



AEGIS Europe welcomes the EU Council's call for export adjustments and progress on free allowance phase-out alongside CBAM

Brussels, 31 March 2022 – AEGIS Europe, representing Europe's manufacturing sector, shares the Council's view that progress should be made on the revision of the Emission Trading System (ETS), before negotiations on a Carbon Adjustment Mechanism (CBAM) with the EU Parliament can begin. AEGIS Europe also supports the EU Council statement that EU legislators need to "seek solutions to deal with the adverse effects of the introduction of the CBAM on exports". It also notes that, in its report to the Council, the Permanent Representatives Committee recognized that "the issue of limiting potential carbon leakage from exports calls for appropriate solutions to ensure economic efficiency, environmental integrity and WTO compatibility".

"ETS and free allowances on one side, and CBAM and potential export adjustments on the other, should all be part of a coordinated mechanism ensuring that the EU's manufacturing industry can lead on climate while remaining globally competitive. These instruments should be considered jointly when designing a solution to avoid a potential loss of competitiveness for the EU industry and its value chains, which would result from its efforts to comply with the EU's ambitious climate policies and objectives," comments Inés Van Lierde, Chair of AEGIS Europe.

Europe's manufacturing sector reiterates the imperative necessity to keep free allowances under EU ETS until 2030 to allow EU producers to decarbonise. Such a timetable will also leave room for CBAM to prove its efficiency before it is fully implemented. In a following step, a gradual phase out of free allowances should be accompanied by the introduction of export adjustments to avoid carbon leakage, i.e. the displacement of production outside the EU that would increase greenhouse gas emissions in third countries as a result of an emissions reduction in the EU.

The current version of the CBAM proposal does not yet include a solution for EU exports. Such a solution is needed to ensure EU exports do not become uncompetitive on global markets due to the EU's more ambitious climate goals and higher regulatory costs. This can be done in compliance with WTO rules as proven in the legal study commissioned by AEGIS Europe.

AEGIS Europe is uniquely positioned to provide insights into the architecture of such a WTO-compliant system. While the topic of export adjustments has only recently been pushed forward on the legislative agenda, AEGIS Europe members have long advocated for their integration into the CBAM Regulation, and they have developed a clear vision for the design of export adjustments integrated into the CBAM and ETS umbrella.

Missing as well so far are the investment incentives necessary for the achievement of climate neutrality in a way that is both cost effective and fair, and would allow the EU's manufacturing industry to progress rapidly towards its net zero objectives.

"The EU industry needs efficient and easy to implement solutions to ensure that carbon leakage does not occur," concluded Ms Van Lierde.

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About AEGIS Europe:

AEGIS Europe is an industry alliance that brings together more than 20 European manufacturing associations from metals and ceramics to energy and 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.