



Europe
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Thinking Europe

A European Border Carbon Adjustment proposal

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PUBLICATIONS

GT1 – How to green the EU trade policy?, Jacques Delors Institute, Policy paper, July 2019

GT2 – The Economics of Trade and the Environment, Jacques Delors Institute, Policy paper, December 2019

→ 3 JUNE 2020: GT3 – A European Border Carbon Adjustment proposal, Europe Jacques Delors, Policy paper, June 2020

Among the other measures, the following will be developed in our next publications:

GT4 - Stronger provisions to ensure the respect of environment in trade agreements (bilateral, multilateral, WTO)

GT5 - Better use of EU's market powers: environmental norms and standards ; Eco-labelling ; Due diligence obligations for businesses

TIME TO GREEN EU TRADE POLICY: BUT HOW?



“Is trade bad for the environment?” is the simple question that was asked on July 11 to the 110 young professionals and students coming from 25 member States, who were participating to the Budapest European Agora. 40% of them answered yes. 37% answered no and 23% admitted they do not know. These results highlight the complexity of this relation. Time has come to democratise this debate and to put concrete solutions on the table.

This is all the more necessary that the 2019 elections have resulted in a rebalancing of political forces at the European Parliament which will necessitate to review the trade environment nexus at EU level for several reasons:

- environment protection featured prominently among the political signals sent by the voters;
- it is, by essence, a global public good issue, better dealt with at EU level;



IV. FUNDAMENTAL CHARACTERISTICS AND MODALITIES FOR IMPLEMENTATION

A. A parallel system aligned with EU ETS

- EU ETS : Currently €25-30 – should reach €52/tonne in 2030 if the new target is a 50% reduction in emissions compared to 1990 levels and €76 in 2030 with a target of 55% reduction (Centre for Climate and Energy Analyses) + Implementation of a CO2 Floor Price under ETS
- **Modalities** : Indexation of the import quota (tonne) price to the domestic tonne price in the EU ETS the **day before the product enters the territory** (non-discrimination + transparency)

B. Targeted launch on pilot products

- Starting with cement and electricity
- **Benchmark** : EU average CO2 intensity during production



IV. FUNDAMENTAL CHARACTERISTICS AND MODALITIES FOR IMPLEMENTATION

C. Nature and use of the levy

- Comparable to a custom duty → EU own resource
- Resources partly assigned to 2 objectives
 - 1) Financing of an independent agency responsible for assessing CO₂ content of imported products
 - 2) Creation of an energy transition financing fund for the least developed countries



IV. FUNDAMENTAL CHARACTERISTICS AND MODALITIES FOR IMPLEMENTATION

D. Fairness ensured by an independent agency

Characteristics

- independent
 - under EU law
 - open to non-European experts
 - notification to WTO (committee on trade and environment and TBT committee)
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- Determining the **outstanding balance for access to EU market** depending on the **level of domestic CO2 pricing**



IV. FUNDAMENTAL CHARACTERISTICS AND MODALITIES FOR IMPLEMENTATION

E. Phasing out free allowances

- **Goal** : avoiding trade distortions
- **Simultaneity** of BCA implementation and free allowances suppression
- **Overall lack of free allowances?** European industries can be expected to argue for the continuation of some



F. A (2 years) "test" period for negotiations and necessary exemptions





One among other external and internal measures

Among these measures, the following will be developed in our next publications:

- Stronger provisions to ensure the respect of environment in trade agreements (bilateral, multilateral, WTO)
- Better use of EU's market powers:
 - environmental norms and standards
 - Eco-labelling
 - Due diligence obligations for businesses



- A. A parallel system aligned with EU ETS
- B. Targeted launch on pilot products : electricity and cement
- C. Nature and use of the levy (not a tax)
- D. Fairness ensured by an independant agency
- E. Phasing out free allowances
- F. A (2 years) "test" period for negotiations and necessary exemptions