

AEGIS Europe on CBAM
(EESC public hearing on the proposed
Carbon Border Adjustment Mechanism)


Thursday, 16 September 2021

Presentation of AEGIS Europe



 AEGIS Europe is an industry alliance that brings together over 20 European manufacturing associations committed to free and fair international trade.

 Our members account for more than **€500 billion in annual turnover, as well as for millions of jobs across the EU.**

 We are representative of the **whole value chain**, from commodities down to consumer end products.



To promote manufacturing, investment, employment, growth and innovation in Europe in a **fair international competition** and a **level playing field** environment.

To promote an **effective** and **predictable** enforcement of the EU's trade defence system.

To advocate **against distortions**, notably those from state-run or other non-market economies, which risk endangering jobs and know-how in Europe's industrial value chains.

AEGIS Europe working structure

Chair
Inès Van Lierde
EUROALLIAGES

Vice-Chair
Renaud Batier
Cerame-Unie

Statutory bodies

Steering Committee

General Assembly

Working groups

Each working group addresses a **trade related** topic deemed to ensure a level playing field in a globalised competition framework

Carbon Border Adjustment Mechanism is one of these topics

Secretariat

Daily administrative and logistic management of the Alliance

- AEGIS Europe supports the goal of the EU to **fight climate change and make Europe the most sustainable economy globally**
- To achieve those goals, it is essential to put in place policies which **avoid carbon leakage, strengthen EU manufacturing and keep manufacturing value chains competitive**
- It is essential that **decarbonisation policies do not cause the collapse of productive systems** and social cohesion throughout the EU
- AEGIS Europe has been involved in the CBAM initiative since inception and has contributed to both **Commission consultations: inception impact assessment and public consultation**
- AEGIS Europe has solid expertise when referring to the **key requirements and red lines**
- **Independent legal study** carried out by King & Spalding and Nctm on behalf of AEGIS Europe: <http://www.aegiseurope.eu/publications>

EU INDUSTRIES OPPOSE THE AUTOMATIC PHASE-OUT OF FREE ALLOWANCES & INDIRECT COSTS COMPENSATION MUST REMAIN:

- Free allowances and indirect cost compensation should be maintained in full for such time as necessary to allow the deployment of low carbon technologies to minimise the impact on downstream industries and users...**and to show that CBAM works!**
- Also carbon leakage risk linked to indirect carbon **costs** passed through in electricity prices - which are **different from indirect emissions** embedded in traded products - need effective protection
- ETS free allowances and CBAM are not alternatives but are complementary measures → **maintaining both does not amount to double protection.**

COMMISSION HAS NOT PROPOSED ADJUSTMENT MEASURES TO PREVENT LEAKAGE DERIVED FROM DISPLACEMENT OF EU EXPORTS

- If there are no export adjustments, EU exports will become **uncompetitive** and will be replaced by products from high carbon sources. This is carbon leakage.
- **Adjusting the carbon cost burden** for European exports would avoid this.
- If the adjustment for exports is fully integrated into the ETS, it is **not a subsidy** under WTO rules → AEGIS Europe legal study on WTO consistency of export adjustments under the EU ETS available on our [website](#)

HIGH RISKS OF LOOPHOLES AND CIRCUMVENTION REQUIRES BETTER ENFORCEMENT PROVISIONS:

- The CBAM proposal is complex & open to **loopholes and circumvention**.
- The definition of circumvention is **narrow and vague** covering only cases of slight product modification while in fact, **more situations** should be considered:
 - Resource shuffling through allocating low carbon production only to the EU with no or negative effect on the overall CO2 emissions
 - Transshipment strategies if the possibility for exempted countries is included
 - Avoidance based on slight modification of the product
 - Cost absorption
 - Exemption through customs regime (inward processing, for instance)

Many thanks for your attention!

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