DECLARATION

CALLING ON THE EU TO DIRECT REVENUES FROM THE CBAM TOWARDS INTERNATIONAL CLIMATE FINANCE

We, the undersigned, urge the European Union (EU) and its institutions to direct revenues from the EU Carbon Border Adjustment Mechanism (CBAM) towards international climate finance to:

(i) provide funding to developing countries most affected by, and least able to adapt to, the demands of CBAM; and

(ii) to promote the effective implementation of the Paris agreement, namely Articles 2, 4 and 9.

There is a strong case to adopt this approach including:

- The principle that while unilateral actions may be necessary to show leadership in a climate emergency, they must be accompanied by measures to account for their impacts in affected trading partners, especially developing countries most affected by, and least able to adapt to, the demands of CBAM
- This will signal to the international community that the CBAM is not a protectionist measure, but an environmental one.
- Using revenues to finance mitigation actions by those that pay for the CBAM will make a strong statement in that direction and make a stronger case for WTO compliance.
- In the same way that revenues from the EU ETS should be mainly directed towards financing climate action within the EU, revenues from the CBAM, which are paid by foreign companies, should be used for decarbonization purposes in those jurisdictions.
- CBAM originated funds will represent new and additional climate finance flows
- This is perfectly aligned with the Paris Agreement as well as other statements and decisions that the EU has supported:
    - The Council conclusions on Climate and Energy Diplomacy of March 9, 2023, underline that the EU is determined to, among other objectives, increase levels of collective climate finance.

      The Outcome of the First Global Stocktake (Decision 1/CMA.5) highlighted the growing gap between the climate finance needs of developing country Parties (currently estimated at USD 5.8-5.9 trillion for the pre-2030 period).
    - Decision 1/CMA.5 also recalled that: (i) developed country Parties shall provide financial resources to assist developing country Parties with respect to both mitigation and adaptation under the Convention; (ii) as part of a global effort, developed country Parties should continue to take the lead in mobilizing climate finance from a wide variety of sources, instruments and channels, noting the significant role of public funds.
    - The First Global Stocktake also noted with deep regret that the goal of developed Parties to mobilize jointly USD 100 billion per year by 2020 in the context of meaningful mitigation actions and transparency on implementation had not been met in 2021.

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