

Carbon Border Adjustment Mechanism – EFBWW preliminary analysis

Disclaimer: This information note has been prepared to answer the inception consultation process launched by the European Commission on 4th March 2020. It reflects the preliminary analysis of EFBWW, however it is not an official policy document.

Background

The EFBWW fully supports the goals laid down in the European Green Deal and welcomes the European ambitions to achieve climate neutrality by 2050. Today, buildings account for 40% of energy consumed and for about 40% of CO₂ emissions. The annual renovation rate of the building stock varies from 0.4% to 1.2% in the Member States. This rate will need at least to double to reach the EU's energy efficiency and climate objectives.

The EFBWW believes that the current system of emission allowances for energy-intensive industries should be evaluated. A specific action plan should be developed to push energy intensive industries towards innovation and ambitious reduction of carbon footprint with the intention to safeguard a future for these industries in the EU. We need intensified and EU-wide coordinated technical innovation processes for the various technical processes (like cement production).

To successfully decarbonize the construction and building material industries and secure support of workers and society at large, implies that solidarity mechanisms are in place to ensure that all workers can benefit and that nobody is directly or indirectly victimized by the European ambitions. We believe that all the relevant stakeholders should be actively involved in the consultation process. On the other hand, we also need to recognize that the European Green Deal will seriously impact energy-intensive industries like cement production.

EFBWW supports the idea of having a European Carbon Border Adjustment Mechanism to reduce emissions by 2030 and 2050, however its design and implementation requires a deeper discussion among EFBWW members.

Implementation

To avoid the perverse situation that raw materials, semi-finished products (such as clinker in the cement industry) and/or building materials are produced outside the EU and imported to the EU to evade the higher EU environmental and social standards, we need a more performant instrument to fight carbon leakage. The introduction of a carbon border adjustment mechanism will be crucial to protect the goals and ambitions of the European Green Deal and at the same time safeguard competitiveness of the construction industry and allied industries, while simultaneously protecting jobs. It will also remove the incentive for companies to relocate their business and avoid the carbon fee.

While many aspects of Carbon Border Adjustment Mechanism will require further technical and political discussions, EFBWW has already identified the following elements as guiding principles for

the upcoming negotiations: the core objective of any proposal should be that an importer to the EU market faces the same CO2 costs as an EU domestic producer.

A European Carbon Adjustment Mechanism should be based on the following principles:

- fairness for both EU and non-EU producers
- traceability and transparency of the imported/exported products
- prevention of carbon leakage and imported CO2 emissions
- compatibility with WTO rules
- a positive impact on climate

The EFBWW welcomes the debate on carbon border mechanisms as a unique opportunity to create a level playing field between the EU and its partners with regard to the cost of carbon. If designed properly, a carbon border mechanism could be one of the instruments towards the just transition and could also create the level playing field the industry needs to deliver low-carbon investments and move towards carbon neutrality down the value chain. It could also incentivize third countries to step up their efforts on climate change.