Consultation on the EU's carbon Border Adjustment Mechanism

SolarPower Europe's feedback on the inception impact assessment.

1. Context

Since 2015, and DG Environment's pilot projects on Product Environmental Footprints (PEF) and category rules (PEFCR), SolarPower Europe has invested itself thoroughly in the work conducted by DG ENV on defining life cycle hot spots, and industry wide category rules for PV modules, inverters and systems.
After the pilots were concluded in 2018, we continued our involvement in the work coordinated by DG Grow and DG ENV on a JRC scoping study to assess whether EcoDesign, Ecolabel, GPP, or Energy Labelling would be the most appropriate regulatory measures to take for these products. This work was concluded at the end of 2019, and we are now heavily involved in the work coordinated by DG Grow, on developing EcoDesign measures for PV modules.
These are the tools, which after more than 5 years of intense work, are so far are being applied in Europe to assess the 'imbedded carbon intensity' of PV modules.

2. Our understanding upon reading the CBAM inception impact assessment

In reading your document, we understood that the EU emission trading scheme (ETS) will most likely be the tool used to assess sectors and products worthy of a carbon border adjustment. The Commission's document also seems to allude to the fact that ETS benchmarks will be used to assess what goods and products entering the EU market from third countries might be subject to this adjustment because their production process used more CO2 than it would have in the EU.
We would be grateful for some clarifications on this point, in order to ensure that this approach is neither incompatible with the work and expertise we have committed to the EU Eco-Design process, nor compromises the current carbon leakage protection provided under the ETS.

3. Outstanding questions

- EU ETS benchmarks are not always representative of manufacturing sites outside of the EU, how will objective comparisons be made to assess what product require carbon adjustment and which to do not.
- How can effective efforts of separate industries in third countries, to reduce the CO2 intensity of their production, be considered?
- Embedded carbon calculation are based on an assessment of the average CO2 intensity of national energy mixes. These vary widely among EU member states with a different energy mix. In addition, significant differences in the CO2 intensity of energy mixes can also be detected within national borders of key competitive regions, depending on where production is located. How will this be taken into account to assess whether third country production is more CO2 intensive than that of the EU?
- What about CO2 emissions in other stages of the life cycle than the manufacturing stage (extraction, use, recycling…?) How will this be taken into account to assess which products are least emitting on a life cycle basis?
- The EU ETS applies only to large EU installations. What happens when third country installations qualify as large (over 20MW combustion), but EU installations do not as they are below the size which incorporates them into the ETS? Would a CBAM be WTO compliant in this case?

- How do we ensure the CBAM does not impact the competitiveness of Solar as an energy source compared to other energy sources? An impact on the price of CO2 allowances, due to

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the CBAM, will influence the EU's wholesale electricity market, and this in turn, could have a significant indirect effects on the cost of renewable electricity. We must also ensure that, in practice, the CBAM does not slow down the deployment of Solar energy on the EU market, such as by increasing the cost of PV system components such as aluminium, glass or polysilicon. In particular for the energy-intensive steps of the solar value chain that are regulated under the EU ETS, legal coherence must be ensured without compromising the current level of carbon leakage protection provided by free allocation and indirect cost compensation.

- Finally, there are several concerns related to the overall compatibility of CBAM within multinational frameworks (e.g. WTO) and European regulations (e.g. ETS). In addition to legal, methodological and technical challenges, the harmful impact of political trade retaliation measures should not be left outside the scope when assessing the functionality of CBAM

4. Conclusion

SolarPower Europe aims to be a constructive partner for the Commission. We are available to EU authorities should they need further information on the established methodologies to assess the embedded carbon emissions of products and their life cycle impacts.

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