



EESC DEBATE ON CARBON BORDER ADJUSTMENT MEASURES

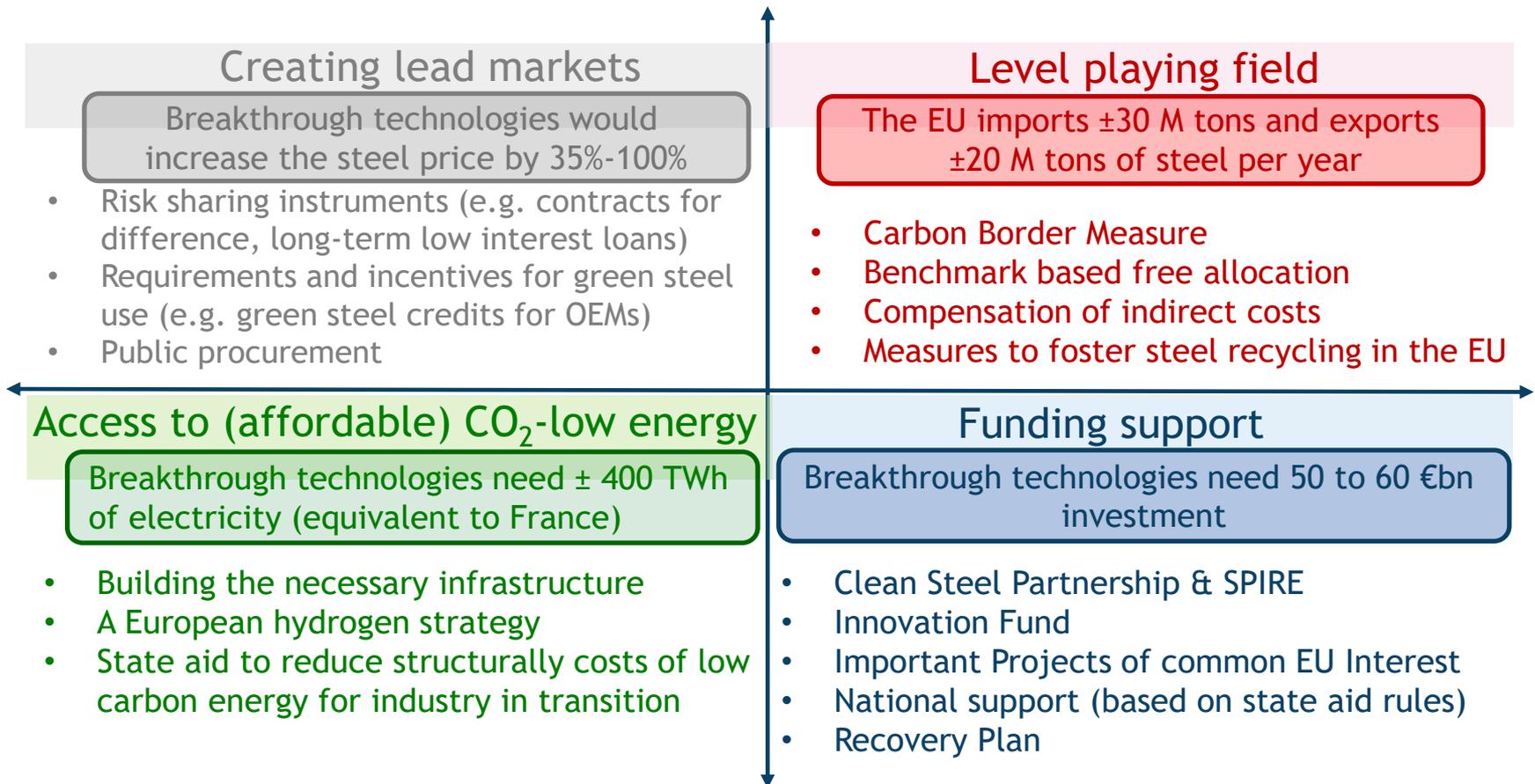
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20 JULY 2020

Our ambition is to reduce CO2 emissions from steel by **30% by 2030** and **80-95% by 2050**, with the right regulatory framework in place and access to finance and affordable CO2-low energy.



The EU steel industry is currently working on an IPCEI proposal. We have approximately **30 projects** that could lead to First Industrial Deployments, reaching potentially an overall CO2 abatement of over **33 Mt CO2/year** by 2030. This would require total investment of **€26 billion** (CAPEX and OPEX) .



Article 2.1 of the draft Climate Law: *Union-wide emissions and removals of greenhouse gases regulated in Union law shall be balanced at the latest by 2050, thus reducing emissions to net zero by that date.*

Regulating emissions linked to international trade is essential to achieve a really climate neutrality target

The CBA is an essential tool to introduce carbon measurement for traded goods, which could be improved and strengthened over time

Environmental integrity, industrial competitiveness and social acceptance of climate policy go hand in hand

CARBON BORDER MEASURE: A FAIR CONTRIBUTION FOR A CLEAN PLANET

Steel products sold on the EU market, whether produced in the EU or imported from third countries, and their producers need to have a similar decarbonisation incentive.

- The CBA has the combined environment objective of: reducing emissions, avoiding carbon leakage and complying with the costs of the EU cap & trade system.
- It contributes to a better level playing field for EU producers and can function as an effective tool to foster climate ambition in third countries exporting to the EU so to deliver deeper emission reductions globally.
- It can be designed in a way securing WTO compliance.
- It provides additional revenues that should be fully used for climate measures.
- It should be applied for a transition period until breakthrough technologies reach sufficient market penetration and when there is a critical mass of CO₂-low products in the market.
- **It should be introduced for steel and be set at an effective level taking into account both direct and indirect costs, in addition to existing carbon leakage measures under the EU ETS.**

CARBON BORDER MEASURE: A FAIR CONTRIBUTION FOR A CLEAN PLANET

A carbon border measure needs to complement existing carbon leakage measures in the transition period

- It would not lead to double protection, since existing carbon leakage measures are already partial and digressive.
- It would decrease the product price impact on downstream sectors within the EU, hence better preserving the entire value chain.
- It would reduce the direct impact on trade flows and would mitigate trade tensions as it would provide a longer transition for negotiations with international partners to align climate ambition.
- A border measure with full auctioning would undermine EU exports to third markets.
- A border measure with full auctioning would jeopardise EU producers' ability to invest in low carbon technologies.
- For the predictability of the legal framework, rules on carbon leakage measures for the period until 2030 have been adopted very recently and should not be modified.

CARBON BORDER MEASURE: A FAIR CONTRIBUTION FOR A CLEAN PLANET

The devil is in the detail

- The nature of the measure (border tax, ETS inclusion, consumption charge) might need to evolve over time.
- The measure will need to prioritise sectors at highest risk of carbon leakage
- The effectiveness of the CBA will depend not only on its nature but mainly on the details of the design and its ability to address risks such as cost absorption and source shifting.
- By absorbing the CBA through a reduction of the price of the imported product, carbon intensive products would still dump the EU market against lower carbon intensive alternatives => a monitoring mechanism similar to trade defence instruments will be necessary to avoid that
- Through source shifting, the primary objective of the CBA (global emissions reductions) would be circumvented as carbon intensive products would continue to be delivered to other countries than the EU => it is necessary to monitor more than just the products exported to the EU