

VDA Feedback to the Commission Roadmap on Carbon Border Adjustment Mechanism

The VDA represents the interests of over 600 international companies with 800,000 employees in Germany. With an added value of approximately 130 billion euros per year and a 4.7 percent share of the gross domestic product, the automotive branch is one of the most important industrial sectors in Germany. Our association unites manufacturers of passenger cars, light and heavy commercial vehicles, suppliers as well as manufacturers of trailers and bodies.

The EU can and should play a leading international role in achieving the Paris climate targets. The German Automotive Industry supports the announcement to readjust and align all relevant directives and regulation towards a more holistic wide approach to achieve more sustainability in the European Union.

VDA supports the EU Commissions approach to incorporate an improved emission trading scheme and CO₂-pricing on EU Level into the European Green Deal.

Achievement of ambitious climate targets requires to avoid any carbon leakage due to different national or regional climate regulations. In order to preserve international competitiveness, international cooperation and existing trading-regimes, any new established mechanism, e. g. a Carbon Border Adjustment Mechanism, should be carefully considered. Necessary discussions to define such a system should be based on a holistic and carefully performed impact assessment. A complete package must focus on these main criteria:

- The VDA supports a multilateral, rule-based framework for international trade and investment. All potential measures being adapted to avoid carbon and investment leakage have to ensure compliance with WTO rules and EU's international trade agreements.
- Potential effects on the international trading system must be considered. This includes, for example, negative counter-reactions by affected states, regardless of whether the EU has de jure found a WTO-compliant measure. Any form of discrimination or unilateral preference must be prevented.
- Furthermore, it has to be considered that according to the concept of the European Commission exports from the EU would not be unburdened from higher costs due to EU-climate policies. This has a negative impact on competitiveness of European industries.
- A convincing concept of how a new mechanism - for instance a Carbon Border Adjustment Mechanism - could be implemented in practice is not finally developed yet. Even the recording and verification of the CO₂ content of a product ("Product Carbon Footprints") is yet difficult to calculate for many products.
- To what extent a concept would be effectively replacing national compensation measures, such as free certificates under the European Emissions Trading System (ETS) or the electricity price compensation under the German EEG is open.
- Finally, a Carbon Border Adjustment Mechanism should not be established without assessing alternatives, such as common international Emission Trading systems.

Furthermore it should be coordinated internationally to avoid possible counter-reactions by trading partners. In this regard, communication with trading partners is a prerequisite to achieve international acceptance of potential actions taken by the EU.

- Last but not least all negative consequences of the COVID19 Pandemic have to be taken into account.

We call on the EU Commission to carry out a comprehensive impact assessment in order to examine the effects in detail. The VDA is happy to participate constructively in this process. At this state of the discussions a final assessment is not yet possible.