

The ENVI approach to CBAM threatens: millions of jobs, EU exports and investment in the EU. Viable solutions are available

Brussels, 19 May 2022 – Following the ENVI report on the European Commission’s proposal for a Carbon Border Adjustment Mechanism (CBAM) and ahead of the vote in European Parliament’s plenary, AEGIS Europe, one of the largest industrial alliances in Europe, is unanimous in voicing concerns. The proposal to phase out ETS free allowances before 2030 but to do nothing for EU exports is particularly worrying.

"AEGIS Europe is a strong supporter of the EU Green Deal and the climate neutrality objective. But, as long as climate ambition remains heterogeneous worldwide, the EU needs effective carbon leakage protection. Phasing out existing carbon leakage protection measures abruptly for a CBAM that has not even been tested crosses a huge red line. The black and white approach adopted by the ENVI Committee vote will not ensure efficient carbon leakage protection and might even de-incentivise the investments needed in low carbon technologies," commented Inès Van Lierde, Chair of AEGIS Europe.

Replacing free allowances with a CBAM and the proposed timing for the phase-out will simply dismantle the carbon leakage protection that has proven to be extremely robust and will therefore lead to a global increase in CO₂ emissions. This will also lead to increased carbon costs for EU companies without any certainty on the effectiveness of the CBAM nor any solution for exports, thus creating unprecedented risks for jobs, investment, and inflation.

Exports make up a significant percentage of EU production - up to 22% for ‘CBAM sectors’ up to 50% for some other energy-intensive sectors, and 100% for specific installations. Thus, a CBAM mechanism that does not include an appropriate solution for exports will be unbalanced and highly detrimental for EU industry and for the climate change objectives as low-carbon EU exports will be replaced by high-carbon products in third country markets. Moreover, the ENVI call for an additional assessment by the Commission is both redundant and out of time as the Impact Assessment already shows that exports, examined under a carbon price lower than today, will be negatively affected.

"The report kicks the can down the road when it comes to export adjustments. This is another red line for AEGIS Europe. A concrete proposal is needed today. The bogeyman of WTO compatibility cannot be the pretext to avoid the discussion until it is too late. The European Commission must take the lead and make new proposals that should ensure a balanced CBAM that does not penalise exporters of low carbon goods", added Van Lierde.

The Alliance appreciates that ENVI recognised the importance of ETS indirect cost compensation, which should be granted to all exposed sectors. However, statements claiming that indirect cost compensation system weaken the carbon price signal are factually incorrect. This has no negative impact on the efficiency of the EU ETS: the power sector passes the full direct emissions costs on to its consumers and thus, fully incentivises further decarbonisation of the power sector, independent of any compensation.

For some ETS sectors with very specific value chains, products, and global trade flows, a CBAM cannot be an effective tool to address carbon leakage and reduce emissions. Any further extension of the CBAM scope (new sectors and downstream products using goods subject to CBAM) should therefore be preceded by an industry consultation and an impact assessment. It should also follow the ordinary legislative procedure (co-decision) and not be adopted via a delegated act, as proposed by ENVI.

Since the CBAM proposal is complex and could become an instrument prone to circumvention, AEGIS Europe welcomes all provisions which strengthen the effective implementation of the CBAM. As a precautionary principle, AEGIS Europe proposes calculating the embedded emissions for all the installations of the group manufacturing the goods instead of individual installations, to avoid circumvention.



"The CBAM proposal fails to fully address carbon leakage risks and based on our in-depth assessment, the envisaged rules will not ensure the global reduction of CO₂ emissions. We need a fair balance between Europe's ambitious climate goals and maintaining a level playing field for European industries while mitigating the impact on downstream industries," concluded Van Lierde.

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About AEGIS Europe:

AEGIS Europe is an industry alliance that brings together more than 20 European manufacturing associations and companies representing the whole value chain from metals and ceramics to transportation industries committed to manufacturing in the EU on a truly level playing field ensured by a rules-based 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.