



Central Europe Energy Partner's feedback on the 'Carbon Border Adjustment Mechanism'

Central Europe Energy Partners (CEEP), as an organisation representing energy and energy-intensive companies, supports a fair and balanced transition to a carbon neutral economy which encompasses also the socio-economic dimension and responsible protection of competitiveness of the European industry.

In this context we would like to respond to the public consultations on Inception Impact Assessments of a 'Carbon Border Adjustment Mechanism' (CBAM).

To begin with, it should be recognised that Member States are determined by structure of their economies, in particular the energy-intensive branches, the energy-mixes but also their reliance on fossil fuels. Therefore, more ambitious climate policy measures put a lot of stress on those who use more energy and produce more carbon intensive goods.

We should remember that a responsible approach to energy transition also requires designing measures within industrial policy supporting competitiveness and adjustment of the European energy-intensive industry. The energy transition is to be implemented in a highly competitive international environment where jobs offshoring and carbon leakage are real problems. These must be addressed by combining political and economic tools, including an appropriate trade policy.

The transition towards a carbon neutral economy is already a huge challenge for companies in Central Europe region. It would be extremely hard for them to compete with non-European companies, which do not take part in the transition processes. The risk of carbon leakage is bigger, in the light of the plans to increase the emission reduction targets for 2030.

CEEP is in principle in favour of Carbon Border Adjustment Mechanism which shall create the level playing field for European and non-European producers. Taking into account the increased climate ambitions announced in the European Green Deal but also the process of recovery of the European economies following the COVID-19 outbreak, the equal treatment of EU and non-EU companies is of utmost importance for maintaining the production and proper functioning of European industry.

In this regard, the EU should strive to achieve a level playing field for undertakings producing goods (i.e. fertilizers) or generating electricity within the EU and those from outside of the Union. Third countries regulatory regimes may foresee lower environmental and safety standards than those in the EU, which sometimes may be reflected in marginally lower



electricity or product prices. It is particularly true in the EU neighborhood where there are a lack of a carbon markets and lower environmental standards.

Designing the CBAM, the European Commission should bear in mind that this kind of mechanism cannot replace the current ETS system and the carbon leakage tools that are functioning, including free allowances and indirect costs compensation. CBAM can be operational as an additional element which supports domestic producers and protect them from an unfair competition from outside. Recent years has shown that the increase of prices of ETS allowances but also the increasing lack of allowances in certain sectors, has in consequence led to the higher costs of production and lowering the competitiveness in the global market.

CBAM as a completely new instrument in the EU policies, should be thoroughly assessed by the in-depth impact assessment, broad discussion with stakeholders, including which sectors should come first, its compatibility with international trade agreements and WTO rules. It should be also introduced gradually with relevant diplomatic efforts on the global scene.

A mechanism such as CBAM would ensure a level playing field for European and non-European producers and could normalise the situation and prevent carbon leakage. Especially the carbon content issue should be addressed in an efficient way. Only, if third countries are cooperating in the effort to reduce GHG emissions, our European actions make sense. CBAM should therefore incentivise trade partners to strengthen their own climate efforts. Otherwise it would create a hostile environment in trade relations

Assuming the increase of EU climate ambitions – there is a need to protect EU industrial competitiveness and to introduce relevant measures.

