

CLEPA's feedback to inception impact assessment of the Carbon Border Adjustment Mechanism

Background

The Association of the Automotive Suppliers' industry in Europe is pleased to provide feedback on the inception impact assessment for the carbon border adjustment mechanism.

CLEPA represents over 3,000 companies supplying state-of-the-art components and innovative technology for safe, smart and sustainable mobility, investing over 25 billion euros yearly in research and development and employing overall nearly five million people across the continent.

Industry specific risks and concerns related to a Carbon Border Adjustment Mechanism

CLEPA understands the rationale of the Commission's efforts to ensure a level playing field between the EU and countries with potentially lower CO₂ taxation and less stringent climate protection measures. If policies implemented in Europe lead to carbon leakage rather than innovation, the competitiveness of European industry is hurt without reducing global CO₂ emissions. A carbon border adjustment mechanism, nevertheless, poses great risks for the European automotive industry that needs to be considered.

Europe's automotive supply industry is concerned about:

- **Technical complexities and administrative burden:** a carbon border adjustment mechanism could result in a technically highly complex measure adding a significant administrative burden and lowering the competitiveness of our industry; the global automotive supply chain is highly complex, with a high degree of cross-border labour division, increasing the complexity of calculating the carbon intensity of specific automotive parts.
- **Protectionism and additional burdens to trade:** a carbon border adjustment mechanism may raise questions regarding WTO compliance, trigger retaliation by third countries, and may induce other governments to misuse environmental policy as an excuse to justify protectionist measures hurting global trade. Even if the Commission might find a way to implement a de jure WTO compliant measure, international partners might very well interpret the initiative as protectionist and retaliate. At least 17% of European jobs in the automotive industry depend on extra-EU exports, highlighting the risk that protectionist measures by third countries could represent for European employment.
- **Costs of input resources:** certain materials used in the automotive industry (such as a wide range of types of hot-dip galvanised steel) cannot always be provided in the quantities or qualities required by European industries. A carbon border adjustment mechanism may increase the costs of these resources without protecting European resource industries and therefore needlessly hamper the competitiveness of the European automotive supply industry.

These three concerns would apply to all three proposed forms of a carbon border adjustment mechanism (a carbon tax, a new carbon customs duty or tax on imports, or the extension of the EU ETS to imports).

CLEPA would strongly recommend the Commission to take into account industry concerns and, if a carbon adjustment mechanism would be needed at all, to ensure WTO compliance, avoid any suspicion of protectionist reasoning behind the mechanism, and choose for a very incremental implementation process.