

Brussels, 31 March 2020 r.

Polish Electricity Association position on Inception Impact Assessment of Carbon border adjustment mechanism

The Polish Electricity Association (PKEE) finds it is of crucial importance to ensure that newly designed Carbon border adjustment mechanism (CBAM) would not result in adverse effects such as hampering the competitiveness of the European industry. CBAM should limit the net electricity import from third countries not applying carbon price measures comparable with the EU ETS.

According to the Commission's communication, achievement of net-zero economy would require to increase annual investments by up to EUR 575bn¹. Although the COVID-19 outbreak has resulted in rapid drop in carbon prices, we can assume that the price of CO₂ emission allowances (EUA) is expected to increase due to the ambitious EU climate and energy policy up to 76 EUR/t till 2030². It will particularly affect Member States which are struggling with the biggest challenges and are less advanced in the energy transition. PKEE draws Commission attention to the fact that according to the CAKE study³, sole transformation of the Polish electricity sector will need as much as EUR 176 – 206bn and it would not be possible without strong financial support.

As far as it has not been decided yet how to use any possible revenues resulting from the carbon border adjustment mechanism application we would like to underline that **funds collected through EU carbon border adjustment mechanism can ensure fresh money which can be transferred to Member States with the biggest investment needs.**

New mechanism should cover import of electricity from third countries

Decision on covering specific sector by the carbon border adjustment mechanism will deeply impact functioning of sector(s) concerned and therefore **should be preceded by thorough Impact Assessment**. As some analysis suggest that CBAM could replace the carbon leakage mechanism which are already applied, increasing vulnerability of the energy-intensive industry, possible replacement should be thoroughly assessed to avoid any unfair treatment of the energy-intensive users across the EU.

PKEE opts for covering by this instrument imports of electricity from third countries not subjected to the EU ETS carbon pricing rules. Between 2017 and 2019, electricity import from outside the EU has increased by 700%, resulting in 11

¹ COM(2018) 773 final, Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank – *A Clean Planet for all. A European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy*

² CAKE, The European Green Deal impact on the GHG's emission reduction target for 2030 and on the EUA prices. available at: <http://climatecake.pl/wp-content/uploads/2020/03/Impact-on-the-reduction-target-for-2030-and-on-the-EUA-prices.-Summary.pdf>

³ CAKE, Scenarios of low-emission energy sector for Poland and the EU until 2050 2019, available at: http://climatecake.pl/wp-content/uploads/2019/11/CAKE_energy-model_EU_low_emission_scenarios_paper_final.pdf

million extra tons of CO₂ emissions. This electricity have been therefore produced in the installations which have not been a subject to strict environmental rules (such as BATs), and have not provided the EU Member States with funds which could be used for the purpose of supporting the transition in the EU. According to the study, the EU Member States have lost over EUR 600mln of revenue in 2019 due to electricity imports⁴. If not lost, these funds could support deployment of low-emission energy sources or development of new technologies, strengthening the EU efforts in achieving its climate objectives.

In the PKEE opinion, import of electricity from third countries not applying measures equivalent to the EU ETS-based carbon-price signal should be a subject to carbon border adjustment mechanism.

Providing efficient and specific support to the most vulnerable Member States is of crucial importance. Fresh money would allow third countries to increase their climate ambitions while ensuring that it would not pose a threat to the citizens' welfare. Support schemes, as well as shielding mechanism, can support the European energy sector, members of the PKEE are a part of, in their ambitious investments in deployment of large-scale RES projects.

⁴ For more information, refer to Sandbag's *The path of least resistance. How electricity generated from coal is leaking into the EU*