



2021/0214(COD)

28.3.2022

OPINION

of the Committee on Development

for the Committee on the Environment, Public Health and Food Safety

on the proposal for a regulation of the European Parliament and of the Council
establishing a carbon border adjustment mechanism
(COM(2021)0564 – C9-0328/2021 – 2021/0214(COD))

Rapporteur for opinion: Evin Incir

PA_Legam

SHORT JUSTIFICATION

While designed and presented by the Commission as an arrangement to avoid ‘carbon leakage’, CBAM’s potential to help reduce greenhouse gas emissions in non-EU countries, regardless of possible ‘carbon leakage’, is important and should also be focused on.

The foreseen use of CBAM revenue to cover a share of the payments on the € 450 million Next Generation EU loans from private creditors does not help to protect the climate, and thus makes the character of CBAM ambiguous. Using the CBAM revenue for new climate protection measures in developing countries with particular needs improves its legitimacy as a permissible arrangement under article XX of the General Agreement on Tariffs and Trade.

The reinvestments of revenue in climate resilience would set a precedent for future CBAM systems. It is in the interest of our planet, vulnerable communities and the EU that revenues from such systems are used for climate action rather than for allowing public expenditure reductions. Channelling CBAM revenue for support to developing countries is necessary also because the system imposes several kinds of costs on third countries, such as; the price that should be paid for greenhouse gas emissions, the costs of the considerable administrative work required for compliance (calculation of emissions, reporting, verification), losses of export revenue when goods is rendered uncompetitive, costs of necessary investments to regain competitiveness.

Countries and producers with the ability to shoulder costs for reducing their emissions should do so and can rightly be penalised if they fail to meet requirements. The same does not apply for countries with small resources and urgent needs to focus on adaptation to climate change, so as to limit human and material losses caused e.g. by hurricanes, floods, draughts, desertification, plagues propagating as a result of destabilisations or breakdowns of ecosystems, sea level rise, coastal erosion and salinisation. Such countries should not only be protected from having to carry additional burdens because of CBAM. They should also be supported to handle the impacts of climate change, for which they carry little or almost no responsibility.

Eligible countries for the support generated by CBAM revenue should be the 46 Least Developed Countries. However, the administrative and financial burdens caused by CBAM will also affect countries such as Cameroon, Ghana and Zimbabwe, all of which are developing, but not LDCs. Adding Lower-Middle Income Countries particularly affected by CBAM is thus important.

Parliament recognised in its 10 March 2021 resolution on CBAM the need to increase the EU’s contribution to climate finance for developing countries. Encouragingly, calls for the direction of the CBAM revenue to such countries are raised in several committees, by rapporteurs and other Members belonging to several groups. The question of how to do this has, however, so far not been addressed.

Compensation for CBAM costs should not crowd out assistance for basic health care services, food security, education etc or for other expenditure in the MFF’s category 6: ‘Neighbourhood and the World’.

AMENDMENTS

The Committee on Development calls on the Committee on the Environment, Public Health and Food Safety, as the committee responsible, to take into account the following amendments:

Amendment 1

Proposal for a regulation Recital 3 a (new)

Text proposed by the Commission

Amendment

(3a) The Union remains committed to the UN Climate Summit (COP15) pledge in Copenhagen 2009, that 100 billion USD annually is to be raised for climate action in developing countries.

Amendment 2

Proposal for a regulation Recital 3 b (new)

Text proposed by the Commission

Amendment

(3b) The Union recalls the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts.

Amendment 3

Proposal for a regulation Recital 9

Text proposed by the Commission

Amendment

(9) The initiative for a carbon border adjustment mechanism ('CBAM') is a part of the 'Fit for 55 Package'. ***That mechanism*** is to serve as an essential element of the EU toolbox to meet the objective of a climate-neutral Union by 2050 in line with the Paris Agreement by addressing risks of carbon leakage resulting from the increased Union climate ambition.

(9) The initiative for a carbon border adjustment mechanism ('CBAM') is a part of the 'Fit for 55 Package' ***and of the Union's overall response to the global climate emergency. The CBAM*** is to serve as an essential element of the EU toolbox to meet the objective of a climate-neutral Union by 2050 in line with the Paris Agreement by addressing risks of carbon leakage resulting from the increased Union

climate ambition.

Amendment 4

Proposal for a regulation Recital 12

Text proposed by the Commission

(12) ***While the*** objective of the CBAM is to ***prevent*** the risk of carbon leakage, ***this Regulation would also encourage*** the use of more GHG emissions-efficient technologies by producers ***from*** third countries, so that less emissions per unit of output are generated.

Amendment

(12) ***The*** objective of the CBAM is to ***support the implementation of the Paris Agreement and contribute to the Union's climate action by preventing*** the risk of carbon leakage, ***including by*** the use of more GHG emissions-efficient technologies by producers ***in*** third countries ***and the adoption of GHG emission-pricing and other arrangements in that respect in such countries,*** so that less emissions per unit of output are generated.

Amendment 5

Proposal for a regulation Recital 12 a (new)

Text proposed by the Commission

Amendment

(12a) The Commission and the Member States should seek to prevent negative net socioeconomic impacts of the CBAM on least developed countries. To that end, the Commission and the Member States should implement provisions in this Regulation with flexibility and provide targeted technical and financial support to them, in accordance with Article 24a. The Commission should implement this Regulation with due regard for LDCs and provide flexibility where possible, while reducing CBAM surrender obligations in relation to goods imported from least developed countries, as appropriate and compatible with WTO rules. The Commission should monitor the efficiency of the flexibility and support, regularly report to the European Parliament and

the Council on its findings in that regard and act on those findings as necessary.

Amendment 6

Proposal for a regulation

Recital 13

Text proposed by the Commission

(13) As an instrument to prevent carbon leakage and reduce GHG emissions the CBAM should ensure that imported products are subject to a regulatory system that applies carbon costs equivalent to the ones that otherwise would have been borne under the EU ETS. The CBAM is a climate measure which should prevent the risk of carbon leakage and support the Union's increased ambition on climate mitigation, ***while ensuring WTO compatibility.***

Amendment

(13) As an instrument to prevent carbon leakage and reduce GHG emissions the CBAM should ensure that imported products are subject to a regulatory system that applies carbon costs equivalent to the ones that otherwise would have been borne under the EU ETS. The CBAM is a climate measure which should prevent the risk of carbon leakage and support the Union's increased ambition on climate mitigation. ***It should be WTO compatible, pay proper attention to impacts on countries which are recognised by the UN as least developed countries or countries which have been identified by the World Bank as lower middle-income countries and which have been particularly affected by the CBAM. Support should be provided to countries in those categories, in respect of the principle of policy coherence for development laid down in Article 208 TFEU, and contribute to the honouring of the Union's and other developed countries' commitment to provide new and additional, predictable and adequate funding for climate action in developing countries.***

Justification

The commitment referred to was initially made in paragraph 8 of the Copenhagen Accord in the context of the UNFCCC process for international climate action. It is still not being honoured, as the climate finance provided cannot be said to be additional to the official development assistance delivered for different purposes. Neither is the climate finance provided adequate, given the enormous acute needs of poor countries.

Amendment 7

Proposal for a regulation

Recital 18

Text proposed by the Commission

(18) The EU ETS and the CBAM have a common objective of pricing GHG emissions embedded in the same sectors and goods through the use of specific allowances or certificates. Both systems have a regulatory nature and are justified by the need to curb GHG emissions, in line with the environmental objective set out in Union.

Amendment

(18) The EU ETS and the CBAM have a common objective of pricing GHG emissions embedded in the same sectors and goods through the use of specific allowances or certificates. Both systems have a regulatory nature and are justified by the need to curb GHG emissions, in line with the environmental objective set out in Union. ***The revenues generated through the sale of the CBAM certificates should be used to support climate action in countries in which the CBAM imposes a minimum price for the greenhouse gas emissions associated with the production of relevant goods exported to the Union. This greatly increases the effectiveness and integrity of the CBAM as a climate protection arrangement and will help generate acceptance and support for this system at international level, including in the WTO. It also increases the symmetry with the EU ETS.***

Justification

Using CBAM for repayment of Next Generation EU loans, thereby slightly reducing Member States' payment burden, does nothing for the climate. It weakens CBAM's credibility as a legitimate trade measure under article XX of GATT. CBAM imposes a price on GHG emissions and increases investment needs and causes compliance challenges and costs. The impact assessment recognises that "Many countries in the Global South, and on the African continent in particular, are exposed to relatively high risks" (part 2, annex III, p 21-22). Poor countries should be compensated and get support.

Amendment 8

Proposal for a regulation

Recital 52

Text proposed by the Commission

(52) The Commission should evaluate

Amendment

(52) The Commission should evaluate

the application of this Regulation before the end of the transitional period and report to the European Parliament and the Council. The report of the Commission should in particular focus on possibilities to enhance climate actions towards the objective of a climate neutral Union by 2050. The Commission should, as part of that evaluation, initiate collection of information necessary to possibly extend the scope to indirect emissions, as well as to other goods and services at risk of carbon leakage, and to develop methods of calculating embedded emissions based on the environmental footprint methods⁴⁷.

⁴⁷ Commission Recommendation 2013/179/EU of 9 April 2013 on the use of common methods to measure and communicate the life cycle environmental performance of products and organisations (OJ L 124, 4.5.2013, p. 1).

the application of this Regulation before the end of the transitional period and report to the European Parliament and the Council. The report of the Commission should in particular focus on possibilities to enhance climate actions towards the objective of a climate neutral Union by 2050. ***It should also evaluate the potential impact of this Regulation on Least Developed Countries and how it can assist in the accelerating the decarbonisation process in those countries.*** The Commission should, as part of that evaluation, initiate collection of information necessary to possibly extend the scope to indirect emissions, as well as to other goods and services at risk of carbon leakage, and to develop methods of calculating embedded emissions based on the environmental footprint methods⁴⁷.

⁴⁷ Commission Recommendation 2013/179/EU of 9 April 2013 on the use of common methods to measure and communicate the life cycle environmental performance of products and organisations (OJ L 124, 4.5.2013, p. 1).

Amendment 9

Proposal for a regulation Recital 55

Text proposed by the Commission

(55) As the CBAM aims to encourage cleaner production processes, the EU stands ready to ***work with low and middle-income countries towards the*** de-carbonisation of ***their*** manufacturing industries. ***Moreover, the Union should support less developed countries with the necessary technical assistance in order to facilitate their adaptation to the new obligations established by this regulation.***

Amendment

(55) As the CBAM aims to encourage cleaner production processes, the EU stands ready to ***provide technical and financial assistance to support*** de-carbonisation of manufacturing industries ***in low-income countries and lower middle-income countries. The CBAM revenue will also be used for provision of financial support to least developed countries, as well as to countries not belonging to this category, but defined by the World Bank as a lower middle-income country and facing particularly important***

costs related to the CBAM, including compliance costs and costs for investments to bring down relevant emissions towards levels similar to those of competing producers in the Union or in other third countries. In this light, the CBAM should not harm or hinder the socioeconomic progress of least developed countries.

Amendment 10

Proposal for a regulation Recital 57 a (new)

Text proposed by the Commission

Amendment

(57a) The Commission should regularly monitor any changes in trade flows from Least Developed Countries attributable to the CBAM in order to evaluate the efficiency of this Regulation, including its contribution to the prevention of carbon leakage and its impact on trade flows between the Union and Least Developed Countries. The Commission should also regularly monitor the technical assistance provided to Least Developed Countries in order to evaluate its effectiveness in contributing to the decarbonisation process in those countries.

Amendment 11

Proposal for a regulation Recital 59

Text proposed by the Commission

Amendment

(59) It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement on Better Law-Making of 13 April 2016⁵¹. In particular, to ensure equal participation in

(59) It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement on Better Law-Making of 13 April 2016⁵¹, ***and also guarantee the participation of local civil***

the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.

society organisations, governments and other stakeholders in developing countries. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.

⁵¹ Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on Better Law-Making (OJ L 123, 12.5.2016, p. 1).

⁵¹ Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on Better Law-Making (OJ L 123, 12.5.2016, p. 1).

Amendment 12

Proposal for a regulation Article 1 – paragraph 1

Text proposed by the Commission

1. This Regulation establishes a carbon border adjustment mechanism (the 'CBAM') for addressing greenhouse gas emissions embedded in the goods referred to in Annex I, upon their importation into the customs territory of the Union, in order to prevent the risk of carbon leakage.

Amendment

1. This Regulation establishes a carbon border adjustment mechanism (the 'CBAM') for addressing greenhouse gas emissions embedded in the goods referred to in Annex I, upon their importation into the customs territory of the Union, in order to prevent the risk of carbon leakage ***and contribute to the reduction of global greenhouse gas emissions. It incentivises and supports the reduction of emissions in third countries, while not harming or hindering the socioeconomic progress of least developed countries.***

Amendment 13

Proposal for a regulation

Article 3 – paragraph 1 – point 28 a (new)

Text proposed by the Commission

Amendment

(28a) ‘Least developed country’ means country included in the list of such countries established by the United Nation’s Economic and Social Committee;

Amendment 14

Proposal for a regulation

Article 3 – paragraph 1 – point 28 b (new)

Text proposed by the Commission

Amendment

(28b) ‘Lower middle-income country’ means country classified as such by the World Bank.

Amendment 15

Proposal for a regulation

Article 24 a (new)

Text proposed by the Commission

Amendment

Article 24a

Usage of the revenues from the sale of the CBAM certificates

1. The revenue generated from the sale of the CBAM certificates, or the equivalent in financial value, shall be used for investments with the purpose of reducing greenhouse gas emissions and facilitating transitions into resource-efficient economies and societies with increased resilience against impacts of climate change in the least developed countries and lower-middle income countries. At the same time, it will serve to finance technical assistance and support that compensate compliance costs in those

countries and to the extent necessary to cover the costs of the operation, maintenance and enforcement of the CBAM.

2. The financing of climate action and compliance shall not crowd out other development and humanitarian assistance, the support provided in third countries shall also be guided by the Sustainable Development Goals as well as the goals established in the Global Europe-NDICI Regulation and the Paris agreement.

3. Beneficiary countries shall be selected among least developed countries, as well as among lower middle-income countries particularly affected by CBAM.

4. Decisions taken in accordance with paragraphs 1 and 4 shall be guided by the principles of the UN's Agenda 2030, the Sustainable Development Goals and the poverty reduction and eradication primary objective of the Union's development policy, as well as by the goals established in the Global Europe – NDICI Regulation, ensuring coherence with the Global Gateway strategy. The Commission shall on a yearly basis report to the European Parliament and the Council on this implementation, including on the results achieved, in order to ensure transparency.

Justification

Revenue should be used for climate action in third countries. Recommend that the Commission report how these resources have been spent to ensure they do not crowd out other development or humanitarian assistance. Gender-sensitivity is important as impacts both of climate change and of climate actions can be very different for women and men and gender equality should be strived for, as set out in SDG 5.

Amendment 16

Proposal for a regulation Article 30 – paragraph 2

2. Before the end of the transitional period, the Commission shall present a report to the European Parliament and the Council on the application of this Regulation. The report shall contain, in particular, the assessment of the possibilities to further extend the scope of embedded emissions to indirect emissions and to other goods at risk of carbon leakage than those already covered by this Regulation, as well as an assessment of the governance system. It shall also contain the assessment of the possibility to further extend the scope to embedded emissions of transportation services as well as to goods further down the value chain and services that may be subject to the risk of carbon leakage in the future.

2. Before the end of the transitional period, the Commission shall present a report to the European Parliament and the Council on the application of this Regulation. The report shall contain, in particular, the assessment of the possibilities to further extend the scope of embedded emissions to indirect emissions and to other goods at risk of carbon leakage than those already covered by this Regulation, as well as an assessment of the governance system. It shall also contain the assessment of the possibility to further extend the scope to embedded emissions of transportation services as well as to goods further down the value chain and services that may be subject to the risk of carbon leakage in the future. ***Finally, it shall also contain an analysis of the financial, environmental and social impact of the CBAM in least developed countries.***

Amendment 17

Proposal for a regulation

Article 30 – paragraph 2 a (new)

2a. The Commission shall regularly monitor any changes in trade flows from Least Developed Countries (LDCs) attributable to the CBAM with regard to any product covered under this Regulation, in order to evaluate the impact of this Regulation on the LDCs and the impact of trade flows between the Union and the LDCs. The Commission shall also regularly monitor the technical assistance provided to the LDCs in order to evaluate its effectiveness in contributing to the decarbonisation process in those countries.

PROCEDURE – COMMITTEE ASKED FOR OPINION

Title	Establishing a carbon border adjustment mechanism
References	COM(2021)0564 – C9-0328/2021 – 2021/0214(COD)
Committee responsible Date announced in plenary	ENVI 13.9.2021
Opinion by Date announced in plenary	DEVE 16.12.2021
Rapporteur for the opinion Date appointed	Evin Incir 24.1.2022
Date adopted	22.3.2022
Result of final vote	+: 23 –: 3 0: 0
Members present for the final vote	Barry Andrews, Eric Andrieu, Anna-Michelle Asimakopoulou, Hildegard Bentele, Dominique Bilde, Udo Bullmann, Catherine Chabaud, Antoni Comín i Oliveres, Ryszard Czarnecki, Gianna Gancia, Charles Goerens, Mónica Silvana González, Pierrette Herzberger-Fofana, György Hölvényi, Rasa Juknevičienė, Beata Kempa, Karsten Lucke, Pierfrancesco Majorino, Erik Marquardt, Christian Sagartz, Tomas Tobé, Miguel Urbán Crespo, Chrysoula Zacharopoulou, Bernhard Zimniok
Substitutes present for the final vote	Benoît Biteau, Marlene Mortler

FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

23	+
ID	Dominique Bilde, Gianna Gancia
NI	Antoni Comín i Oliveres
PPE	Anna-Michelle Asimakopoulou, Hildegard Bentele, György Hölvényi, Rasa Juknevičienė, Marlene Mortler, Christian Sagartz, Tomas Tobé
Renew	Barry Andrews, Catherine Chabaud, Charles Goerens, Chrysoula Zacharopoulou
S&D	Eric Andrieu, Udo Bullmann, Mónica Silvana González, Karsten Lucke, Pierfrancesco Majorino
The Left	Miguel Urbán Crespo
Verts/ALE	Benoît Biteau, Pierrette Herzberger-Fofana, Erik Marquardt

3	-
ECR	Ryszard Czarnecki, Beata Kempa
ID	Bernhard Zimniok

0	0

Key to symbols:

+ : in favour

- : against

0 : abstention