

Comments on the proposal for a Carbon Border Adjustment Mechanism

The Confederation of Swedish Enterprise sees climate change as a major challenge, one which should ideally be dealt with by introducing a global CO₂ price. This should continue to be the overarching goal, but even without such a price, we support the EU ambition to become climate neutral by 2050.

However, since the EU has introduced climate measures that are significantly more ambitious than the rest of the world, we risk carbon leakage and put jobs and production in Europe in jeopardy. Hence, progressively more ambitious EU climate action requires efforts aimed at mitigating the competitiveness effects for European industry at risk.

We realize the complexity of designing measures to this effect and we are looking forward to being a constructive partner in the policy dialogue. In principle, we support measures, including a well-designed carbon border adjustment mechanism, to address the risk of carbon leakage. Any such mechanism, however, must be designed with the overall objective to contribute as much as possible to reducing CO₂ emissions in a way that is administratively manageable and causes as little trade friction as possible.

In particular this means:

- Any mechanism will have to be WTO-compatible and should not be protectionist in design or purpose. It must be transparent, proportional and non-discriminatory. This will in turn reduce the risk for trade retaliation.
- If the mechanism gradually replaces the current system of free allowances, the EU export competitiveness to third markets must be addressed.
- The mechanism should apply both to direct and indirect emissions from electricity use, as the latter is an increasing part of the production costs.
- The revenue collected should be used to fight climate change. This will strengthen the climate profile of the mechanism and further reduce the risk of trade retaliation from third countries.
- The mechanism should initially be limited in scope and could then gradually be expanded to more sectors where the carbon content is reasonably easy to estimate.
- Increasing costs of raw materials and intermediate goods resulting from the mechanism, must not lead to carbon leakage further along the value chain.