same carbon price as in the EU ETS but not impact on the volume of allowances and the functioning of the system– and is highly skeptical regarding the direct inclusion in the ETS and a carbon tax on consumption • EdF takes no position to have CBAM on a specific industrial sector except on electricity, hydrogen, gas, oil and coal, where measures are needed to ensure that imports from outside of Europe respect the same climate requirements <i>Specific mention on hydrogen, starting the sector with a CBAM is important to prevent any imports of carbonized hydrogen.</i> • To maintain EU industrial competitiveness, the CBAM should also address the need to support exports in sectors impacted by the mechanism – and not only carbon adjustment on importations

⁴ <https://eba.com.ua/en/plata-za-klimatychnu-bajduzhist-chy-protেকtsionizm/>

	<ul style="list-style-type: none"> • For the same reason, the CBAM should have the same effects then the present free allocations under the ETS. • Since imported products cannot be subject to stricter rules than European products, the CBAM should not asked for carbon content traceability across the value chain of these imported products. • The CBAM should be able to adapt when the import is from a country that has implemented its own carbon measures – main question is how to assess various climate policies and compare them to European measures • The CBAM should have positive economic, environmental and social impacts for the EU without generating strong additional administrative burden
<p>ENEL</p>	<p>In terms of policy mechanisms, a CBA can build upon a wide variety of options: a carbon tax, a customs duty and an EU-ETS extension:</p> <ul style="list-style-type: none"> • In case of a carbon tax, a CBA on imports would charge a covered imported good the equivalent of its carbon tax liability, had it been produced domestically. Unlikely to be implemented as it would require unanimous vote in the Council and bring about climate uncertainty, given the lack of an emissions cap; • Another approach is tariff or customs duty deployed against products imported from trading partners outside the EU, regardless the embedded carbon content of those products. Such an option may be adopted with a qualified majority vote; however, the environmental benefits will depend on level of carbon price; • In the case of emissions trading system, a CBA would require the domestic importers or foreign exporters to bear a carbon cost equal to one provided by EU ETS. This option could be implemented in two different sub-options: <ul style="list-style-type: none"> ○ Importers to bear the cost equivalent of EUA price either without the actual purchase of the allowances or via ‘Separate EUA Pool’ creation, from which importers would be required to purchase allowances at a price mirroring that of EU ETS; ○ Importers to buy actual EUAs: this would imply imports being under the EU ETS cap, and could require the necessity of a review of the EU ETS cap.
<p>ERCST</p>	<ul style="list-style-type: none"> • Important component of the EGD • Context. Europe’s CBAM is being elaborated as we approach several important crossroads. EU not alone in challenges of leakage and competitiveness. • Raising ambition and solving leakage are intertwined. • Legal challenges. WTO compatibility and GATT Article XX environmental exemptions – Implications for BCA design and implementation

	<ul style="list-style-type: none"> • CBAM: a silver bullet? EC has hopes on border carbon adjustment. It puts pressure on a useful instrument, but it is no silver bullet; problems may keep it from ever being adopted. CBAM needs a framework emerging at different levels of governance in the EU • There is a need to have a solution, but the complexity is not well understood • Issues that have no clear solution yet such as addressing indirect costs • Exports are a critical and decisive issue • Should be focused on activities energy intensive and trade intensive • Published the Paper BCA in the EU Issues and Options 30 September and looks into the Optimal design of the mechanism
Eurelectric	<ul style="list-style-type: none"> • Out of four options for the mechanism Eurelectric rated first three (import tax, extension of the ETS and separate pool of allowances) as somewhat relevant and the carbon tax as a not relevant.
Eurofer	<ul style="list-style-type: none"> • With regards to the scope, in the case of steel, the CBAM could initially apply only to steel finished and semi-finished products such as coils, slabs, plates, bars, billets, etc. A workable solution should avoid the carbon leakage risk also for those downstream products that are primarily based on steel, such as tubes, fasteners and wire drawings. • The effectiveness of the CBAM will depend not only (and mainly) on its nature but mainly on the details of the design and its ability to ensure an effective enforcement and address risks such as cost absorption and source shifting • Through the cap-and-trade mechanism, the EU ETS not only introduces a cost for EU producers but also absolute emissions reductions (the cap element) that become more stringent with the progressive reduction of total allowances. • The CBAM should be introduced in a way which ensures that the importer has on one side a comparable carbon level to the EU industry and on the other side a sufficiently high incentive to decarbonise. • The surrender of notional ETS allowances for importers would mirror the EU ETS without a direct impact on the functioning of the EU market, provided that free allocation for EU producers is maintained. • A CBAM in the form of a carbon consumption charge would address structurally the emissions along the entire value chain by measuring the carbon content at each step. Since this measure would be equally applied at consumption stage to EU and imported products, it would be more likely recognised as WTO compatible and possibly less exposed to risks of retaliation. This option would also provide a solution to finally provide the carbon signal to society in long-term.

<p>Eurometaux</p>	<ul style="list-style-type: none"> • Believes the current measures (indirect costs compensation & free allowances) are a better suited approach for non-ferrous metals (the sector does not wish to be included in the pilot phase) • Points out to the complex value chains • Underlines the possibilities of circumvention • Border tax or customs duty on CO2 intensive imports, <u>if it were limited to direct emissions only</u> (will never reflect the indirects - CO2 costs in EU power prices) • Rebates question – how to reimburse exports in a WTO compatible way?
<p>European Environmental Bureau</p>	<ul style="list-style-type: none"> • In the short-term implementation, the instrument could be linked to the EU ETS • Benchmarks need to evolve into carbon performance requirements focused on end-use • Link with other legislative tools – ETD does not factor in the carbon content of fuels
<p>Fertilizers Europe</p>	<ul style="list-style-type: none"> • Disagrees with European Commission that the purpose of CBAM is carbon leakage protection. Instead, sees the purpose of CBAM as stimulating global climate action. • Free allocation was designed to address the carbon leakage risk in the context of the current 2030 targets. Industry needs an additional support instrument, such as CBAM, to meet the increased climate targets. • CBAM alone is not sufficient as a way to enable the industry reaching its 2030 climate targets; CBAM should be implemented as complementary to free allocation. • CBAM should include export exemptions, preferably modelled on VAT exemptions. • While supporting CBAM, Fertilizers Europe requests legal stability. Therefore, given the investment decisions already taken for the next 20-30 years, the current rules, including free allocation, need to be kept in force. • Fertilizers Europe does not consider the four options described in the questionnaire as an exhaustive list.. • Requests that CBAM format be still open for discussion. Restricting the questionnaire to the four options described makes it difficult to reply to the questionnaire with precise assessment of the impact of CBAM. Fertilizers Europe believes that a system whereby free allowances are maintained should be examined. As an example, presenting two alternative CBAM design options for further consideration: 1) Climate Contribution 2) Import contribution with ETS price and free allowances.

Finnish Energy	<ul style="list-style-type: none"> Regarding the preferred option: Finnish Energy focuses on the EU electricity market, in which carbon price is quite easy to add on the top of the price of imported electricity. The ETS and taxation are basic pricing tools, but also other EU instruments should be promoted, like guarantees of origin (GO) and European electricity market platforms instead of bilateral contracts.
FuelsEurope	<ul style="list-style-type: none"> Import tax, extension of ETS to imports, buying allowances outside of the ETS pool, carbon tax – highly relevant; Alternative CL protection mechanisms other than CBAMs e.g.: <ul style="list-style-type: none"> - Designing the system as a market entry fee rather than a border mechanism: Since a VAT-type system as suggested would potentially add the (cost of) emissions at each step of a value chain Fuels Europe suggests a market entry fee (i.e. a consumption charge limited to one step in a value chain, or a selection of steps). - EU product standards for GHG intensity Important to consider the cross-dependency of sectors, e.g. CBAM for steel and/or cement will increase the cost for construction projects in the EU for ALL other sectors, versus non-EU jurisdictions. 2. Important to recognize the differences in administrative complexity between sectors. Complexity associated with a CBAM for Chemicals (huge # of products, long value chain) products can be expected to be much higher than for e.g. the cement sector. IF a CBAM were to be introduced for specific sectors, the management of change / transition period would have to be managed very carefully to avoid gaps/lapses in effective carbon leakage protection, including impacts on other sectors (e.g. downstream value chain impacts) and including effects on sectors retaining free allocation as CL protection instrument (e.g. availability of free allowances, benchmarking effects, etc.).
Hellenic Lime Association (HLA)	<ul style="list-style-type: none"> Foreign producers or importers should purchase “carbon credits” from a specific “pool outside the ETS” dedicated to imports and exports, which would mirror the ETS allowances price, or from a secondary market. The credits needed for compliance should be equal to the verified CO₂ that was emitted during the production of the imported products. Historical data of imports and exports shall be used to determine the initial number of credits in the “pool outside the ETS”. By 2027 CBAM shall apply to all products. In order for this to be possible, a new legislation should demand for all products in the EU market to be verified and have a “Life Cycle CO₂” marking (something like the car industry’s current “grCO₂/km” marking). Countries shall not be exempted from CBAM unless their ETS is connected to EU-ETS. (Same rules, same ambition, same CO₂ price) CBAM should address not only direct but also indirect emissions (electricity, transport)

<p>IBEDROLA</p>	<ul style="list-style-type: none"> • Supports maintaining the free allocation (and indirect cost compensation) for carbon leakage sectors; Preferred policy option is an excise rate on carbon footprint (alternative 4) which seems compatible with the free allocation (among other advantages). • The EU electricity sector is not globally at risk of carbon leakage. It is not justified to embark the whole EU electricity system and its customers in a CBAM. • However, it would be imperative to include the production of hydrogen, a sector at risk of carbon leakage, among the coverage of the CBAM. Otherwise all expectations on the deployment of decarbonized hydrogen in the EU would be impossible to reach. • Any of the alternatives represent obvious challenges for the political implementation in the EU. The options 1 and 4, which lever on new tax elements, may be subject to additional complexity as far as likely subject to unanimity in the EU Council. • Any option is also a challenge vis-à-vis the negotiation in the WTO. However, alternatives 2, 3 and 4 may ensure a symmetric treatment of imports vs. domestic goods, which may facilitate the compliance of WTO rules. • The integration of imports into the EU ETS may ensure equal treatment for imports than for EU production. The main concerns arising are the likely distortions in the functioning of the ETS, especially in the option 2 that should require a large scale redefinition of the current mechanism. • Another relevant issue is tackling with imports from countries that have already in place carbon abatement policies, usually based on different climate ambitions and different tools and carbon price levels (i.e. absence of level playing field on carbon pricing).
<p>Institute for European Environmental Policy</p>	<ul style="list-style-type: none"> • A possible complementary policy instrument to reduce emissions, beyond the CBAM, is the use of low-carbon standards. • Recommends that dedicated attention is paid to ensure policy coherence and synergetic implementation between CBAM and the EU's Circular Economy Action Plan (CEAP). • CEAP maps out a pathway for sustainable product policy to set minimum requirements for products with a view to preventing environmentally harmful products from being placed on the EU market • IEEP does not suggest that the CBAM should cover the entire value chain, which has been deemed technically complex by experts in the field of carbon pricing. Instead, the complementarity between the CBAM and the CEAP presents a promising potential for value chain decarbonization. • It is currently assumed that the scope of the CBAM will cover primary inputs flowing from carbon-intensive sectors, such as steel, cement and chemicals

IOGP	<ul style="list-style-type: none"> • IOGP favours a globally consistent, meaningful carbon price. However, until consistency on a global carbon pricing and ambition can be achieved, IOGP believes it is essential to adopt effective EU measures that avoid carbon leakage; • Pilot phase: at the early stage, CBAM provisions could be implemented for several sectors/goods/products only • A level playing field for all companies both on EU and international markets should be guaranteed to stimulate emissions reduction globally. A comprehensive set of measures needs to consider both imports and exports while avoiding any double-compensation or double taxation – not supporting the carbon added tax as a double taxation (in case of maintaining the ETS) • The following aspects need to be considered while designing a CBAM: <ul style="list-style-type: none"> ○ Evaluation of carbon content ○ Administrative burden ○ Reflection of the ETS price ○ The use of revenues ○ The international dimension of CBAM & compatibility with WTO rules • CBAM alone is not a silver bullet to achieve the ambitious EU energy and climate goals. Other policy tools to mitigate carbon leakage risks and incentivise low-carbon investments will be required to deliver a sustainable future
MEDEF	<ul style="list-style-type: none"> • In favour of the buying allowances from the outside pool and against including imports to the ETS cap.
Norsk Hydro	<ul style="list-style-type: none"> • Current carbon leakage measures aim at creating a level playing field in terms of CO₂-costs for European and foreign producers. For a CBAM to be an effective carbon leakage instrument, able to replace current measures, the increased product prices resulting from the introduction of a CBAM need to be equal to the increased production costs European industry will face. We do not believe this will be the case, due to both possibilities for circumvention, and also the possibility that the price setting importers will not pass on the full CO₂-cost into product prices. Consequently, introduction of a CBAM will then create more carbon leakage than today. • For certain products it will be possible to circumvent the CBAM by changing trade flows so that most low-carbon products are exported to Europe while remaining high-carbon products are sold elsewhere, where no equivalent carbon border measure exists. Then the price effect of CBAM would not be enough to be a carbon leakage measure, and an introduction of CBAM will in reality, create more carbon leakage with higher emissions worldwide.

	<ul style="list-style-type: none"> • If a CBAM should be introduced, it also needs to be applied to all stages of the production value chain, from upstream to downstream production. Applying CBAM only upstream, would lead to higher costs for downstream producers, incentivizing moving production out of Europe. Then CBAM would have clear negative effects for European industry.
Sandbag	<ul style="list-style-type: none"> • The CBAM should support the core mechanism of the EU ETS (i.e. its increasing carbon price in relation to raised ambition) and should not unduly distort this. The CBAM also confers a responsibility on the industries which it protects from carbon leakage. As such, it should come with a clear zero- carbon 2050 target for industry, and industrial actors should use the level playing field provided by the CBAM to invest in new zero-carbon technologies.
Total	<ul style="list-style-type: none"> • Based on the brief description of the options, we believe the mirror ETS (option 6.3) provides the best level- playing-field between EU and non-EU producers (same carbon price), with the least impact on the current functioning of the EU ETS. • The impact of the tax options (6.1 and 6.4) could be very different in function of the tax basis and tax rate applied. Our interpretation of option 6.4 is that this tax would replace the ETS for these sectors (to avoid double burden and/or additional complexity). If not, our answers to question 6.4.1 would be totally different. • All options can only become fully effective if the tax basis reflects the real carbon content of the products concerned (up to the point of sales). A policy to impose carbon footprint certification of imported products (regardless if they are subject to border adjustment or not) would be very useful in parallel with (or even in advance of) a border adjustment policy. • Because of the risk of negative impact on downstream sectors, the first phase of a border adjustment policy would best focus on sectors with short and/or simple supply chains. The possibility to obtain (and verify) real carbon content data for the products is also a positive argument for selecting a sector.
WWF European Policy Office	<ul style="list-style-type: none"> • Supporting the CBAM objective: to reduce risk of “carbon leakage” and encourage international climate action • It must be designed and implemented as an alternative to free allocation of allowances in the ETS. A phase-in of CBA needs to be linked to phase out free allocation. • It should be initially linked to the EU ETS system. It could be conceived as a tax on imports • It must be part of a wider set of policies to enable and promote the investment in low carbon industrial processes, energy efficiency measures and renewable energies to achieve the decarbonisation of industry. Including the public innovation policy, contracts for difference and purchase low carbon materials through the public procurement.