

ERCST Stakeholders event on Border Carbon Adjustments

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Border carbon adjustments mechanism

Frédéric Branger

Deputy Head of the carbon markets unit

DGEC

French Ministry for the ecologic and inclusive transition



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General context

- France supports
 - Climate neutrality by 2050 in the EU
 - Enhancing the 2030 emissions reduction target
 - Border Carbon Adjustments to help decarbonizing industry through robust carbon pricing
- **BCAs purpose is to limit carbon leakage and reduce EU carbon footprint**
- It can be compatible with WTO rules because it consists in pricing emissions entering the EU at the same level as products from the EU
- Free allowances is not efficient enough for the path to carbon neutrality:
 - Imperfect leakage protection as cap is decreasing to zero
 - Incomplete pass-through of carbon costs into carbon intensive products
- BCAs would be more efficient and could replace it gradually



What BCAs could look like (not a formal French position)

A concrete proposal for a BCAs mechanism could be built around the following 6 principles :

1. Start with pilot sectors
2. Implement a ETS mirror scheme / not a tax scheme
3. Provide a default value for the carbon adjustment level and ensure robust control
4. Plan a transition phase to gradually decrease free allocation
5. Consider compensation measures for the competitiveness of exports and downstream sectors
6. Take into account third countries specificities