



Comments

Carbon Border Adjustment Mechanism

1. VDB as representative of the biofuel producers in Germany

The Association of the German Biofuel Industry (Verband der Deutschen Biokraftstoffindustrie e. V. - VDB) represents the interests of 15 biofuel producers in Germany with a production capacity of 2.3 million tons of biodiesel (and 600 GWh of biomethane). This equals approximately 60% of the total biodiesel capacity in Germany in the transport sector.

2. Remarks on the initiative

The Paris Agreement has strengthened international climate cooperation by fostering a bottom-up process: Within this framework, countries and regions contribute to the common global goal of holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 °C.

However, such an approach may be undermined by carbon leakage, i.e. the displacement of emissions from states with more to less stringent climate policy constraints. Regarding the European Union, the establishment of border carbon adjustments (BCAs) offers a promising response. BCAs represent a functional policy option to alleviate the risk of carbon leakage, which can occur whenever only a subset of jurisdictions implements serious climate action. Carbon leakage matters, because it threatens to hurt the economy of countries with ambitious climate legislation and at the same time could undermine aggregate emission reductions and the effectiveness of collective climate action. BCAs can help sustain and increase domestic climate protection ambition while also incentivizing foreign countries to take comparable action, and thereby supporting the goals of the Paris Agreement. BCAs can be an effective instrument to level the playing field among competing producers.

In this respect, it seems necessary to design and introduce BCAs in an inclusive and transparent way from the outset.

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Since a Europe-wide CO₂ pricing system currently only exists within the framework of the EU ETS which does not include ESR sectors such as transport or agriculture, the question arises how these sectors are to be dealt with in the future and if BCAs here are also already being planned.

From our point of view, several key issues need to be clarified in the further consultation process of the European Commission, including

- which economic sectors and which products within individual sectors the Carbon Border Adjustment Mechanism should cover;
- which interactions with existing and announced CO₂-pricing mechanisms in the EU or in member states have to be considered;
- whether and how compatibility with the WTO law is to be achieved;
- what the concrete regulatory design might look like.

Furthermore, available data on carbon border adjustment mechanisms already in place in between the United States and Canada should be collected and used for the evaluation of the efficacy of the mechanism.