European Parliament

2019-2024



Committee on Budgets

2021/0214(COD)

20.4.2022

OPINION

of the Committee on Budgets

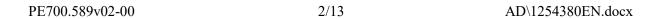
for the Committee on the Environment, Public Health and Food Safety

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))

Co-Rapporteurs for opinion (*): José Manuel Fernandes, Valérie Hayer

(*) Associated committee – Rule 57 of the Rules of Procedure

AD\1254380EN.docx PE700.589v02-00



SHORT JUSTIFICATION

The co-rapporteurs insist on four main messages. First, they endorse the Commission's approach of not defining the use of CBAM revenues in the CBAM regulation, in order to allow the Own Resources Decision to attribute the revenues to the EU budget as general income. Therefore, they would like to prevent any inconsistent approach which would earmark the CBAM revenues for particular purposes, and thus prevent their definition as own resources. The proposed amendments in this opinion are first and foremost meant to pass on this message and avoid political ambiguity on their position. Second, the Union should respect its commitment to repay the Next Generation EU's debt through new own resources, including the CBAM, in order to avoid dramatic cuts in EU programmes in future financial frameworks. Third, the co-rapporteurs recall that any decision for helping third countries' decarbonization process should be made through the expenditure side of the EU budget only. Fourth, no new Fund should be created outside of the EU budget and financed by assigned revenue coming from the sale of CBAM certificates. Legislators should avoid proliferation of intergovernmental funds at the expense of budgetary unity.

CBAM as a long-standing own resources candidate

The co-rapporteurs for the BUDG committee wish to see the CBAM initiative come to live, both as an important building block of the Fit for 55 climate initiatives, and as a basis for an own resource. The Carbon Border Adjustment Mechanism (fomerly: "a carbon border tax") has for a long time been a well-established option for the basket of new own resources. Its link to the EU climate policies as well as the EU competences for commerce and international trade, external borders and customs control make it a genuine candidate.

In 2021, the BUDG committee also managed to insert a comprehensive chapter on the own resources dimension in the EP's own initiative report on a WTO-compatible EU CBAM¹ which was adopted by a broad majority in plenary.

It is therefore consequential that the CBAM became integral part of the roadmap towards the introduction of own resources, a milestone in the EP's efforts to incite the EU institutions to follow up on its ambitions for a more robust, resilient and independent budget revenue system. In the meantime, the main intention is to generate sufficient additional general budget income to cover the medium to long-term repayment costs of the NGEU borrowing, without risking commensurate reductions in traditional expenditure programmes under future MFFs.

The explanatory memorandum of the Commission proposal for a CBAM regulation, and also the accompanying Legislative Financial Statement explicate and justify how and why the revenues of the CBAM are to become an own resource. In the meantime, the Commission has submitted legislative initiatives to amend the own resources decision and to introduce a "New Generation of EU own resources" including one based on the new CBAM, once in place.

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¹ P9_TA(2021)0071: A WTO-compatible EU carbon border adjustment mechanism. European Parliament resolution of 10 March 2021 towards a WTO-compatible EU carbon border adjustment mechanism (2020/2043(INI))

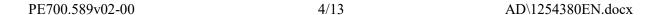
The Amendments proposed: concentrated on budgetary aspects

The CBAM regulation itself is not the basic act of the own resources; the relevant provisions defining the EU budget revenue side are included in the own resources decision and the pertinent implementing legislation.

The Commission proposal for the CBAM regulation is perfectly compatible with the own resources initiatives. Therefore, the BUDG opinion proposes mainly amendments in the recitals part in order to confirm and highlight the following:

- 1) Legal nature and ultimate objective of the CBAM: the BUDG committee concurs that the CBAM as such is a climate policy instrument and not a fiscal instrument; it is nevertheless a very well suited basis for an own resource for the EU budget. It is not necessary, and would even be problematic from a viewpoint of WTO-compatibility, to insert amendments that would have as an objective to increase the level of revenue yielded by the CBAM.
- 2) The revenues should therefore be used as own resources to finance the EU budget as general, universal revenue. Additional fresh revenue will eventually facilitate the repayment of the NGEU costs. However, there will be no technical earmarking. A reminder of the IIA roadmap is appropriate.
- 3) In the course of the further decision-making, there might be a strong demand to use the CBAM revenues in order to **support third countries**, in particular LDCs, with the decarbonisation of their affected industrial sectors. However, financial means for such aid can be mustered by making use of existing or reinforced EU budget programmes in the external expenditure heading, without making recourse to assigned revenue (a practice that should be avoided in order not to undermine the competences of the Budgetary Authority).

The BUDG rapporteurs do not wish to intervene in questions of policy design. They will nevertheless strive to be helpful and constructive when it comes to making legislative changes at the later stages, for example concerning the scope of the CBAM and the structure of the CBAM authority so that the provisions in the regulation are compatible with the practicalities of the governance of the EU budget revenue side and when it comes to defending the role of the EP in the decision-making.



AMENDMENTS

The Committee on Budgets 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 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

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 and preventing further environmental harm, while ensuring WTO compatibility. The CBAM is therefore decidedly not a fiscal instrument motivated by the opportunity to generate public income and thus is compatible with WTO rules.

Amendment 2

Proposal for a regulation Recital 13 a (new)

Text proposed by the Commission

Amendment

(13a) The revenues generated should be attributed to the Union budget as an own resource in accordance with the procedures set out in Article 311 TFEU, pursuant to Annex 2of the Interinstitutional Agreement of 16 December 2020^{1a} and as proposed by the Commission on 22 December 2021 in its legislative proposal to amend the Own Resources Decision^{1b}. The CBAM-based own resource would thus be part of a basket of own resources whose total

proceeds should be sufficient to cover the level of overall expected expenditure for the repayment costs of the principal and interests of the borrowing incurred under the Next Generation EU instrument, while respecting the principle of universality. Together with the ETS-based own resource, these two green own resources should also link the Union budget with the Union's policy priorities, and thus add value. They should contribute to the climate mainstreaming objectives and the resilience of the Union budget as a tool for investments and guarantees.

Amendment 3

Proposal for a regulation Recital 13 b (new)

Text proposed by the Commission

Amendment

(13b) The principle of universality implies that there can be no earmarking or assignment of any particular own resource to cover a specific type of expenditure. The CBAM, together with the ETS-based own resource and the own resource based on Pillar One of the OECD/G20 agreement^{1a}, further embed the Union's policy priorities, such as the European Green Deal and the Union's contribution to fair taxation in the revenue side of the Union budget to

^{1a} Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap for the introduction of new own resources (OJ L 4331, 22.12.2020, p. 28.).

^{1b} COM(2021)0570.

provide EU added value. New own resources should contribute to climate mainstreaming, improve the resilience of the Union budget as a tool for investments and guarantees and, by diversifying the number of revenue sources, mitigate the risks to the Union budget on the revenue side and alleviate the burden of debt repayment on national budgets.

Amendment 4

Proposal for a regulation Recital 13 c (new)

Text proposed by the Commission

Amendment

(13c) The Commission should analyse the administrative costs incurred by the CBAM, while ensuring that staff receive adequate training to perform their duties.

Amendment 5

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 decarbonisation 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 work with low and middle-income countries towards the decarbonisation 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. *In so far as such support is applicable and*

^{1a} Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy, OECD/G20 Base Erosion and Profit Shifting Project, 8 October 2021.

eligible, support for the efforts of least developed countries to decarbonise their manufacturing industries should be financed under the relevant expenditure programmes of the Union budget, including through reinforcing climate spending within the relevant geographic and thematic programmes of the Neighbourhood, Development and International Cooperation Instrument established by Regulation (EU) 2021/947of the European Parliament and of the Council^{1a}.

Amendment 6

Proposal for a regulation Recital 60 a (new)

Text proposed by the Commission

Amendment

(60a) Once the revenues generated by CBAM are attributed to the Union budget as own resources, the Member States authorities involved in the implementation of the CBAM and the Union institutions involved in managing the Union budget should respect the principle of mutual sincere cooperation in the levying, collecting and making available of the revenues. The Commission should assist Member States, economic operators and citizens with relevant information, technical and administrative support and

^{1a} Regulation (EU) 2021/947 of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe, amending and repealing Decision No 466/2014/EU of the European Parliament and of the Council and repealing Regulation (EU) 2017/1601 of the European Parliament and of the Council and Council Regulation (EC, Euratom) No 480/2009 (OJ L 209, 14.6.2021, p. 1).

advice about CBAM requirements.

Amendment 7

Proposal for a regulation Recital 61 a (new)

Text proposed by the Commission

Amendment

(61a) It is important to avoid excessive administrative burden and costs for the implementation of the CBAM on both the Commission and the Member States, and to simplify the system as much possible while ensuring its proper functioning and transparency. The CBAM Authority should be funded in a way that guarantees its viable functioning and enables sound financial management. The costs relating to the creation and operation of the authority should be covered by the general income of the Union budget.

Amendment 8

Proposal for a regulation Chapter III – title

Text proposed by the Commission

Amendment

Competent authorities

CBAM Authority

(This amendment applies throughout the text. Adopting it will necessitate corresponding changes throughout.)

Amendment 9

Proposal for a regulation Article 11 – paragraph 1 – subparagraph 1

Text proposed by the Commission

1. **Each Member State** shall **designate the competent** authority to **carry out** the obligations under this Regulation **and**

Amendment

1. **The Commission** shall **establish the CBAM** authority to **perform** the obligations under this Regulation.

inform the Commission thereof.

Amendment 10

Proposal for a regulation Article 11 – paragraph 1 – subparagraph 2

Text proposed by the Commission

Amendment

The Commission shall make available to the Member States a list of all competent authorities and publish this information in the Official Journal of the European Union. deleted

Amendment 11

Proposal for a regulation Article 11 – paragraph 2

Text proposed by the Commission

Amendment

2. Member States shall require that competent authorities exchange any information that is essential or relevant to the exercise of their functions and duties.

deleted

Amendment 12

Proposal for a regulation Article 24 a (new)

Text proposed by the Commission

Amendment

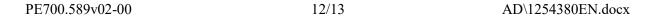
Article 24a

Revenues generated by the sale of CBAM certificates

The revenues generated by the sale of CBAM certificates shall not constitute assigned revenue. This Regulation shall not prevent revenues generated by the sale of CBAM certificates from being defined as own resources in accordance with Article 311 TFEU and entered in the Union budget as general income.

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	BUDG 13.9.2021
Associated committees - date announced in plenary	11.11.2021
Discussed in committee	1.2.2022
Date adopted	20.4.2022
Result of final vote	+: 31 -: 5 0: 4
Members present for the final vote	Rasmus Andresen, Pietro Bartolo, Robert Biedroń, Anna Bonfrisco, Olivier Chastel, Lefteris Christoforou, David Cormand, Andor Deli, José Manuel Fernandes, Eider Gardiazabal Rubial, Alexandra Geese, Vlad Gheorghe, Valentino Grant, Francisco Guerreiro, Valérie Hayer, Eero Heinäluoma, Niclas Herbst, Monika Hohlmeier, Moritz Körner, Joachim Kuhs, Zbigniew Kuźmiuk, Hélène Laporte, Pierre Larrouturou, Camilla Laureti, Janusz Lewandowski, Margarida Marques, Siegfried Mureşan, Victor Negrescu, Lefteris Nikolaou-Alavanos, Dimitrios Papadimoulis, Karlo Ressler, Bogdan Rzońca, Nicolae Ştefănuţă, Nils Torvalds, Nils Ušakovs, Rainer Wieland, Angelika Winzig
Substitutes present for the final vote	Petros Kokkalis, Jan Olbrycht, Petri Sarvamaa



FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

31	+
PPE	Lefteris Christoforou, José Manuel Fernandes, Niclas Herbst, Monika Hohlmeier, Janusz Lewandowski, Siegfried Mureşan, Jan Olbrycht, Karlo Ressler, Petri Sarvamaa, Rainer Wieland, Angelika Winzig
Renew	Olivier Chastel, Vlad Gheorghe, Valérie Hayer, Nicolae Ștefănuță, Nils Torvalds
S&D	Pietro Bartolo, Robert Biedroń, Eider Gardiazabal Rubial, Eero Heinäluoma, Pierre Larrouturou, Camilla Laureti, Margarida Marques, Victor Negrescu, Nils Ušakovs
The Left	Petros Kokkalis, Dimitrios Papadimoulis
Verts/ALE	Rasmus Andresen, David Cormand, Alexandra Geese, Francisco Guerreiro

5	-
ECR	Zbigniew Kuźmiuk, Bogdan Rzońca
ID	Joachim Kuhs
NI	Andor Deli, Lefteris Nikolaou-Alavanos

4	0
ID	Anna Bonfrisco, Valentino Grant, Hélène Laporte
Renew	Moritz Körner

Key to symbols: + : in favour - : against 0 : abstention