

## Border Carbon Adjustments in the EU

### *Issues and Options*

### Agenda

**Date:** March 5, 2020

**Time:** 10:00 – 17:00

**Location:** Room A, University Foundation, 11 rue d’Egmont, 1000 Brussels

As part of the European Green Deal, implementation of a border carbon adjustment (BCA) is once again being considered as a measure to address competitiveness concerns within the EU. According to the roadmap for the European Green Deal, a proposal for a BCA for “selected sectors” will be released in 2021. So far, we can only speculate what such a BCA might look like, as few policy details have been released. Given the resurgence of discussions about BCAs on the EU political agenda, it is an opportune time to have a closer look at the various available policy design elements and options, along with the associated environmental, economic, political and legal implications, in order to better understand what form of BCA might work for the EU.

This is the first stakeholder meeting for the ERCST workstream on ‘Border Carbon Adjustments in the EU’. In this workstream, ERCST will carefully analyse the options to consider when designing a BCA, with the objective of creating 2-3 BCA proposals. The intention of this meeting is to facilitate discussion among a variety of stakeholders on the objectives, concerns, and options that should be considered when designing a BCA in the EU context.

The meeting has been structured into four sessions. During the first session, ERCST will deliver a presentation on the concept of the upcoming report ‘Border Carbon Adjustments in the EU – Issues and Options,’ followed by some initial reactions to the concept before opening up the discussion to all participants. The three sessions that follow ERCST’s presentation will cover six questions relevant to the design and rollout of a BCA. A member of the ERCST research team will discuss each topic followed by roundtable discussions where all participants are free to contribute.

ERCST will consider the ideas and conclusions raised during the topic sessions when writing the draft of the report.

*ERCST would like to thank Eurofer, Enel, FuelsEurope, the French government, the German government, HeidelbergCement, MetInvest, and Solvay for their support on this project.*

9:45 – 10:00

**Registration and coffee**

10:00 – 11:40      **Presentation of ERCST report concept on ‘Border Carbon Adjustments in the EU – Issues and Options’**

- A. Marcu, ERCST
- M. Mehling, ERCST
- A. Cosby, ERCST

This session is an opportunity for the ERCST to explain the concept behind the upcoming “**Border Carbon Adjustments in the EU – Issues and Options**” report.

Immediately after the ERCST presentation, a panel will provide initial reactions before opening the discussion up to the rest of the meeting participants.

Reactions:

- A. Hoe Lim, WTO
- P. Leturcq, Jacques Delors Institute
- G. Zachmann, Bruegel
- J. Cooper, FuelsEurope
- F. Branger, France

*Q&A with all participants to the workshop*

11:40 – 13:00      **Elements of BCA design: mechanism and scope**

- M. Mehling, ERCST

**Topic 1: Type of Mechanism:** How should the ‘carbon border adjustment mechanism’ be implemented? Through a tax or tariff, an extension of the EU ETS, or an alternative mechanism (e.g. performance standards)? Should it only apply to imports, only to exports, or to both?

**Topic 2: Geographic, Sectoral and Emissions Scope:** Who and what should be covered by the mechanism? All countries, or only countries that fail to meet certain criteria (e.g. development level, minimum carbon price, participation in international climate efforts)? Basic commodities only, or also more complex manufactured goods (and in both cases, which)? Direct (Scope 1) emissions only, or also indirect (Scope 2 and 3) emissions?

*For each topic, the speaker will discuss the topics for 10 minutes, followed by a 30-minute roundtable discussion (total 40 minutes per topic).*

13:00 – 14:00      **Lunch**

14:00 – 14:20      **Design and implications of the BCAM**

- V. Hurtado Roa, DG TAXUD

- 14:20 – 16:20      **Elements of BCA design: embedded carbon, methodology, and revenue**
- A. Cosby, ERCST

**Topic 3: Determination of Embedded Carbon:** How should the carbon intensity of products be determined? Based on sectoral/product benchmarks or averages, or based on actual (reported and verified) emissions? If averages/benchmarks are used, which? If averages/benchmarks are used, should foreign producers be allowed to demonstrate actual emissions individually through verified emissions reports?

**Topic 4: Adjustment Methodology:** Should the EU make adjustments to full charges for embedded carbon, to account for climate policies in the exporting jurisdiction? If so, how should that be done? Should it use the difference in explicit carbon price levels between the EU ETS and the foreign jurisdiction? Or the difference in effective carbon rates, taking into account non-price climate mitigation policies? Or should it function like a VAT, which makes no adjustments for taxes paid in the country of export?

**Topic 5: Use of Revenue:** What should revenue be used for? Should revenue collected with the ‘carbon border adjustment mechanism’ be earmarked for investments in the EU, for instance in clean innovation and infrastructure, or transition assistance to vulnerable sectors? Or is it allocated to international climate finance, or otherwise sent outside the EU, for instance through an innovation fund, or in the form of transfers to the affected exporting countries?

*For each topic, the speaker will discuss the topics for 10 minutes, followed by a 30-minute roundtable discussion (total 40 minutes per topic).*

- 16:20 – 17:00      **Elements of BCA design: scenario focus**
- A. Marcu, ERCST

**Topic 6: Scenario Focus:** What should the scenarios ERCST explores in the report focus on?

*For each topic, the speaker will discuss the topic for 10 minutes, followed by a 30-minute roundtable discussion (total 40 minutes).*

- 17:00      **Concluding remarks on next steps and end of the meeting**

## List of participants

Last Name	First Name	Organization
Acworth	William	ICAP
Agostini	Daniele	Enel
Aiello	Adolfo	Eurofer
Anderhuber	Florian	Aurubis
Baienkova	Yelyzaveta	Mission of Ukraine to the EU
Banos de Guisasola	Eva	CEMR
Batier	Renaud	Cerame-Unie
Biedenkopf	Katja	KU Leuven
Bodemer	Andreas	IG Metall Vorstand
Brandon	Esmé	BP
Branger	Frederic	France
Brannvoll	Frank	Cembureau
Centurioni	Marco	Vertis Environmental Finance
Charpentier	Solène	EdF
Chauveau	Philippe	Solvay
Chruszczow	Tomasz	ERCST
Cooper	John	FuelsEurope
Cosbey	Aaron	ERCST
De Clara	Stefano	IETA
De Decker	Patrick	Total
De Filippo	Renato	ENI
De Toffol	Marco	MEP
Debruxelles	Jean- Pierre	FuelsEurope
Despotou	Eleni	European Lime Association
Dybka	Dariusz	ERCST

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European Roundtable on  
Climate Change and  
Sustainable Transition

Eggert	Axel	Eurofer
Fal	Krzysztof	PKEE
Feldman	Anna	VDMA
Friedrich	Angela	BMK
Garcia	Aida	Eurometaux
Gartland	Joshua	WindEurope
Georgiev	Petar	Eurelectric
Gonzalez Alvarez	Marcos	DG CLIMA
Graf	Andreas	Agora Energiewende
Hoe Lim	Aik	WTO
Hurtado Roa	Vicente	DG TAXUD
Idil	Gregory	Vertis Environmental Finance
Jakubik	Maciej	CEEP
Jeekel	Robert-Jan	Arcelormittal
Jungk	Gunnar	thyssenkrupp Steel Group
Kankaanpää	Kari	Fortum
Kardish	Chris	ICAP
Kril	Andrey	MetInvest
Krukowska	Ewa	Bloomberg NEF
Kumar	Sanjeev	Change Partnership
Leturcq	Pierre	Jacques Delors Institute
Leventi	Amélie	AEGIS Europe
López	Juan Fernando	European Lime industry Association
Manigrassi	Emanuele	European Aluminium
Marcu	Andrei	ERCST
Massi	Simone	Confindustria
Mehling	Michael	ERCST
Mei	Martina	AEGIS Europe
Morazzo	Mariano	Enel
Nante	Francesca	ENI
O'Connor	Bernard	NCTM Law Firm

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European Roundtable on  
Climate Change and  
Sustainable Transition

O'Donoghue	Cillian	Eurometaux
Orii	Sunao	Japan
Pacevičiūtė	Irma	Equinor Energy
Paruch	Weronika	PKEE
Quick	Reinhard	University of Saarland
Richard-Morin	Justine	AFEP
Rosenmayr	Clemens	Eurochambres
Strandvåg Nagell	Lina	Bellona
Szkutnik-Wolszczak	Aleksandra	KGHM
Thompson	Bill	BP
Van Asselt	Harro	University of Eastern Finland
Van der Meer	Rob	HeidelbergCement
Van Dessel	Michiel	ExxonMobil
van Iterson	Rannveig	European Climate Foundation
Van Regemorter	Johan	Solvay
Voss	Philipp	Germany
Waciega	Kamila	Veolia
Weinreich	Dirk	Germany
Wendolowski	Michal	Fertilizers Europe
Wilczynski	Eric	ERCST
Zachmann	Georg	Bruegel
Zirkel	Alexandra	DEHSt/UBA