

Mexico-EU Town Hall on Carbon Border Adjustments

VDA | Verband der
Automobilindustrie

Berlin, August 27th, 2020

Angela Mans, Head of Foreign Trade and International Relations, VDA (German Association of the Automotive Industry)



1. Carbon Border Adjustments – what for?

What are the motivations behind the measure?

CBAM is planned to be a levy which probably will be applied on selected imports that cause emissions during their production abroad and are subject to lower environmental standards than in the EU.

However, intentions of a CO₂ measure are diverse
The COM mentions in discussions, as well as in publications, different advantages of this measure



... lead to the avoidance of "carbon leakage" effects and thus compensate for competitive disadvantages of European companies.



... have policy effects on EU-members and other countries for more climate protection through a de facto CO₂ pricing at the border.



...have an effect as a fiscal policy instrument. According to its own statements, the COM speaks of revenues of between 5 and 14 billion euros per year.

2. VDA Position on Carbon Border Adjustment

Current political status, evaluation and unanswered questions

Position

VDA position on a carbon border adjustment mechanism

Introduction

Ursula von der Leyen, the new President of the European Commission, already introduced the notion of creating a carbon border adjustment mechanism (CBAM) as part of the "European Green Deal" when she made her first major speech to the European Parliament. The idea is to impose a charge initially on selected imports that generate emissions during their production in other countries, but are subject to lower environmental standards there than those in the EU. This should compensate for what is known as "carbon leakage" (i.e. outsourcing economic activity to avoid higher environmental standards) and competitive disadvantages for European companies resulting from stricter CO₂ requirements and higher prices of CO₂ (by global comparison).

This initiative is closely tied to carbon pricing within the EU, which for some sectors has until now been regulated through the EU's emissions trading system (ETS) and to a certain extent by the EU Energy Taxation Directive. Discussion is ongoing of the proposal to expand this carbon pricing to include more sectors and to simultaneously reinforce the carbon price signal. A carbon border adjustment mechanism would apply to imports into the EU.

For all these reasons, it is now up to the EU to initiate measures, according to the European Commission in its explanatory notes to the first impact assessment.

According to the European Commission, the options for such a measure could include:

- a carbon tax on selected products – both on imported and on domestically produced goods,
- a new CO₂ customs duty or a tax on imports,
- or extending the EU emissions trading system to include imports.

The aim of having an adjustment mechanism at the EU's external borders is to link climate protection with maintaining competitiveness and thus to safeguard the competitiveness of the European economy in view of the higher environmental standards in the EU.



[Download](#)

3. Evaluation

Criteria: A Carbon Border Measure...



...should be discussed and coordinated internationally to avoid potential negative reactions from our trading partners and other trade conflicts



...should genuinely realize a CO2 reduction potential



...must not distort international trade or investment



...should conform to the rules and requirements of the WTO and the EU's international trade agreements



...must not discriminate against or favor any party



...should take into consideration the possibility that strict CO2 requirements in the EU will put exports from companies located in the EU at a disadvantage on price

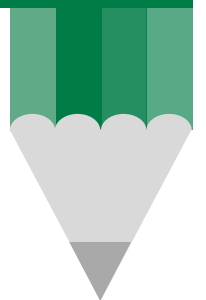


...must not lead to additional burdens on business



...should not be introduced without examination of alternatives such as an international trading system of CO2 certificates

VDA welcomes an open discussion with our international trading and investment partners!



4. Unanswered questions

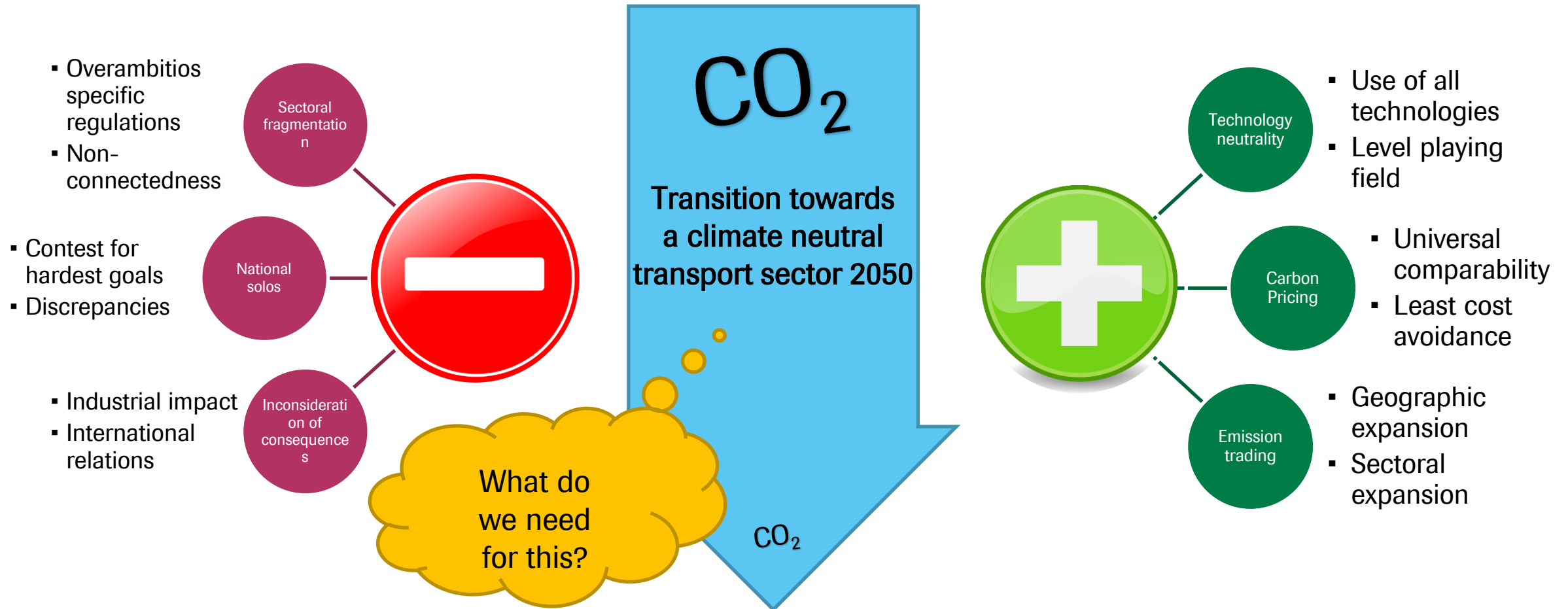
Examples for questions that are awaiting clarification

1. Comparable options?
2. All emissions or only CO2?
3. Which sectors and products?
4. Link of carbon border with the carbon leakage list in accordance with the ETS Directive?
5. Amount of the levy?
6. Primary purpose of the mechanism?
7. Is it an obstacle to imports?
8. Compatibility with existing FTAs?
9. Compatibility with WTO regulations?
10. Responsibility for CO2-verification?
11. Application pro rata e.g. to the steel used in a vehicle?
12. Respecting environment-policy of other countries?
13. Countermeasures expected?
14. Are there Export rebates?
15. How are different stages in fulfilling Paris treated?



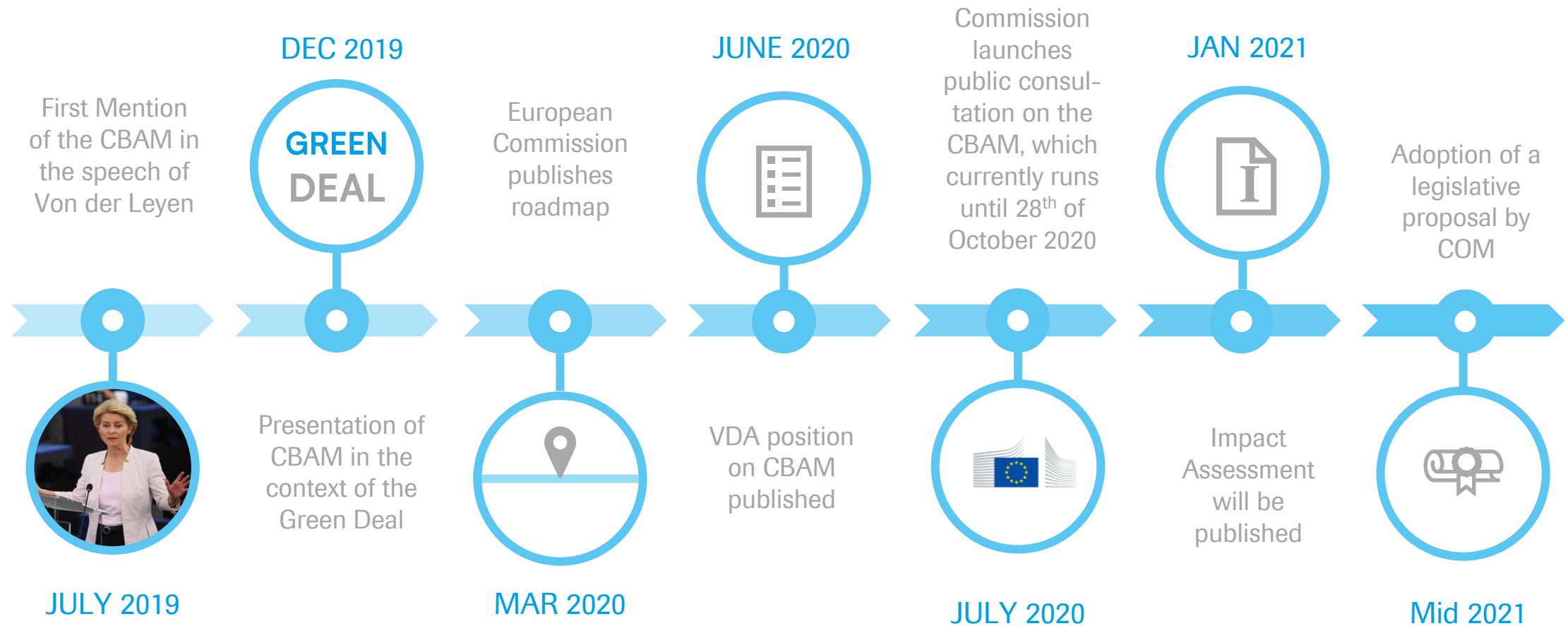
5. VDA's opinion on worldwide climate protection strategy

Policy measures which should be expanded/minimised to attain the 2050 goal



6. Timeline CBAM

Timeline for EU-COM steps and VDA-activities



Thank you for your interest....

Contact Details

Angela Mans

Head of Foreign Trade and International Relations | Economic, Trade and Climate Protection Policy,
Coordination of European Affairs
German Association of the Automotive Industry e.V. (VDA)
Behrenstr. 35 | 10117 Berlin

Phone: +49 30 897842 352 | Mail: angela.mans@vda.de

VDA | www.vda.de | [LinkedIn](#) | [Twitter](#) | [YouTube](#)

IAA | www.iaa.de | [Facebook](#) | [LinkedIn](#) | [Twitter](#) | [YouTube](#)

VDA | Verband der
Automobilindustrie