

# Feedback from: Enel Group

## Feedback reference

F510340

## Submitted on

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## Submitted by

Mariano Morazzo

## User type

Company/business organisation

## Organisation

Enel Group

## Organisation size

Large (250 or more)

## Country of origin

Italy

## Initiative

[EU Green Deal \(carbon border adjustment mechanism\) \(/info/law/better-regulation/have-your-say/initiatives/12228-EU-Green-Deal-carbon-border-adjustment-mechanism-\)](/info/law/better-regulation/have-your-say/initiatives/12228-EU-Green-Deal-carbon-border-adjustment-mechanism-)

- The European Union should continue to lead the way in the global fight against climate change, both with domestic action and leading negotiations at international level. The EU should pursue an ambitious implementation of the European Green Deal, including the goal of climate neutrality by 2050 and a package of enhanced policies and measures to accelerate the transition to a low carbon economy. At the international level, the EU should continue cooperating towards an effective implementation of the Paris Agreement and supporting the development of carbon pricing instruments in other countries, thus enhancing the global response to climate change while also reducing the risk of carbon leakage
- The risk of carbon leakage needs to be addressed with existing and new instruments, aiming in the first place at maximizing global climate protection while safeguarding EU competitiveness. An ambitious implementation of the Paris Agreement by all Countries is the most effective way to reduce GHG emissions. While comparable carbon constraints are not in place and an actual risk of carbon leakage exists, the effectiveness of enhancing existing measures should be assessed and compared with possible alternative solutions such as a Carbon Border Adjustment (CBA). The assessment should include evaluating the impacts both at sector/product level and at EU level, taking especially into account those global technological supply chains most critical to the energy transition, such as renewable energy technologies and batteries
- A CBA should focus only on imports in order to maximize the legal compatibility with international treaties such as WTO and UNCCC. The design and scope of the CBA should be consistent with non-discriminatory principles of trade treaties and with UNFCCC principles, which foresee more responsibility and efforts by developed Countries compared with developing ones. Applying the CBA only to imports is more likely to be compatible with WTO rules. Its application also to exports, while increasing its overall mitigation impact, makes it more questionable from a trade perspective
- The choice and design of the policy instrument should consider its technical, market and political feasibility. Options could include a carbon tax on selected products – both on imported and domestic products, a new carbon customs duty or tax on imports, or the extension of the EU ETS to imports. Extending EU ETS to imports would maximize the overall feasibility of a CBA, simplifying its technical implementation, minimizing market distortions, favoring political adoption at EU level and easing discussions at international level, as the type of instrument and the level of carbon constraints applied to imports would be aligned with the EU domestic approach
- The possible adoption of a CBA should be considered together with a phase out of free allocation for the same sectors or products in order to be compatible with WTO rules. The CBA should be applied to all imports in terms of import fees. In order to avoid duplication and be compatible with WTO rules, its implementation would require the phasing out of the current regime of free allocation
- To overcome the technical challenges a staged approach should be tested characterized by increasing levels of accuracies. The starting stage would apply to imports country specific carbon border taxes based on simplified estimates of national carbon intensity. Later stages, triggered by bilateral agreements, would involve using certified exporting country generated data to review the country specific taxes and/or develop sector specific carbon border taxes. At the same time, it is necessary to consolidate and standardize carbon foot-print tracking methodologies applied to global supply chains in order to collect the data required for an effective and efficient Carbon Border Adjustment implementation (i.e. carbon emissions along the full life cycle)

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