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DRAFT OPINION

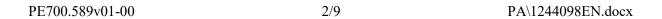
of the Committee on Budgets

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

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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

(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. The CBAM is therefore decidedly not a fiscal instrument motivated by the opportunity to generate public income and thus is compatible with WTO rules.

Or. en

Justification

CBAM is anchored in the Treaty article for environmental protection and combating climate change. This is important not only in terms for WTO compatibility, but also in view of its design and implementation.

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 2 of 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.

Or. en

Justification

This amendment recalls that the CBAM revenues are to be attributed to the EU budget as an own resource and that this is fully compatible with the legal nature of a WTO compliant CBAM. The link between CBAM and the own resources is thoroughly explained in the explanatory Memorandum and the Legislative Financial Statement of the Commission proposal and should also be referred to in the recitals of the regulation.

^{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 433I, 22.12.2020, p. 28.).

^{1b} COM(2021)0570 final.

Amendment 3

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

As the CBAM aims to encourage cleaner production processes, the EU stands ready to work with low and middleincome 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 applicable and eligible, such assistance and support should be financed under the relevant expenditure programmes in the Union budget, in particular the Neighbourhood, **Development and International** Cooperation Instrument - Global Europe (NDICI) or the Instrument for Pre-Accession Assistance (IPA III) and not through CBAM-assigned revenues.

Or. en

Justification

If there is an intention to assist certain third countries in decarbonising the industries concerned, it would be appropriate to make effective use of the existing EU level support programmes which provide the legal base, budgetary resources and implementation structures for such measures. It is not necessary to earmark CBAM revenue - contrary to the principle of universality - for these purposes.

Amendment 4

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 competent Member

States authorities implementing 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.

Or. en

Justification

If the CBAM revenues are defined as an own resource and the CBAM authorities are organised in a decentralised way, the Member States will have to levy and collect the own r on behalf of the EU. Given recent issues with the making available procedures of the customs duties (traditional own resources), the principle of sincere cooperation should be underlined, which is important in the exercise of executive functions. If the CBAM authority were a single, central entity, the collection and making available of own resources would have to be organised differently.

Amendment 5

Proposal for a regulation Article 24 a (new)

Text proposed by the Commission

Amendment

Article 24a

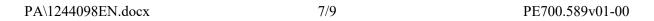
Revenues generated by the sale of CBAM certificates

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.

Or. en

Justification

In full compliance with its previous positions adopted in plenary, the Parliament should defend the establishment of the CBAM revenues as own resources in order to cover the reimbursement of Next Generation EU's debt.



EXPLANATORY STATEMENT

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, we propose 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 defending the role of the EP in the decision-making.