



LETTER

Brussels, 1 December 2022

TO: President of the European Commission Ursula Von der Leyen,
President of the European Parliament Roberta Metsola,
President of the European Council Charles Michel
CC: Mr Frans Timmermans, Executive Vice-President, European Commission
Mr Valdis Dombrovskis, Executive Vice-President, European Commission
Mr Paolo Gentiloni, European Commissioner for Economy
Mr Thierry Breton, European Commissioner for the Internal Market

RE: EXPORT-INCLUSIVE, COMPETITIVE AND DECARBONIZATION-FRIENDLY CBAM IS DOABLE FOR A STRONGER EU INDUSTRY

Dear Presidents,
Dear Executive Vice-presidents,
Dear Commissioners,

On behalf of AEGIS Europe, the largest industry alliance representing the interests of a wide number of European manufacturing sectors, we call on decision-makers to adopt a CBAM tool that works for the EU industry while delivering on the overachieving climate goals.

Policy makers cannot ignore the evolution of the international economic and geopolitical context surrounding EU's negotiations on CBAM' and ETS.¹ While some countries are taking bold and unilateral decisions to cope with the looming recession and maximize its economic position (i.e., US Inflation Reduction Act 2022), Europe, which is facing simultaneously a war and a severe energy crisis causing an acute injury to our manufacturing, value chains and trade flows, so far lacks a proper pro-industrial and pro-investment decarbonization regime. There is no margin to propose dysfunctional legislation that may penalize our already suffering industrial fabric, under the guise of climate legislation. The ongoing total

¹ The Impact Assessment confirmed that withdrawal of ETS free allowances under CBAM would lead to a decrease in EU exports (see Commission Staff Working Document Impact Assessment Report Accompanying the document Proposal for a Regulation of the European Parliament and of the Council establishing a carbon border adjustment mechanism, 14 July 2021, part 1/2 page 65).

and partial curtailments of production in our sectors due to the energy crisis are unprecedented and likely to prevent industries from reversing the trend or investing in decarbonization.

Our members are thus deeply concerned that EU decision makers struggle to develop a WTO-compatible export adjustment regime without which our industry is likely to suffer one of the major disruptions in the history of the bloc with social and economic impacts at different levels. Indeed, by removing free allowances in the EU without a viable export solution, our exports will suffer from unfair competition with regions of the world with no carbon pricing. This will have direct consequences on European industries, environment, and the EU strategic autonomy.

AEGIS Europe has been advocating for robust legal arguments in favour of export solutions that are compatible with WTO rules.² Our industries call for a CBAM that does not represent a partial solution but a comprehensive tool that will encompass both imports and exports. The WTO-compatibility of our proposed solution, as confirmed by leading legal authorities, is a key feature of our proposed system. The risk supposedly alluded to by EC legal services around WTO compatibility is therefore debatable and not shared by the entire legal community specialized in WTO law. An open and transparent debate with the legal services of the EU institutions would support a better-informed decision, also considering the important social, economic and environmental aspects.

We do also challenge options favouring a build-up of the Innovation Fund over an export regime. As the scope of those funds is narrow, only an export solution can structurally help entire industrial sectors. The Innovation Fund is more geared towards targeted investments in individual projects and companies, so unfortunately it is not suited to be a pan-European solution to decarbonization.

Furthermore, AEGIS Europe repeats its major concern on significantly phasing out free allowances before 2030 by introducing CBAM. A new measure needs to be tested over time from a technical, economic and legal perspective. The ambition to replace free allowances by CBAM should be calibrated and assessed over time but not at the expense of reducing the competitiveness of EU producers. A smoother transition allows also European companies to focus their financial resources on decarbonization projects rather than on carbon costs and reduces the abrupt impact of CBAM throughout strategic value chains, like construction, mobility and renewable electricity.

Last but not least, **our alliance has also been very vocal in favour of deep impact assessments and open consultations with every single industry that may be added to the product scope of CBAM (Annex I).** The sensitivity of such an inclusion cannot be left to technical and/or 'fast-lane' procedures in Brussels. The one-size-fits-all strategy on CBAM does not reflect the complexity of European industry.

We remain at your disposal to discuss the details of the above three fundamental points.

With kindest regards,

AEGIS Europe

² AEGIS Europe papers: [October 2022](#) & [June 2021](#);