



'CARBON BORDER ADJUSTMENT MECHANISM'

Wednesday 16 June 2021

18h30 – 20h00

Virtual Meeting

WELCOME & INTRODUCTION BY THE CHAIR

Nicolás GONZÁLEZ MEP, (S&D, Spain), Industry, Research & Energy Committee

Today's subject covers a subject high on the Parliamentary Agenda - the Carbon Border Adjustment Mechanism. As Chair of this EFM meeting examining this, I welcome the Cabinet Member of Commission Vice President Timmermans, fellow MEPs and manufacturers.

- I believe that to a large extent, thanks to climate policies, the European Union has a more efficient and less carbon-intensive industry. But in return we are suffering from deindustrialisation in some sectors.
- Raising our ambition to meet our climate commitments must be accompanied by an effort in measures against carbon leakage, such as this carbon border adjustment mechanism. A level playing field is necessary both to extend our climate policies and to promote those standards outside of the Union. This is because the contributions to the Paris Agreement cannot come from one party alone.
- CO₂ emissions count in our single market. They must do the same for imports. The polluter should not be given a competitive advantage in costs. But its implementation will only be viable if we improve the current model of measures against carbon leakage by ensuring the protection of our industry and employment by avoiding perverse effects.
- If border adjustment cannot guarantee this, we will not help climate protection or our workers. Let us start it up in a responsible way. This is what we will be debating this evening.



CARBON BORDER ADJUSTMENT MECHANISM



Antoine COLOMBANI, EUROPEAN COMMISSION, Member of Cabinet of Executive Vice President Frans Timmermans

In the context of the European Green Deal, the EU has decided to raise its climate ambition. We want to become the first climate-neutral continent by 2050. To achieve that, we need to reduce our greenhouse gas (GHG) emissions by at least 55% by 2030.

The Commission will put forward a package of legislative proposals – the so-called 'Fit for 55' package – to achieve this target. This includes a revision of the EU Emissions Trading System (EU ETS) and the Commission has also announced that it would propose a Carbon Border Adjustment Mechanism (CBAM).

As the EU raises its climate ambition, we need to address the issue of carbon leakage. Carbon leakage may occur through the relocation of production of energy-intensive products from the EU to third countries with lower carbon costs, or through their replacement by imports from these countries.

A situation where the reduction of emissions in the EU translates into emissions in the rest of the world would be self-defeating. The objective of the higher climate ambition at EU level is to contribute to the reduction of global GHG emissions in order to contribute to addressing climate change. The Commission's work on a CBAM proposal has to be seen in this context. It will be instrument to preserve the integrity of our climate policy.

A public consultation took place from July to October 2020, with over 600 contributions from 38 countries. We are assessing several options as part of the Impact Assessment. This includes options based on a tax, but also other options which would seek to mirror the EU ETS. Whichever option is eventually chosen, the objective is to ensure that imports of certain products are subject to an equivalent carbon price to the carbon price paid by EU producers through the EU ETS.

As stated in the Commission's Green Deal communication of 2019, the CBAM will be proposed for selected sectors. The design of the instrument will not necessarily be sector-specific, since CBAM might be extended to more sectors in the future.

The list of sectors to be covered is under assessment. Since the objective is to address carbon leakage, we are looking at sectors which are both high emitting and exposed to international trade. We are also assessing the possibility of including electricity. We are assessing the environmental impacts of different options, as well as economic and social impacts, including impact on value chains.

As indicated in the Green Deal communication, a CBAM would be an alternative to current measures addressing the risk of carbon leakage such as free allocation of allowances under the EU ETS. At the same time, we are also looking at how to organise the transition between the two instruments.

Finally and importantly, the instrument will be designed to be in full compliance with WTO rules. We have engaged and will continue to engage with third countries before and after the proposal is adopted.

The Commission was invited by the European Council to put forward a proposal for an Own Resource based on a CBAM. This was confirmed in the roadmap towards the introduction of new Own Resources agreed by the European Parliament, the Council and the Commission on 16 December 2020.

It is important to keep in mind however that CBAM is an instrument to address carbon leakage and the Commission will design it strictly in accordance with that objective.

Maria GRAPINI MEP (S&D, Romania) Vice Chair Internal Market Committee, Budgetary Control Committee

As a member of the Board of the European Forum for Manufacturing, I would like to thank all the participants for their contributions, I consider it a current and important topic. It is important to have a European strategy on climate change because it is a factor that contributes to competitiveness and social justice and has major potential in industrial development, job creation and innovation.



Unfortunately, the existing provisions on carbon leakage have not provided effective incentives for the necessary decarbonisation of certain sectors, especially in industry, which makes the process of switching to clean energy more difficult. I believe that a transition period is needed for the industry to be able to switch to alternative methods.

At the same time, I believe that ensuring efficient and significant carbon pricing, in a broader regulatory environment, can serve as an economic incentive to develop production methods with a lower greenhouse gas footprint and boost investment in innovation and in new technologies, ensuring the decarbonisation and circularity of the EU economy.

In my view, the mechanism should be designed exclusively to promote climate goals and should not be misused as a tool to strengthen protectionism, unjustified discrimination or restrictions. It should support the EU's environmental objectives, in particular to better combat greenhouse gas emissions from EU industry and international trade, while being non-discriminatory and aiming to create a level playing field in the world.



Daniel CASPARY MEP, (EPP, Germany) Chair Delegation for Relations with ASEAN & International Trade Committee

What will be addressed or what has to be addressed?

I understand that the European Commission will make a proposal to address this gap between the free allocation of the CO² certificate which will be phased out over time and on the other end, of course, not getting the free certificate which will lead to more high energy prices within the European internal market in comparison to the outside world. So, this is the problem today.

Taking the steel factories in my home country in Germany, and I have a big interest also in CO² and a carbon neutral world, and I want an industrialised country. If we really change our steel plant in Germany from coal to hydrogen for instances, in future the differences will be relatively small between the steel prices with CO² certificate and those without. .

They need not buy a CO² certificate, for instance in China, but the problem will be that because of the high energy cost, the steel will be much more expensive because we, in the future, want to use hydrogen and not coal anymore.

For instance, CBAM does not answer this big price difference at all, or at least as far as I am informed today.

The second thing: what will happen to the supply chain? What will happen with our European producers if perhaps they get some input from outside the European Union, do some produce in the European Union and then go to export their products in a third country? They will be kicked out of the market if we do not give them export subsidies and therefore the danger is that all companies - big companies and also small and medium size companies - when they are doing their investment plans, may be in the position that they do not think about exporting their goods but also exporting their next investment to a third country because of the higher production cost in Europe.

And also therefore when we want to sell to the global market outside the European Union we have to get an answer by CBAM and again I do not think CBAM will be a big tool to increase our Own Resources because of that.

Therefore I think we should have an intensive debate not only about CBAM but also on alternative tools how to address the issue of carbon leakage because it's a serious issue.

I would like to have a debate about all tools we could imagine.

And I can also ask everyone to bring additional ideas on what can be an answer, perhaps CBAM, a WTO compatible CBAM, perhaps direct funding for companies and other tools and therefore thank you very much for the opportunity to meet today and I am looking forward to the debate.

Gilles DRYANCOUR, JOHN DEERE, Vice President Corporate Affairs

Firstly, I would like to warmly thank the European Forum for Manufacturing and the European Parliament for giving the chance to have this dialogue with the European Agricultural Machinery Industry this evening.

We, at John Deere, strongly believe in sustainability. We develop new technologies, like precision farming, which will help farmers around the globe to produce more with less. Sustainability is at the core of our new business model! And John Deere recently reorganized itself to focus its development on sustainable technologies and solutions. This is to say that we welcome all initiatives supporting climate change mitigation especially through innovation and greater energy efficiency.



Regarding the Carbon Border Adjustment Mechanism it is, at this point, somehow premature to have a strong opinion about it, as the project is far from being finalized. However, we as an industry are committed to several few key-principles we can share with you in the hope that they will be taken up by the future mechanism.

In our view, CBAM must be based on a thorough impact assessment. I will give you a concrete example. It has been announced that several products like steel, cement, electricity and even fertilizers will be covered by CBAM.

For our industry, steel is a critical raw material. Depending on the type of equipment, it represents from 30 up to 40% of our average production costs. It should also be noted that the agricultural equipment sector is one of the least profitable in the manufacturing industry. Indeed, we have a net income rate of 2%, compared to 6% for the rest of the industry. So, you can easily imagine that any sudden increase in the price of steel can weaken our industry as well as European farmers who will have to buy their equipment at a higher price.

For this reason, a rigorous impact assessment of CBAM must be conducted to understand the potential effects on the steel market. The same is true for fertilizers They represent an important part of the production costs of EU farms. Here again, a significant increase in prices would lead to a reduction in their use and thus a decrease in agricultural yields.

I am saying this while John Deere is working on higher precision methods to apply fertilizers. But farming with broadly reduced levels of fertilizer is lowering yields and thus further increasing grain imports from outside the European Union and worsening the ecological footprint of the food chain in Europe This would place European farmers in a competitive disadvantaged position in comparison with their foreign competitors. These competitors can source fertilizer on their domestic markets and export their production to regions where such a mechanism will not be put in place.

In any case, the impact of CBAM on EU global competitiveness should be well-assessed and anticipated. In other terms, we should prevent market fragmentation and measures that would reduce the efficiency of global value-chains

The second principle we strongly believe in is the need to have a mechanism compatible with WTO rules. This is crucial to keep international trade open and running.

About WTO compatibility, I would like to quote, Pascal Lamy, you all know who recently said: "CBAM is not and should not be seen as a fiscal measure to repay the European recovery plan. It is first and foremost a climate measure and as such, its sole objective must be to reduce global greenhouse gas emissions."

It is a fair statement and we support the idea that the additional revenues generated by CBAM should be used to climate transition measures in Europe and in developing countries.

This could include the following:

- Encourage international cooperation on research and development of advanced lower carbon technologies
- Support global initiatives that determine agriculture's potential to sequester carbon (A terra ton by humus) and to reduce the methane emissions from ruminants (feed additive – i.e. the red seaweed)
- The last and third principle we wish to emphasize is the need for a simple and easy-to-use CBAM for all those who will apply it.

The European Union is one of the most regulated economies in the world, so care must be taken not to add regulatory complexity to the existing one. Otherwise, instead of being an engine of new prosperity, the new mechanism would be a new brake on growth and well-being for Europeans.

Margarida MARQUES MEP, (S&D, Portugal), Vice Chair Budgets Committee

As we know, it was already raised during the MFF 2021/2027 negotiations - I was one of the negotiators - the Institutions (EC/Council/PE) agreed on a Roadmap for the introduction of a Basket of new Own Resources (OR) of the Union's Budget.



The Carbon Border Adjustment Mechanism is part of this basket.

There is an agreement on generating sufficient resources with new OR to cover at least the level of overall expected expenditure for the repayment costs of the principal and interests of the borrowing incurred under the Recovery Instrument.

We believe that assigning the financial flows generated by the CBAM to the EU budget would help to mitigate issues of fiscal equivalence and ensure a properly distributed impact across Member States.

The agreed roadmap towards the introduction of new Own Resources prescribes that the CBAM will enter into force by the 1st January 2023, at the latest.

As we know, there are different options.

The Commission is currently assessing the different options ranging from tax instruments to mechanisms using the EU ETS.

For the Parliament, it is very important that the Commission assess the impacts of each option on the living standards of consumers, especially those belonging to more vulnerable groups, as well as their impact on revenue.

It is also important that the Commission carefully assess the impact of the different mechanisms options on Least Developed Countries.

We expect the Commission fully assess how to avoid that exporters to the EU try to bypass the mechanism or compromise its effectiveness.

Let me tell you that already during the MFF negotiations, the Commission was very clear that the modalities for the design of a CBAM should be explored alongside the revision of the EU ETS, ensuring that they are complementary and consistent, thus excluding the risk of overlapping. We hope they stick to it.

Parliament has been clear in its support to the introduction of a CBAM, provided that it is compatible with WTO rules and EU free trade agreements, by not being discriminatory or constituting a disguised restriction on international trade.

When designed like this, a CBAM would create an incentive for European industries and investors and EU trade partners to decarbonise their industries and therefore support both EU and global climate policies towards Green House Gas neutrality in line with the Paris Agreement objectives.

Of course, we are well aware that the CBAM is only one of the measures in the implementation of the European Green Deal objectives and should be part of a package solution to ensure the reduction of Green House Gas emissions deriving from EU production and consumption.

The answer must come in a package containing: the scaling-up of energy efficiency and renewable energies; the promotion of investments in low-carbon industrial processes; the new Circular Economy Action Plan; and a comprehensive EU industrial policy that is socially fair and environmentally ambitious; that steers a decarbonised reindustrialisation of Europe to create quality jobs while ensuring the competitiveness of the European economy.

We know: transition is a key issue. It is also why Just Transition Fund (JTF) exists and is important

Other measures in non-ETS sectors as well as a promised ambitious reform of the EU ETS to ensure it delivers meaningful carbon pricing that fully respects the polluter pays principle, must accompany the CBAM introduction.

The risk of carbon leakage while complying with WTO rules needs to be addressed. CBAM might charge the carbon content of imports in a way that mirrors the carbon costs paid by EU producers. We need to assess how the carbon pricing under the CBAM could mirror the dynamic evolution of the price of EU allowances under the EU ETS while ensuring predictability and less volatility in the price of carbon. While a fixed duty or tax on imports could be a simple tool to give a strong and stable environmental price signal for imported carbon, such a tax would be a less flexible tool to mirror the evolving price of the EU ETS.

It is important to ensure that the carbon pricing of imports cover both direct and indirect emissions and therefore also take into account the country-specific carbon intensity of the electricity grid or, when possible, the carbon intensity of the energy consumption at the level of the installation.

Finally, and because SMEs are the backbone of EU economy, we need to ensure that there is no disproportionate burden on SMEs in the implementation of the mechanism and that, when implemented, the mechanism will need to be underpinned by a set of EU standards that will prevent it from being circumvented or misused.

The Parliament stands ready for the Commission proposal.



Vlad-Marius BOTOȘ MEP, (Renew Europe, Romania), Internal Market Committee, Vice Chair Regional Development Committee

Every time a new thing must be developed is a challenge. This Carbon Border Adjustment Mechanism will be the same.

There is no question that we need to change the way we produce, we consume and even the way we dispose of things. The Paris Agreement and the Green Deal are clearly showing political will to do so.

The European Union already started to adapt the regulations in this direction. The ecological approach is a must, it changed from ideology to a political reality

embraced by all political groups. Now we all are ecologists, we all go in that direction and it is a good thing. The only difference comes from the way we want to get there.

We had a similar situation with the improvement of the safety of the products. The regulations, the new rules made the manufacturers reconsider the production processes, the materials, the testing methodologies. It was hard in the beginning, it was an additional effort, and it was reflected, as expected, in the costs of the products.

This safety of products, unfortunately, has a big loophole. Billions of products that do not respect the safety regulations are entering the Single Market through the on-line market places. The products are manufactured in third countries and sold on-line. The manufacturer is having less expenses, he does not have to respect certain production processes, the materials or the testing and all these are reflected in the price.

With the Green Deal, with the decarbonization of the manufacturing we are aware that the production costs might also be increased. The products made in the European Union will have to respect the environment, will have to use better materials and different production processes so that the pollution will significantly decrease. We can not tell the consumers to buy products that are more expensive, and it would not be OK for us to put this burden on the manufacturers without making sure that all the products entering the Union respect the same decarbonization standards.

It is important to think of the products based on the life cycle and not only on the time we are using it. The same with cars, in my opinion. Therefore a Carbon Border Adjustment Mechanism is important.

We are not talking about the protectionism for the European economic operators, but about making sure that the products used in the European Union are having the same degree of pollution, no matter where they are manufactured.

We need to think this Carbon Border Mechanism in a way to avoid the loopholes that we see in the safety of the products. It is a very difficult issue, since it is for the first time that we need to make it.

Yes, we must think at the international trade agreements, but it is very clear that we have to approach this from the perspective of the product and not of the manufacturer.

I am not very sure that the Emission Trading System is the best way to go, we are not actually reducing the emissions, we are just making them more expensive. I am in favour of a more balanced approach: a trading system that would combine paying for the emissions that you produce, with encouraging the reduction of the emissions and the actions of increasing the natural sinks.

The consideration of the net emissions should be “a must” in my opinion, it would really lead to the decarbonization if we make sure that all products sold in EU or produced here are respecting certain ecologic standards. I am talking here also about all the products that enter the EU through the on-line market places, billions of products.

The question is who will be responsible for these products? In the case of product safety, the only responsible is the consumer. Should it be the case here also? We are talking about an almost parallel market with its own rules. Although we have this market for more than ten years, we are just now trying to put together a Directive to properly regulate it and, in the meantime, the economic operators from the European Union have to manage in an unfair playing field.

This is a problem to consider in the Carbon Border Adjustment Mechanism. We do not want our economy to be under a lot of pressure from the ecologic rules and also from manufacturers that do not have to respect the same rules.

We are yet to see the proposal of the Commission on this subject, and I think we will have a lot to talk about when we will have it.

Malte LOHAN, Orgalim - Europe's Technology Industries, Director General

Orgalim represents Europe's largest manufacturing sector, directly employing 11 million workers in 770,000 companies – the vast majority of them SMEs. And we are producing $\frac{1}{3}$ of Europe's manufactured exports.

Our companies span the machinery sector, mechanical engineering, electrical engineering, electronics, ICT and metal technology. This covers everything from industrial robots to micro-chips, from equipment for energy grids and charging infrastructure for EVs, to 5G components.

I would like to provide a perspective on why the proposed CBAM is of such importance to our industries – and where we would welcome the help of the European Parliament to get it right.

Orgalim fully supports the EU's goal of carbon neutrality by 2050. And we support the rationale of a CBAM to help Europe reach this goal by avoiding carbon leakage as outlined by Antoine earlier.

But a future CBAM will not just affect the energy intensive sectors where the risk of carbon leakage is greatest. It will also have a deep impact on the competitiveness of carbon-lean industries in Europe, such as ours.

In fact, the technologies we produce are critical to succeed with the climate transition. A recent study by the Boston Consulting Group (BCG) and our German machinery association shows that if our most innovative technologies were to be deployed across all industry sectors, CO₂ emissions globally could be reduced by just under 90%.

It is critical therefore to make sure that a future EU CBAM does not accidentally damage the global competitiveness of Europe's world class manufacturers of machinery and electrotechnical goods, and particularly our SMEs that form our industrial backbone.

I would like to share five concrete recommendations to make sure this does not happen:

1. First, trade is our life blood. Our complex value chains span the entire world, and our export markets generate a huge part of our growth. Therefore we call on the Parliament to support the exemption of the technology sectors from the scope of CBAM.
2. Second, we ask for your help to make sure that CBAM is non-protectionist and fully respects WTO rules. It is by no means automatic. If it doesn't, CBAM will lead to retaliatory measures by third countries that could cause real damage to our companies. Specifically, this requires a WTO-compliant approach to free allowances under ETS.
3. Third, please be mindful that our companies are big downstream users of products that will be covered by a future CBAM, such as steel and aluminium. Mentioned by my manufacturing colleagues, and same point applies for many other companies. The single biggest obstacle for their recovery which our companies are facing today is the shortage and price spike in raw materials. CBAM will make this worse. We call on the Parliament to minimize the cost increase of raw materials for our industries, and in that context we also ask for your support to remove the EU safeguard measures on steel and aluminium imports.
4. Fourth, please help ensure that the own resources that will be generated by CBAM are used to support the greening of our economy and deployment of clean technology solutions. They may not be large, but as a principle it's important that these new resources are not used to subsidise energy intensive activities.



5. Fifth, and finally: please help us prioritise work on a multilateral approach to carbon pricing. Article 6 of the Paris Agreement is specifically designed to promote an integrated international approach. With the US re-joining the Paris Agreement and China committing to CO² reduction, there is a new momentum to cooperate with our international partners to tackle CO² reduction at the international level. We ask for your help to encourage the Commission to work with international partners *within* the Paris Agreement to achieve global CO².

Those are our core requests to the Parliament to preserve our technology industries' global competitiveness in the context of a CBAM, especially for SMEs; and for supporting our ability to deploy our innovative technologies in support of the global race to carbon neutrality.

To summarise:

- Exclude technology sectors from CBAM scope
- Ensure WTO compliance especially when it comes to free ETS allowances
- Help minimise the damage of price increases of raw materials
- Use the new resources to support clean tech deployment
- Prioritise work on a multilateral approach under the Paris Agreement.



Joachim SCHUSTER MEP, (S&D, Germany), Economic & Monetary Affairs Committee, Tax Matters Subcommittee

Since much has already been said about the Carbon Border Adjustment Mechanism, I would like to focus on just one point that is particularly important to me: the interaction between CBAM, emissions trading system ETS and the WTO framework.

There is a broad consensus in science and politics that the pricing of CO² sets important market-based incentives for economic actors to reduce greenhouse gas emissions. When something becomes more expensive, people use it more sparingly or try to replace it completely. Economic actors develop a self-interest in reducing their CO² emissions. This is absolutely necessary to stop climate change, because governmental bids and bans alone will not be enough to meet this challenge.

Ideally, such a pricing of CO² should be global. The same price would apply everywhere, calculated according to the same system. Unfortunately, this is completely unrealistic. Therefore, the only option is to set these market-based incentives nationally or regionally. In the EU, we have introduced ETS for this purpose. As a result, CO²-intensive products in Europe simply become more expensive than in the rest of the world, which does not levy a CO² price. This can lead to considerable global competitive disadvantages, especially in energy-intensive sectors of the economy. In Europe, we have so far compensated for this by issuing free pollution certificates in energy-intensive sectors, such as the steel or cement industries, and thus effectively forego CO² pricing. In doing so, however, we also forego the economic incentive to reduce CO², which in turn is unfortunate in terms of climate policy.

This is where the Carbon Border Adjustment Mechanism comes into play. With this border adjustment, it is possible to ensure fair competitive conditions for European industry with the rest of the world by charging imports the same CO² price as domestic products within the framework of an extended ETS. Those who brand this as protectionism, which some foreign countries do, say it is not compatible with the WTO rules to put a price on CO² even before they know what Commission is going to propose. I consider this firstly irresponsible in terms of climate policy and secondly pretextual, because such political interventions in trade are already covered in principle by the WTO rules.

However, this also points to another problem of our world trade order. In this order, ecological objectives are seen as a possible justification for exceptions to the free trade that is actually to be striven for. But trade

is not always compatible with ecological goals. We can see this, for example, in agricultural sector or in the protection of biodiversity. For this reason, the EU should not only introduce a CBAM, undeterred by accusations of protectionism, but also take initiatives to reform the WTO as a whole, so that the world trade order also promotes ecological and climate policy goals and does not stand in the way of them.

Viktor SUNDBERG, ELECTROLUX, Vice President Environmental and EU Affairs

(The points the speaker made are summarised in the image below)



	Manufactured in the EU	Manufactured outside the EU
Steel <i>CBAM should reduce risk of Carbon Leakage</i>	Additional cost from ETS directly or indirectly (electricity used)	Additional cost from CBAM
Washing machine containing steel <i>CBAM has the risk to cause Carbon Leakage !</i>	Additional indirect cost from: <ul style="list-style-type: none"> • ETS for electricity used & • ETS (if EU steel is used), or • CBAM (if non EU steel is used) 	ETS does not apply CBAM does not apply ? ➤ No additional cost ?!

Improved competitive situation for non-EU based manufacturing industry of finished goods



Sara MATTHIEU MEP, (Greens, Belgium), from the International Trade Committee

A clear environmental purpose: a CBAM is not there to tax companies, but to stimulate climate action both within the Union and by our trading partners.

Setting higher climate ambition inside the EU is simply impossible without a level playing field. But let's also consider our trading partners: with a CBAM, steel exporting companies from Turkey, for example, would pay a carbon price in the EU. Obviously, Turkish authorities would prefer to keep that money in Turkey. That means they would be stimulated to set their own carbon price, which would lead these countries to put a higher priority on decarbonisation.

A complement to product requirements: carbon pricing alone will not deliver the level of emissions reduction needed to achieve our 2030 and 2050 targets . The ETS is an incremental, efficiency based system, but we need transformational change. carbon pricing and a CBAM, while important, should however not be seen as a silver bullet.

We also need product-specific standards to ensure that only the “cleaner” products can be placed on the EU market, as well as a rapid uptake of energy efficiency and renewables.

An alternative to all existing carbon leakage measures: EU industries considered at risk of carbon leakage are protected twice under current ETS rules. Under current EU ETS rules, 94% of EU industrial emissions would still be subject to free allocation (!). It is no surprise then, that industry, in contrast with the energy sector, has not decreased emissions over the last decade. €160 billion worth of free allowances would be handed out (!).

Combining this with a CBAM would mean a double protection for EU industries and been seen as protectionism, especially as there is no convincing evidence of carbon leakage at the moment. so we need a phase-out of free allocation as soon as CBAM enters into force

No export rebates: we do not want EU industries to simply export their more emitting goods and keep the “cleaner” products for the EU market. It would be in contradiction to the EU’s ambition to drive climate action globally.

At the very minimum, rebates should not lead to any kind of competitive advantages for EU exporting industries in third countries, and be strictly limited to the most efficient installations so as to maintain incentives for emissions reduction for exporting companies.

CBAM should be recycled towards climate action within and outside the EU: the revenues should be a new own-resource for climate action both within and outside the Union, in particular to step up our contribution to international climate finance in favour of Least Developed Countries and Small Island Developing States.

RESPONSE BT THE EUROPEAN COMMISSION

This was off the record

CONCLUDING REMARKS

Antony FELL, EUROPEAN FORUM FOR MANUFACTURING

The Commission in July plans to publish its ‘Fit for 55 Package’ and it has been proposed that this could be the subject for the EFM event on Wednesday 29 September. Since the scope of legislation in this package is so wide, we are currently consulting on this. Please let us know your views.

We have had excellent contributions this evening and a report of the presentations indicated on the programme will be on the EFM website in accordance with Parliamentary transparency

I would like to conclude this EFM event by thanking Antoine Colombani from Vice President Timmerman’s Cabinet for his highly informative presentation, the MEPs for their considered input from the different political groups – EPP, S&D, Renew Europe and the Green Group - and the manufacturers for their excellent contributions. Last but not least, my thanks to our Chair this evening, Nicolas Gonzales MEP.

I now formally close this evening’s European Forum for Manufacturing on the Carbon Border Adjustment Mechanism.



