

LIFE Climate CAKE PL

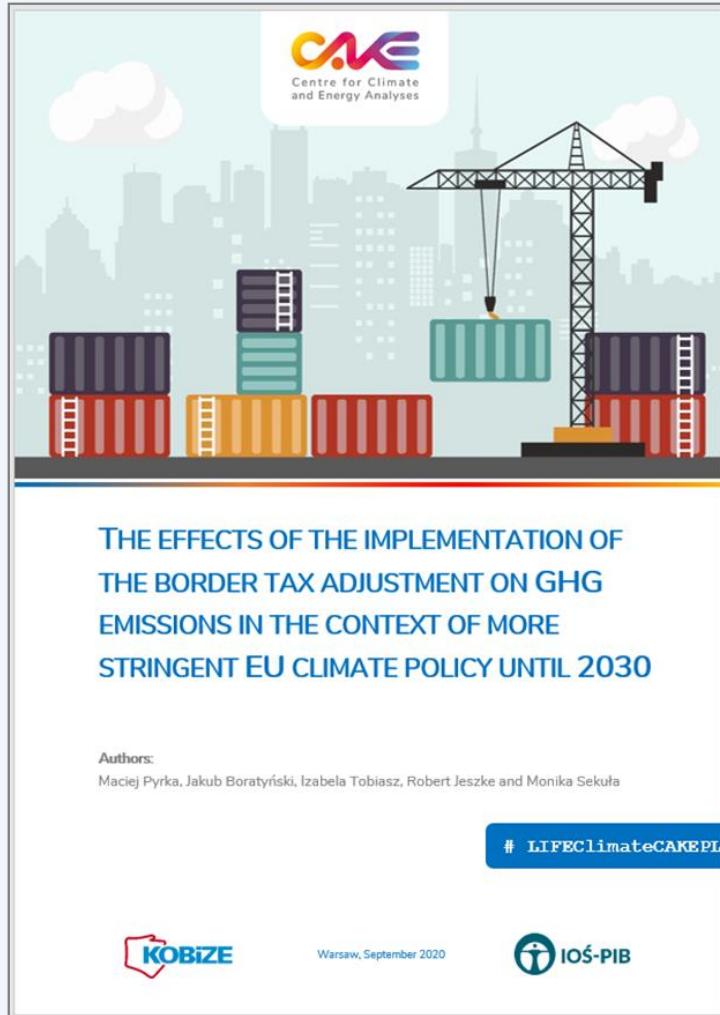
Economic impacts of CBAM

The effects of the implementation of the border tax adjustment on GHG emissions in the context of more stringent EU climate policy until 2030

Border Carbon Adjustment in the EU
ERCST CBAM Global Townhall, 21.01.21



SECTORS COVERED BY BTA IN CAKE ANALYSIS



Sectors covered by border tax:

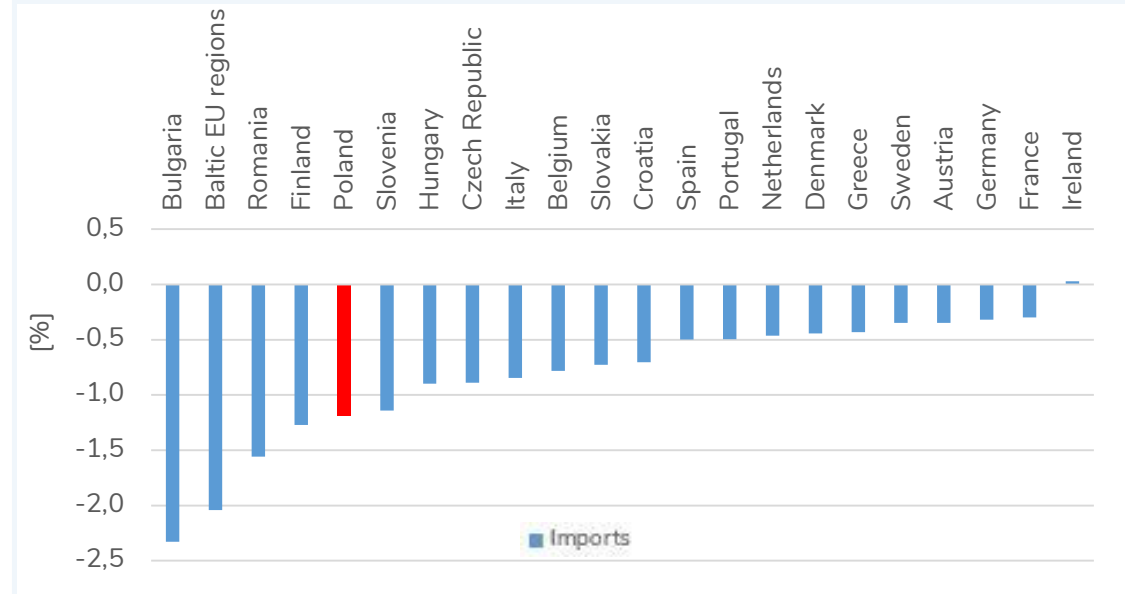
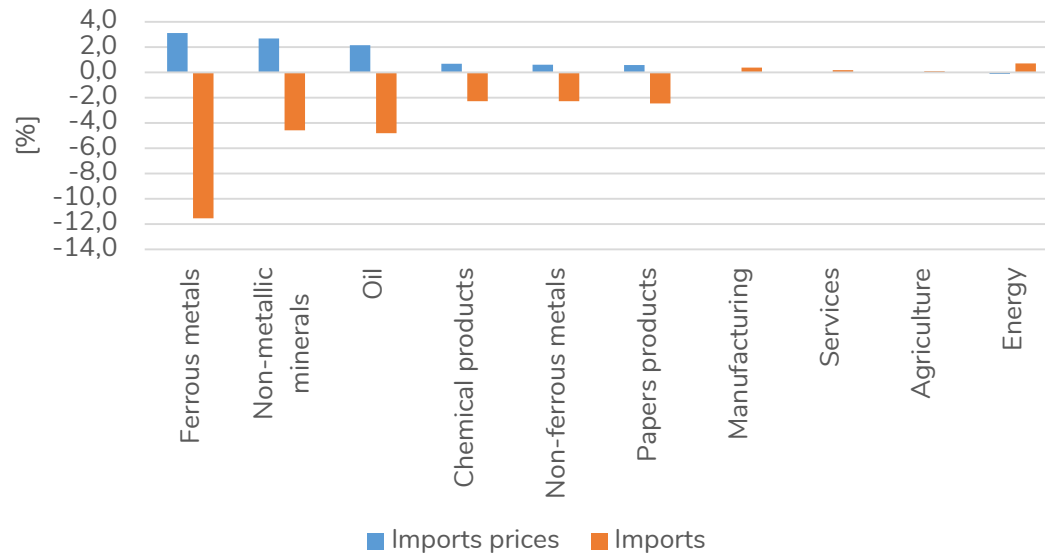
- ▶ **Oil products** (refined petroleum products and coke),
- ▶ **Chemical production,**
- ▶ **Non-metallic minerals ,** (cement, lime, gypsum and glass)
- ▶ **Paper industry,**
- ▶ **Iron and steel,**
- ▶ **Non-ferrous metals** (aluminium).

Scenarios:

- ▶ **GHG55** -55% reduction target in the EU in 2030. (approx. 57% in EU ETS and 48% in non-ETS in 2030, in relations to 2005),
- ▶ **BTA** - implementation of the GHG emission border tax (border tax adjustment).

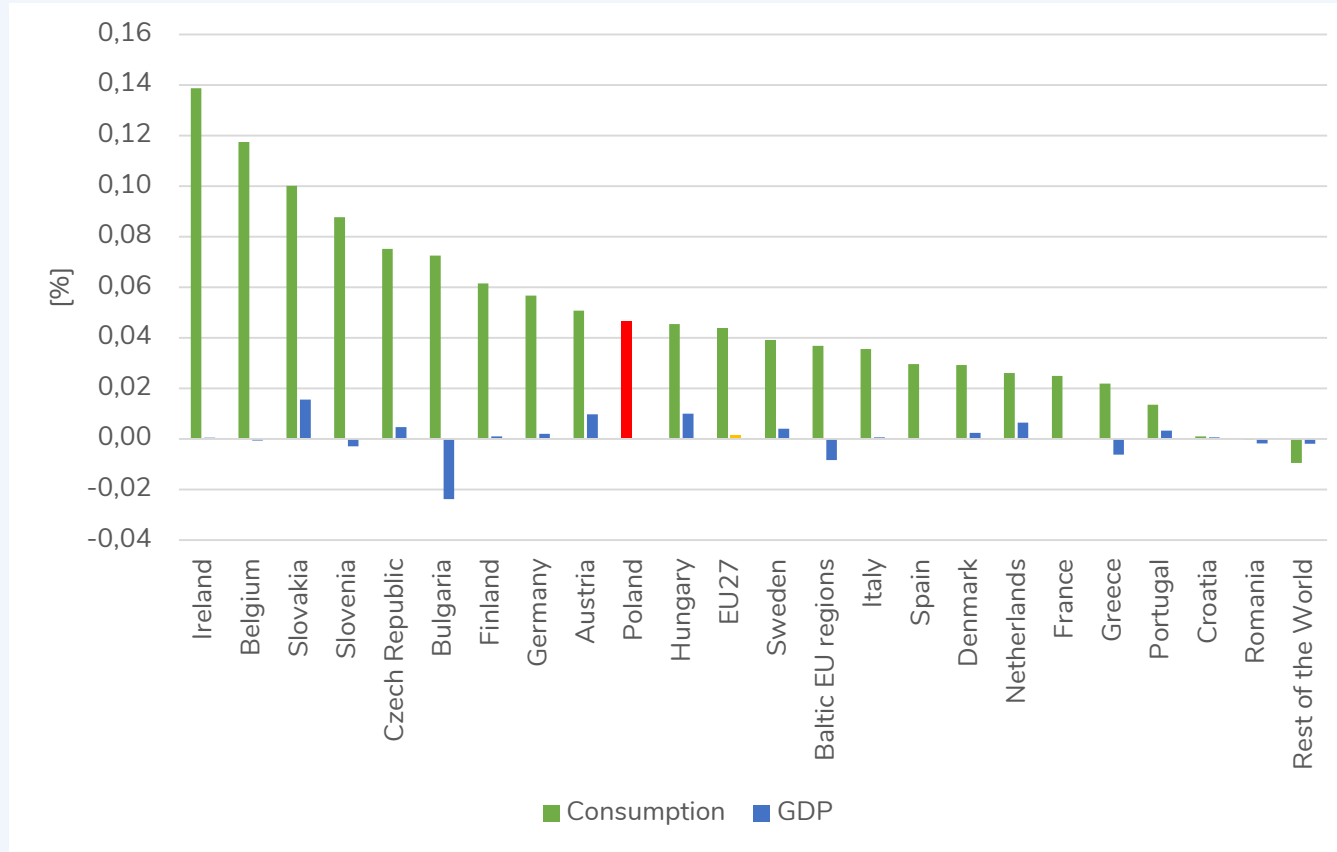
IMPACT ON PRICES AND VOLUMES OF IMPORTS FROM OUTSIDE THE EU

- ▶ The largest **declines in imports** to the EU UE appear in sectors: iron and steel – by **11.6%**, petroleum products (oil refining) – by 4.8%, and non-metallic minerals (e.g. glass production) – by 4.6%.
- ▶ The total decline in imports to the EU amounts to approx. **0.5%** and is quite diversified between EU Member States, the largest decrease in imports occurs in Bulgaria (**2.3%**).



Source: own study by CAKE/KOBiZE

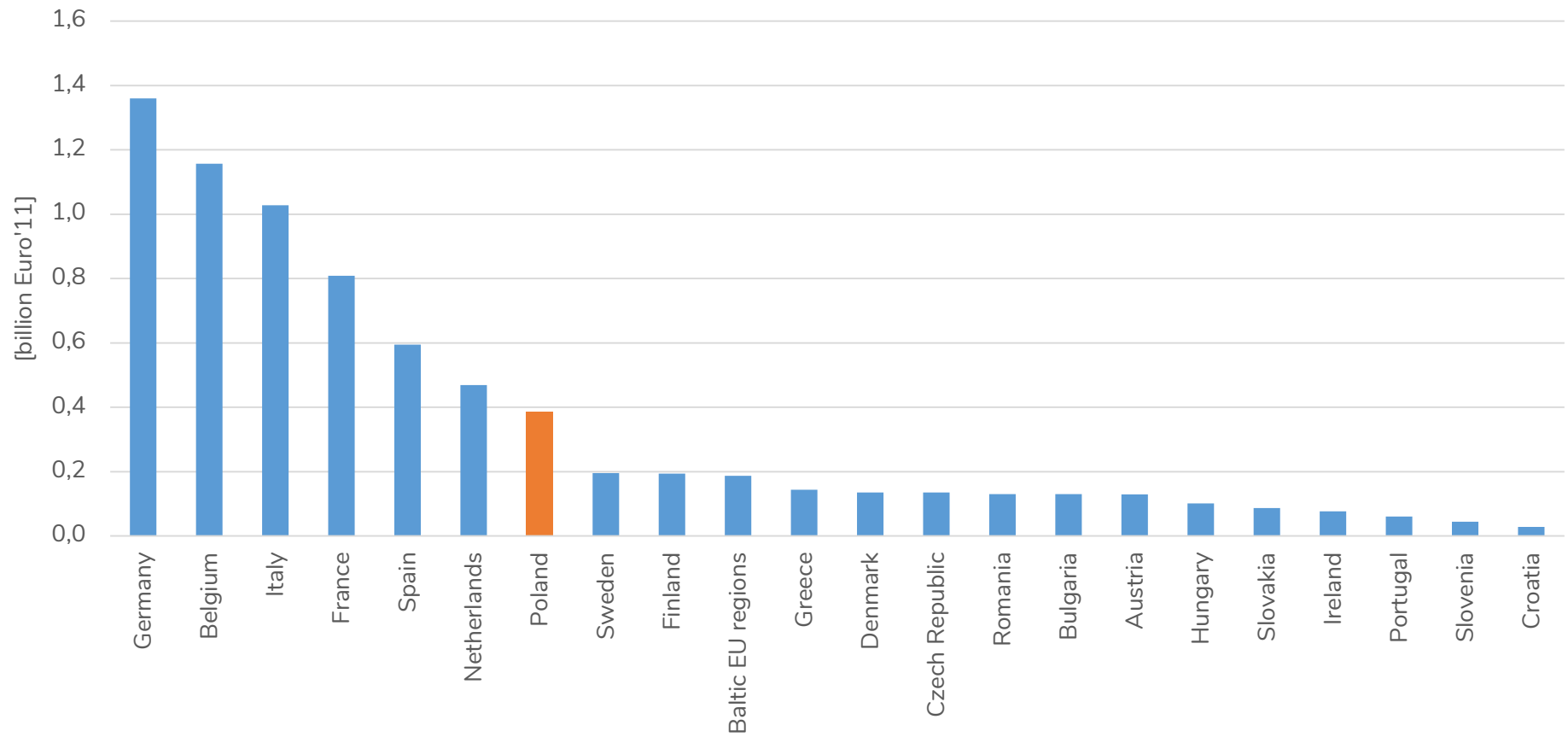
GDP/CONSUMPTION IN THE EU IN 2030



Source: own study by CAKE/KOBiZE

- ▶ Implementing the emission border tax causes a **slight increase in household consumption** in the EU Member States.
- ▶ The average increase in household consumption in the EU is **0.04%** while the highest occurs in Ireland (0.14%) and Belgium (0.12%).
- ▶ Consumption effects driven by terms of trade improvement.
- ▶ But note: no possible productivity deterioration from trade protection taken into account.

REVENUES IN 2030 FROM BTA, EURO'11 BLN



Source: own study by CAKE/KOBiZE

▶ Economic impacts:

- ▶ **Increase in production in the EU** in Energy-intensive sectors (**1.6%** ferrous metals; **1.1%** non-metallic minerals).
- ▶ **The revenues to the budget** - the border tax adjustment within the EU will bring in 2030 additional revenues estimated at about **EUR 7.6 billion (USD 10.6 billion)**.
- ▶ **Minor macroeconomic impact** - slight increase of household consumption in the EU, by about **0.1%**, due to the improved terms of trade (but no negative impact of protection on productivity considered).

▶ Issues:

- ▶ **Restricting BTA to energy-intensive goods** - may indirectly impair manufacturing through higher cost.
- ▶ **Design hinging on assessment of marginal abatement cost** in countries not subject to emission trading, given their NDCs.

Thank you!

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