

Public Consultation on the Carbon Border Adjustment

Carbon Border Adjustment Mechanism (CBAM) is a complicated policy instrument with complicated and somewhat conflicting goals. In principle, we support the CBAM as a solution that advances the polluter pays principle by introducing a carbon price for imported products, but also and by replacing the free allowances in the ETS as an instrument to prevent carbon leakage.

There is a risk that potential benefits in terms of climate mitigation or global climate justice will be lost, if the main goals of CBAM are protecting the competitiveness of domestic industries or raising revenue for the union. Emission reductions on a global level must be a priority in the design of this instrument. For example, the design must encourage further climate action abroad with a possibility to avoid or reduce the tariff by meaningful climate action, not just on a national level (based on policy) but also on a company level (based on actual emission reductions). Also on the basis of climate integrity, exports from the EU should not be exempted as this would water down the polluter pays principle.

Because increased climate ambition should be the goal of the CBAM the EU should – after the piloting period – seek to expand the coverage of the mechanism beyond sectors with high risk of carbon leakage or even beyond the ETS sectors to cover the majority of the imports to the EU. This would ensure that all the consumption within the EU would be covered by carbon pricing, or imported from countries that have comparable ambition in climate policy.

All revenues from the CBAM should be used as a resource to accelerate just transition to a carbon free society and adaptation to climate change especially in the least developed countries and small island developing states. This would support the EU in achieving its climate finance obligation under Paris Agreement article 9 and make the CBAM more acceptable than in a case where revenues were used to fund the EU member countries.

To be an effective tool in climate change mitigation CBAM must be paired with improved climate action (such as raising the 2030 ambition and reforming the ETS accordingly), development policy and international trade discussions. The EU should engage with its trading partners to make sure that the implementation of CBAM will not be a form of climate imperialism, i.e. EU trying to dictate how others should reduce their emissions, but a constructive way of advancing global climate ambition and carrying responsibility for the emissions of the consumption in the EU.

As a significant share of consumption based emissions occur outside Europe and its emission reporting, the EU should work towards better understanding and reporting of the emissions of its consumption. In addition, the EU should require that corporations carry the responsibility for their emissions in the entire value chain. Thus it is also important that the Commission continues its work on implementing Product Environmental Footprint (PEF).