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FEIQUE's comments on the European Commission's Inception Impact Assessment regarding a Carbon border adjustment mechanism (CBAM)

GENERAL COMMENT

It is supposed that the study currently underway to identify the risk of carbon leakage in the third and fourth trading phases of the EU ETS will involve the ETS sectors as part of a dedicated assessment (ETS directive related). In that respect, it is of utmost importance that both ETS and CBAM assessments are conducted in parallel with a high level of involvement of the sectors at stake in order to evaluate carefully the convenience of complementary CBAM to ETS, or replacement of ETS.

1.Type of policy instrument:

(text in IIA) "The legal and technical feasibility of each measure will need to be carefully assessed, also in relation to the EU's trade acquis (the rules of the World Trade Organisation and EU's trade agreements) and other international commitments. The complementarity of the measure with internal carbon pricing, in particular the EU ETS, will also have to be assessed, as well as how it relates to the current measures to avoid the risk of carbon leakage. The measure should be commensurate with the internal EU carbon price.

Various 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".

Comments

- The proposed measure (whatever the policy options envisaged) would apply only to imports into the EU (on selected products – both on imported and domestic products). For that reason, any CBAM cannot be a complete replacement alternative to measures that currently address the risk of carbon leakage in the EU (as those current measures also provide carbon leakage protection for exports, being the free allocation).
- In the event of discontinuing existing carbon leakage protection mechanisms, such as free allowances, through establishing a CBAM, alternative protection mechanism for EU exports need to be employed to not unduly punish EU industry.
- Since the impacts of a CBAM will vary much depending on the design and in particular of the sectors covered, a detailed and covered sectors impact assessment should be made. It seems to apply only to ETS sectors, if not, it should be detailed in a better way in the IIA/future and coming IA. For example, alternative approach of product C content could imply more than industrial ETS emissions, such emissions coming from the use of product (example, energy products, not applied for chemical), but emissions coming from the production of alternative raw materials in chemical production should be considered with this alternative approach. (linked this comment to the Circular Economy latest one in point 3)

2. Methodological approach to evaluating the carbon content and carbon pricing of imported products:

(text in IIA) "Under the EU ETS, a system of harmonised EU-wide benchmarks has been developed for industrial processes. To the extent that a sector is covered by the EU ETS, a border measure could be based on similar methodological considerations as for ETS, i.e. benchmark values, unless the exporter certifies a lower carbon content and/or a higher carbon cost at origin. The Commission will also look at alternative approaches, e.g. defining carbon content of products, taking into account their interaction with existing and future climate policies".

Comment:

It seems to be applied only for ETS sectors. It is described the option to develop a similar to ETS Benchmarking values and as another option, alternative approaches, but it is not clarified if these other alternative approaches will be applied to non-ETS sectors.

3. Sectoral scope:

(text in IIA) "An important part of the work will also relate to the selection of sectors subject to this measure. A scoping in terms of sectors concerned will have to be defined to ensure that the measure applies where the risk of carbon leakage is the highest. The assessment will take as starting point the study currently underway that the Commission launched to identify the risk of carbon leakage in the third and fourth trading phases of the EU ETS".

Comment:

Under the currently carbon leakage criteria and assessment, in chemical sector there is variability in carbon leakage, (for example, NACE 2014 is included in direct emissions ETS carbon leakage but exempted in indirect cost aids). Therefore, to determine highest sectors more criteria should be taken into account. Circular economy is one European pillar with most application and impact in chemical raw materials and so that the chemical products, and should be a driver to determine the climate friendly topic of an EU product versus non-EU product. That is, in case chemical products should not be considered as highest sectors to be included in these CBAM, because being at the middle in the C leakage ETS criteria, another issue as the Circular economy driver should be taken into account to give more climate value to our products and to oblige to be considered in the CBAM.

Contacto/ Información

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Es asimismo el segundo mayor exportador de la economía española y el primer inversor en protección del medio ambiente e I+D+i.*