

With its vote on the CBAM regulation, the European Parliament fails to deliver a bullet-proof carbon leakage tool

Brussels, 23 June 2022 – Following the European Parliament’s Plenary vote on the Carbon Border Adjustment Mechanism (CBAM), the manufacturing alliance AEGIS Europe expresses its disappointment about the outcome of the vote. The interests of the European industry and the millions of jobs it represents have been completely disregarded. But the effects on climate of the agreement reached in the Parliament should also be approached with a healthy dose of skepticism.

Although the introduction of a CBAM is aimed at stopping carbon leakage, the outcome of yesterday’s vote is a clear indication that this goal will not be achieved. The envisaged timeframe for the complete phase-out of ETS free allowances (2027 – 2032) does not ensure an effective phase-in of CBAM. Before replacing one of the cornerstones of carbon leakage protection, the CBAM needs to include a clear safeguard clause, and its impact must be regularly monitored. Otherwise, if production is shifted elsewhere in the world, CO₂ emissions will increase globally.

“Manufacturers in Europe will be negatively affected by this measure, not only in terms of higher carbon costs but also in terms of job losses and reduced time and capacity to make investments in green technologies. In view of the upcoming trilogues, we hope that the co-legislators will factor in the priorities of the European industry,” commented Inès Van Lierde, Chair of AEGIS Europe.

Contrary to what was announced, the EP failed to find an adequate and concrete solution for exports, which are critical for both the economic viability of EU producers and the environmental objectives of the EU climate agenda and its ability to promote a successful green growth model at global level. EU industries implementing climate change mitigation policies compete in the export markets with more carbon-intensive products. AEGIS Europe members export more than 135 billion EUR yearly, and without an appropriate measure for exports, they risk being less competitive vis-à-vis products originating in non-EU countries with laxer climate ambitions and without similar carbon emission controls, such as China.

Any extension of the CBAM scope to new products and sectors should be considered only after in-depth impact assessments and consultations with the concerned industries. . The Alliance has published significant evidence that 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.

“Our Alliance supports the EU Green Deal and the climate neutrality objective. However, as long as climate ambition remains heterogeneous across the world, the EU needs effective carbon leakage protection. The CBAM proposal, as voted by the European Parliament, fails to address the industry’s concerns fully, and based on our assessment, the envisaged rules will not ensure the global reduction of CO₂ emissions. We thus call on the Council to strike the much needed 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.