

Stakeholder reactions to the proposed EU Carbon Border Adjustment Mechanism

INSIGHTS BASED ON ERCST'S SURVEY ON THE EU CBAM PROPOSAL

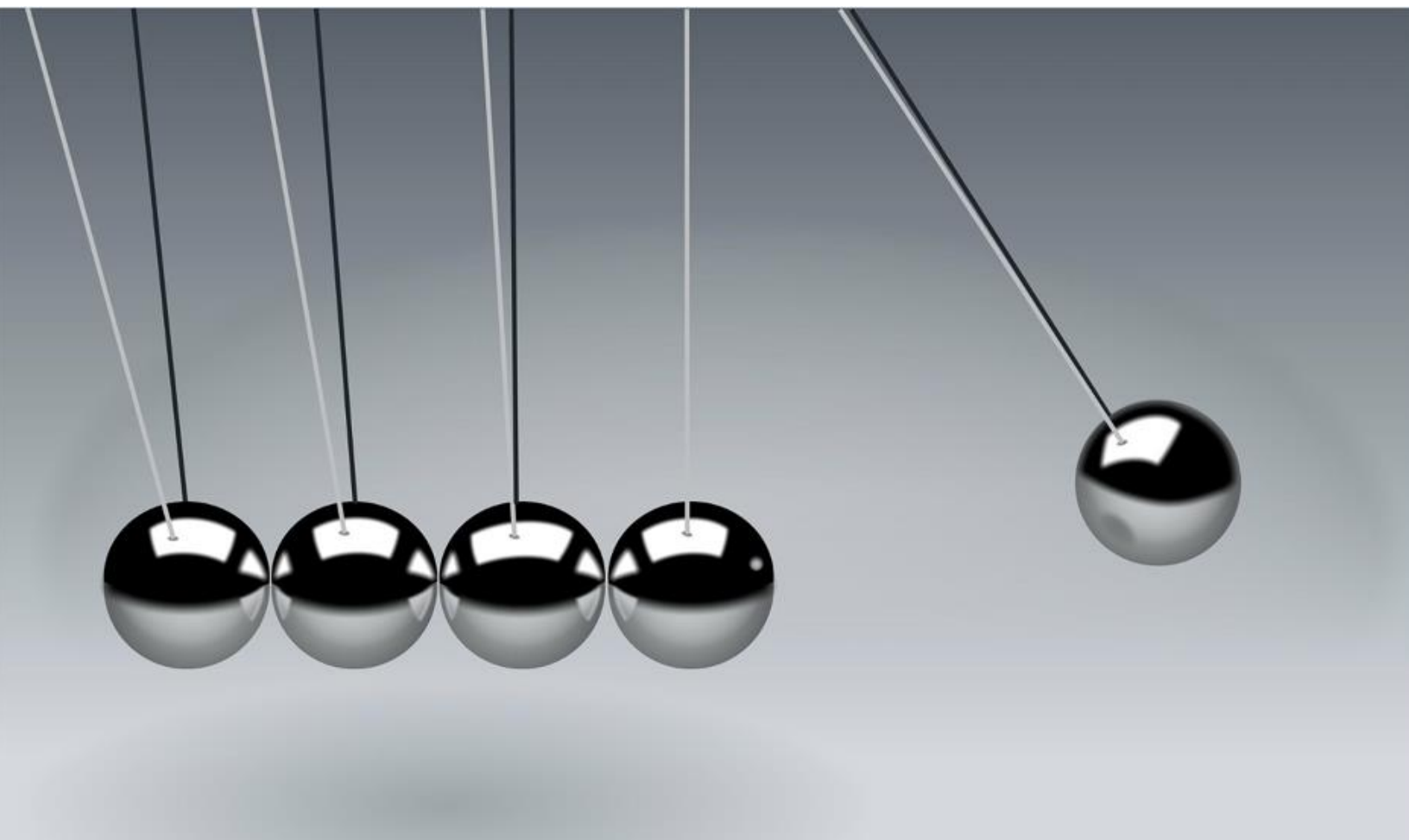


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1 Introduction

The European Roundtable on Climate Change and Sustainable Transition (ERCST) has since 2018 worked extensively on the topic of Border Carbon Adjustments (BCAs), focusing on design options as well as the impacts of a potential EU BCA domestically and on third countries.

As part of its “Fit for 55” climate and energy package, the European Commission (EC) issued a [proposal for a regulation establishing a Carbon Border Adjustment Mechanism \(CBAM\)](#) on 14 July 2021. The mechanism seeks to address the risk of carbon leakage by imposing a carbon price on imports of certain carbon intensive goods from outside the EU.

The proposal puts forward certain choices with respect to the mechanism’s design elements.

ERCST carried out an online survey between 1-20 September 2021 to collect stakeholder reactions to the proposed EU CBAM provisions, and to BCAs more widely (see Appendix 2: Survey questionnaire).

This paper provides a summary of the survey results.

2 Respondents’ profile

A total of 105 respondents participated in the survey. More than half of the respondents (56% of respondents) represented industry, including ‘energy intensive/basic materials industry’ (36% of respondents), ‘producers of more complex goods with high inputs of energy intensive basic materials’ (10% of respondents) and other ‘industry/business’ (10% of respondents). Another 17% of respondents belonged to the category ‘Academia, research, think tank’, 9% to ‘government or policymaker’, 8% to ‘NGO/civil society’, and 10% to ‘Other’. As regards the geographical distribution of respondents, almost two thirds of them (64% of the total) were based either in the EU or in countries participating or linked to the EU ETS. A non-negligible share of responses (27% of the total) comes from third countries, with the remainder (9%) of responses from international organisations.

Figure 1 Country of respondent

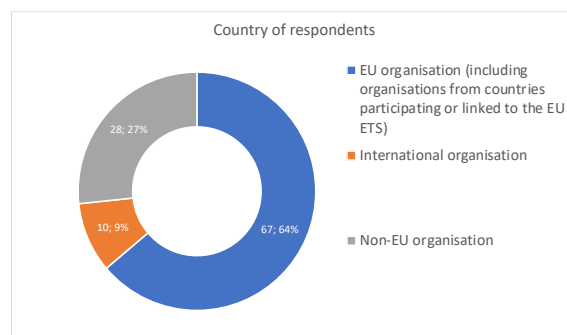


Figure 2 Type of respondents

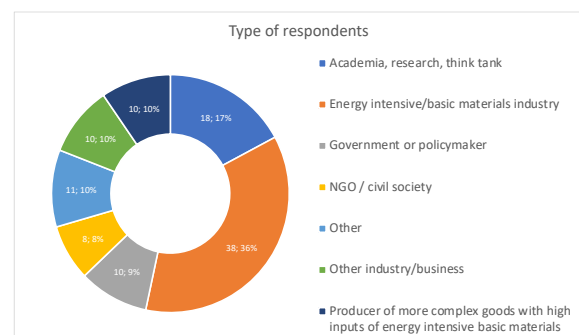
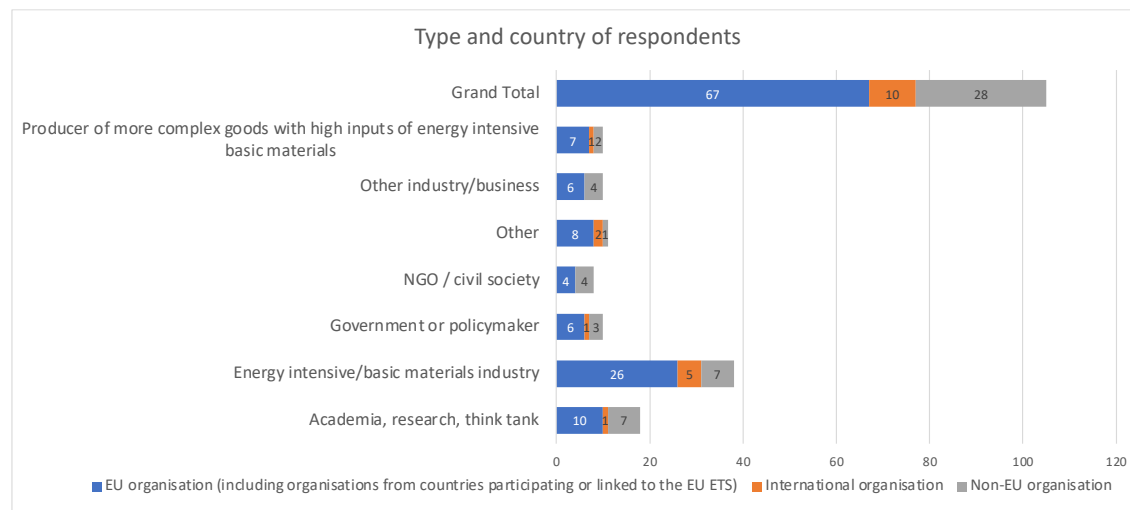


Figure 3 Type and country of respondents



3 Perceptions, impacts and expectations

This section provides insights into how surveyed stakeholders perceive the likely impacts of CBAM and BCAs more widely (section 3.1), the perceived level of ambition of the proposed CBAM (section 3.2), as well as expectations with respect to international reactions to the EU CBAM and potential policy developments (section 3.3).

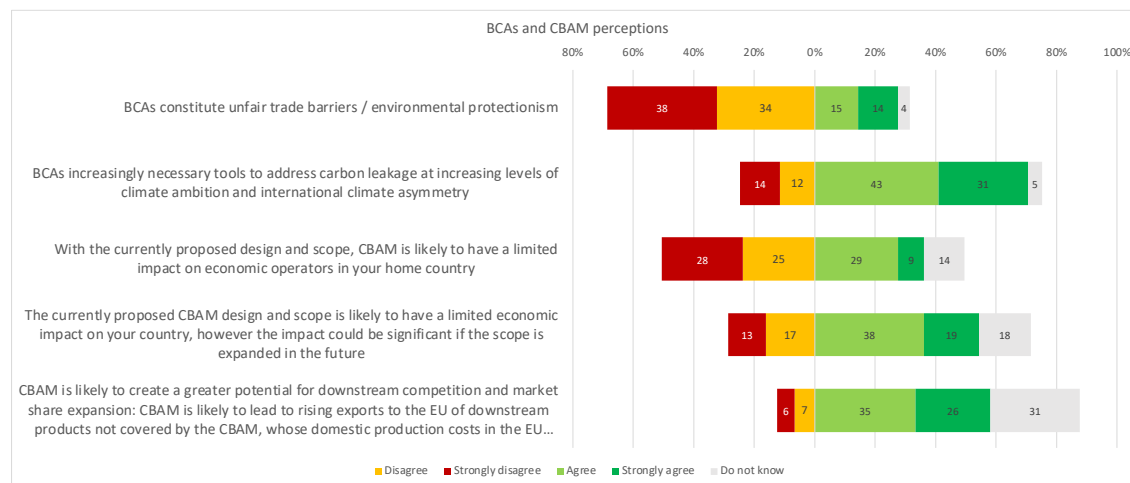
3.1 BCA/CBAM perceptions and potential impacts

Looking at total responses, about 70% of respondents ‘disagreed’ or ‘strongly disagreed’ that ‘*BCAs constitute unfair trade barriers or environmental protectionism*’ (Figure 4). At the same time, an equal share of respondents ‘agreed’ or ‘strongly agreed’ that ‘*BCAs are becoming increasingly necessary tools to address carbon leakage at increasing levels of climate ambition and international climate asymmetry*’.

About 36% of all respondents ‘agreed’ or ‘strongly agreed’ that ‘*the CBAM with the proposed design and scope is likely to have a limited impact on economic operators in their home country*’, with a further ~50% of respondents either ‘disagreeing’ or ‘strongly disagreeing’ with this statement. Similarly, a bit more than 50% of respondents either ‘agreed’ or ‘strongly agreed’ that ‘*although the currently proposed CBAM design and scope is likely to have a limited economic impact on their country, the impact could be significant if the scope is expanded in the future*’.

Close to 60% of all respondents ‘agreed’ or ‘strongly agreed’ that ‘*CBAM is likely to create a greater potential for downstream competition and market share expansion (CBAM is likely to lead to rising exports to the EU of downstream products not covered by the CBAM, whose domestic production costs in the EU increase as a result of the CBAM)*’. A further ~30% of respondents indicated ‘do not know’ as their reply to this question.

Figure 4 BCAs and CBAM perceptions



The perceptions change, when looking only at replies from respondents outside the EU (Figure 5).

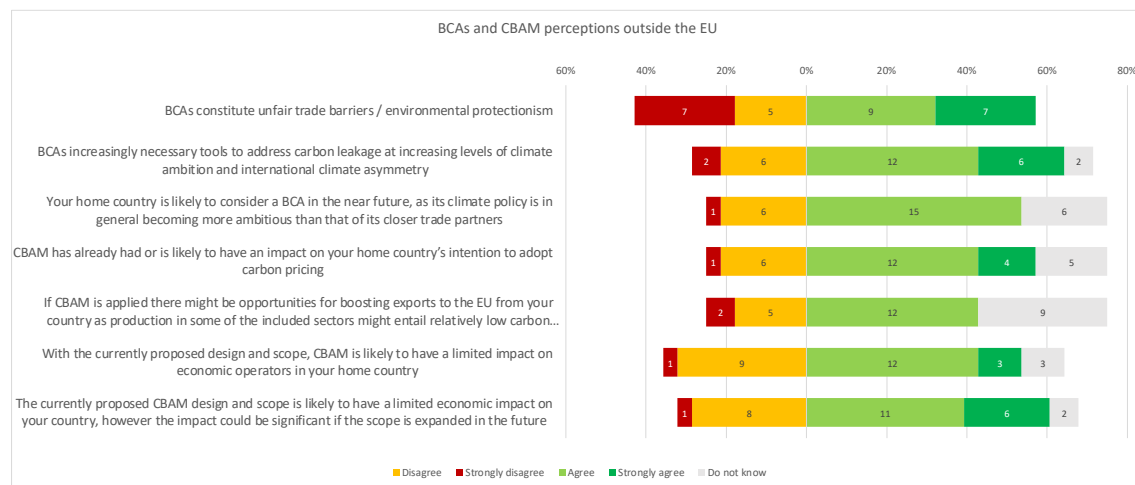
About 57% of respondents from outside the EU ‘agreed’ or ‘strongly agreed’ with the statement that ‘*BCAs constitute unfair trade barriers or environmental protectionism*’. Notwithstanding, close to 65% of respondents outside the EU ‘agreed’ or ‘strongly agreed’ that ‘*BCAs are becoming increasingly necessary tools to address carbon leakage at increasing levels of climate ambition and international climate asymmetry*’.

About 54% of respondents from outside the EU ‘agreed’ with the statement that ‘*their home country is likely to consider a BCA in the near future, as its climate policy is in general becoming more ambitious than that of its closest trade partners*’. Similarly, about 57% of respondents from outside the EU ‘agreed’ or ‘strongly agreed’ with the statement that ‘*CBAM has already had or is likely to have an impact on their home country’s intention to adopt carbon pricing*’.

About 43% of respondents from outside the EU ‘agreed’ with the statement that ‘*if CBAM is applied there might be opportunities for boosting exports to the EU from their country as production in some of the included sectors might entail relatively low carbon intensities compared to other countries exporting to the EU, or compared to EU producers*’. A further 32% of respondents indicated ‘do not know’ as their reply to this question.

About 54% of respondents from outside the EU ‘agreed’ or ‘strongly agreed’ that ‘*the CBAM with the proposed design and scope is likely to have a limited impact on economic operators in their home country*’. Similarly, 61% of respondents from outside the EU either ‘agreed’ or ‘strongly agreed’ with the statement that ‘*although the currently proposed CBAM design and scope is likely to have a limited economic impact on their country, the impact could be significant if the scope is expanded in the future*’.

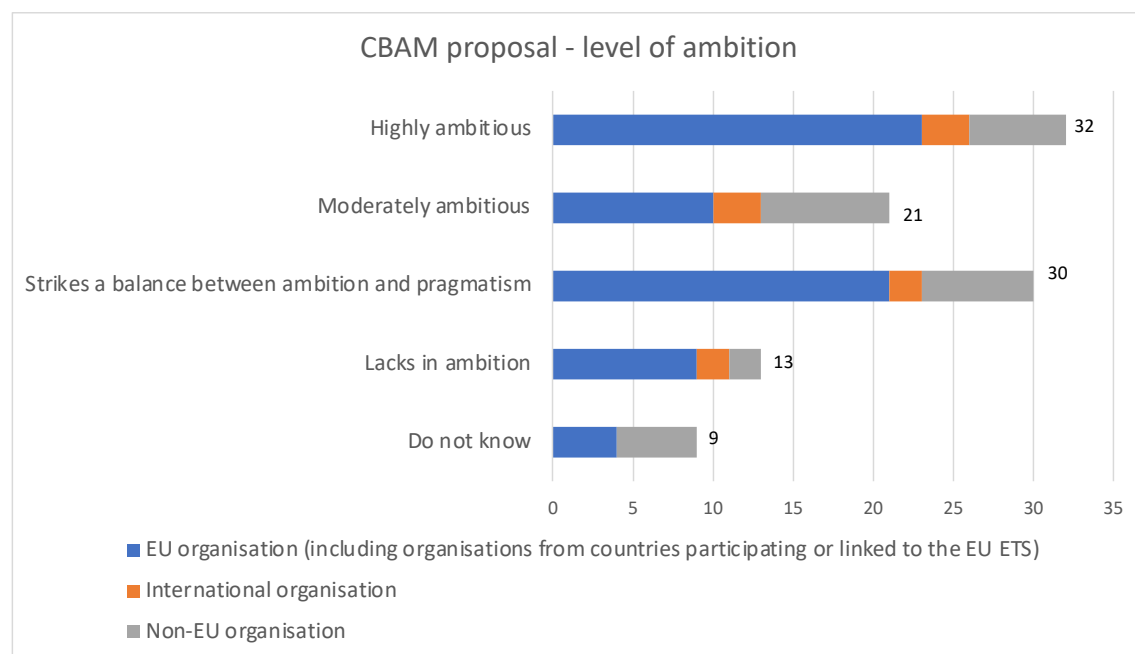
Figure 5 BCAs and CBAM perceptions – respondents from outside the EU



3.2 Level of ambition

Respondents were asked to rate the overall level of ambition of the July 2021 EU CBAM proposal (Figure 6). Thirty-two respondents (~30%) rated it as 'highly ambitious', 21 respondents (20%) as 'moderately ambitious', and 30 respondents (~29%) thought that it 'strikes a balance between ambition and pragmatism'. Thirteen respondents (~12%) thought it 'lacks in ambition' and a further 9 (~9%) indicated 'do not know'.

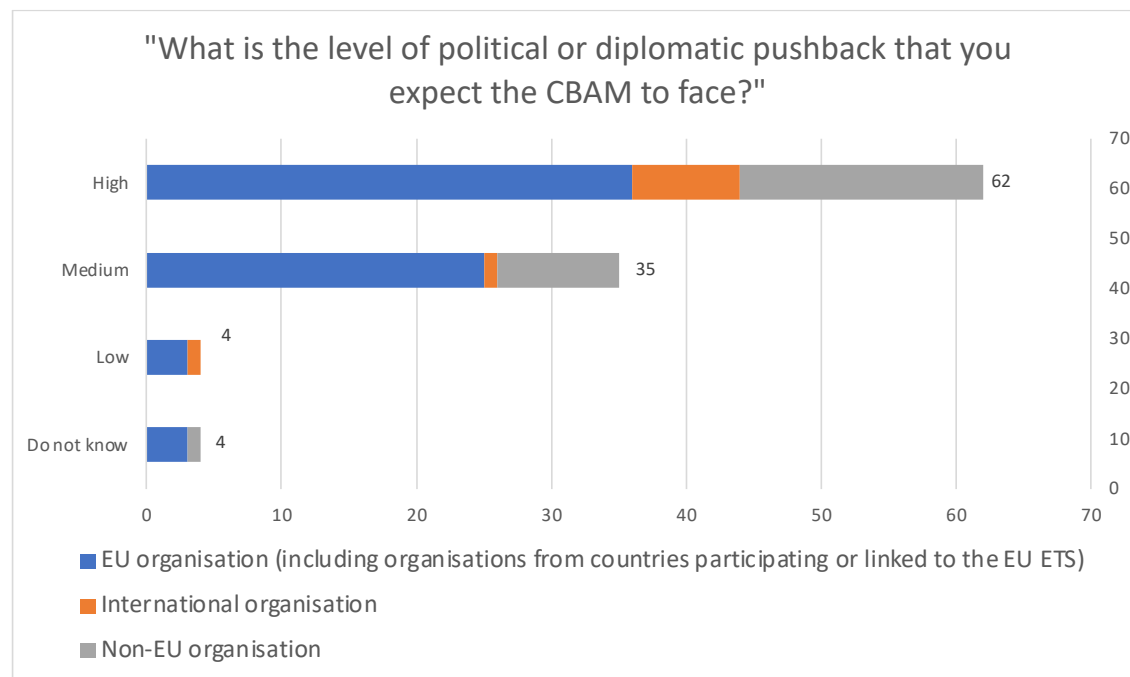
Figure 6 Level of ambition of the CBAM proposal



3.3 Expectations

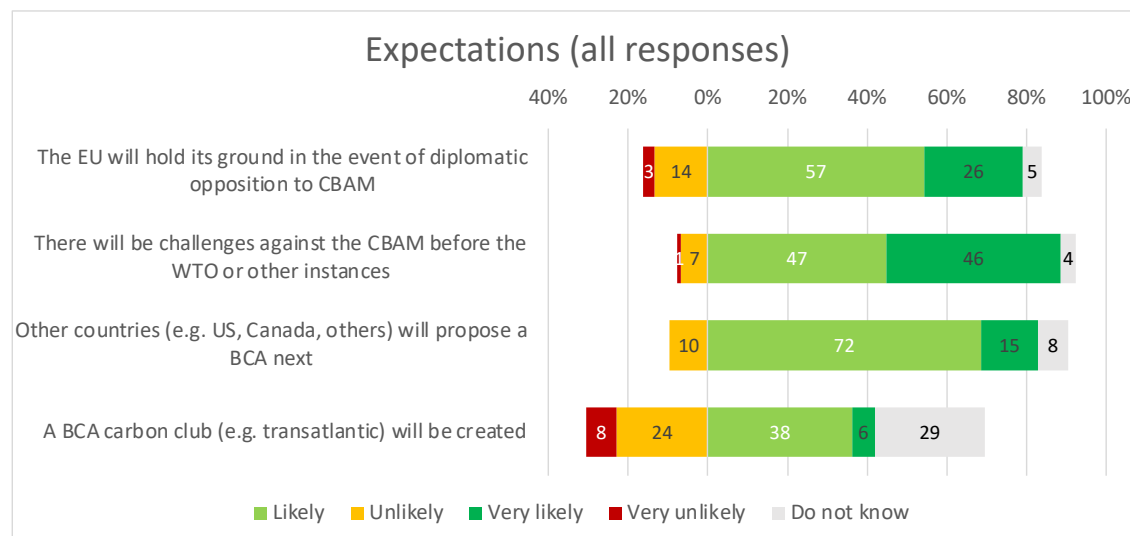
About 92% of respondents expect the CBAM to face either high (59% of total respondents) or medium (33% of total respondents) level of political or diplomatic pushback (Figure 7).

Figure 7 Level of expected pushback on the CBAM



Notwithstanding, close to 80% of respondents expected *'the EU to hold its ground in the event of diplomatic opposition to CBAM'*, and close to 90% that *'CBAM will be challenged before the WTO or other instances'* (Figure 8). More than 80% of respondents thought that other jurisdictions are 'likely' or 'very likely' to follow the EU example and propose a BCA next. Around 42% of respondents thought that a BCA carbon club is 'likely' or 'very likely' to be created, 30% thought that this would be either 'unlikely' or 'very unlikely', and a further 28% indicated 'do not know'.

Figure 8 Expectations with respect to BCAs and the CBAM



4 CBAM design elements

This section provides insights into how survey respondents perceive the proposed design of CBAM for the various key design elements. The following sections (sections 4.1- 4.8) provide a brief overview of the proposed design for each key design element, before presenting the survey results.

4.1 Trade flow coverage

Text box 1 EU CBAM proposed design with respect to trade flow coverage

EU CBAM proposed design

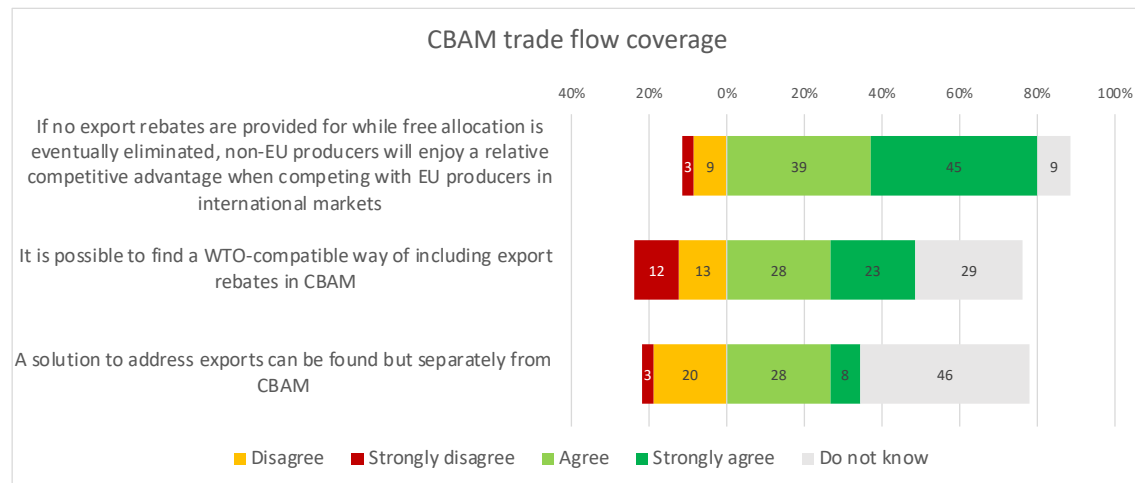
The proposed CBAM covers only imports to the EU, i.e. it aims to adjust for uneven climate policies when foreign goods are imported. It would not provide rebates to EU exporters of covered products, potentially exacerbating leakage risks facing exported EU products sold in foreign markets. At the same time maintaining a declining share of free allocation of EU ETS allowances for both domestically sold and exported European products during the transition phase would temporarily alleviate this risk.

Eighty percent (80%) of the total respondents either ‘agreed’ or ‘strongly agreed’ that ‘*if no export rebates are provided for while free allocation is eventually eliminated, non-EU producers will enjoy a relative competitive advantage when competing with EU producers in international markets*’, while ~11% of total respondents ‘disagreed’ or ‘strongly disagreed’ with the statement (Figure 9).

About 49% of total respondents ‘agreed’ or ‘strongly agreed’ that ‘*it is possible to find a WTO-compatible way of including export rebates in CBAM*’, while ~24% ‘disagreed’ or ‘strongly disagreed’ with the statement and a further ~28% of respondents indicated ‘do not know’ (Figure 9).

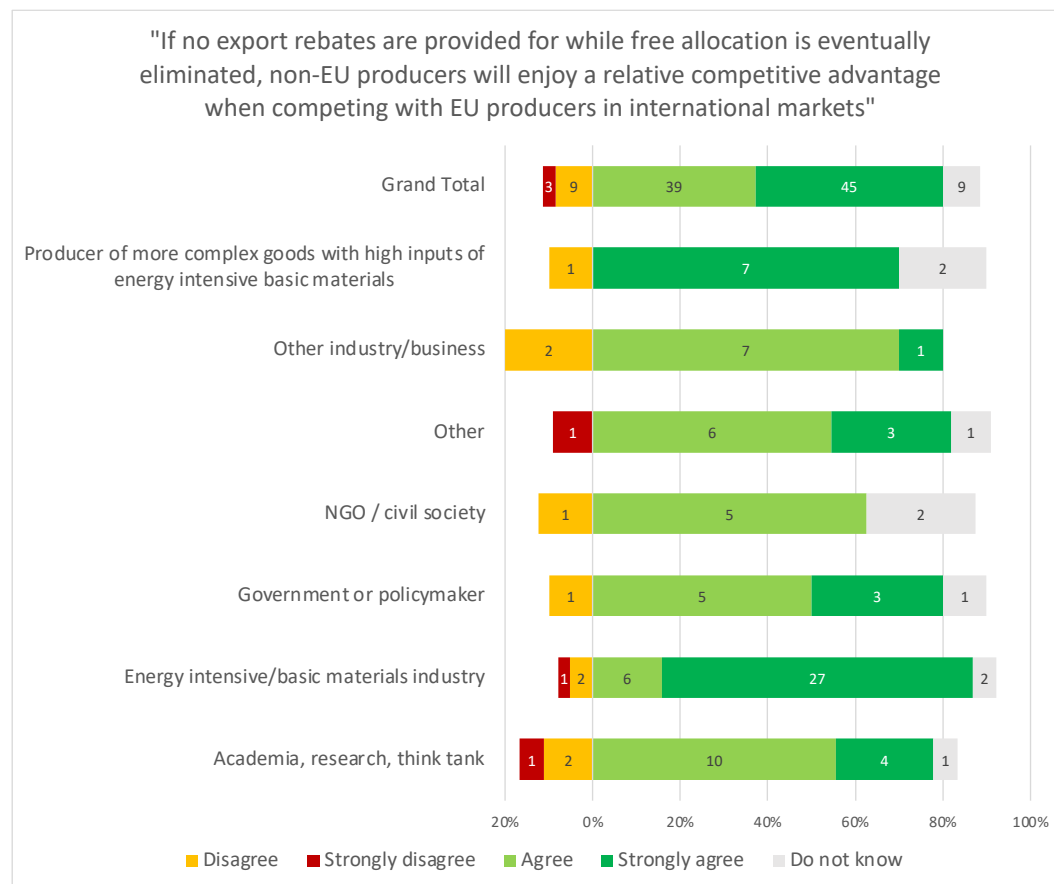
Roughly 34% of total respondents ‘agreed’ or ‘strongly agreed’ that ‘*a solution to address exports can be found but separately from CBAM*’, while ~22% ‘disagreed’ or ‘strongly disagreed’ with the statement and a further ~44% of respondents indicated ‘do not know’ (Figure 9).

Figure 9 CBAM trade flow coverage – all responses



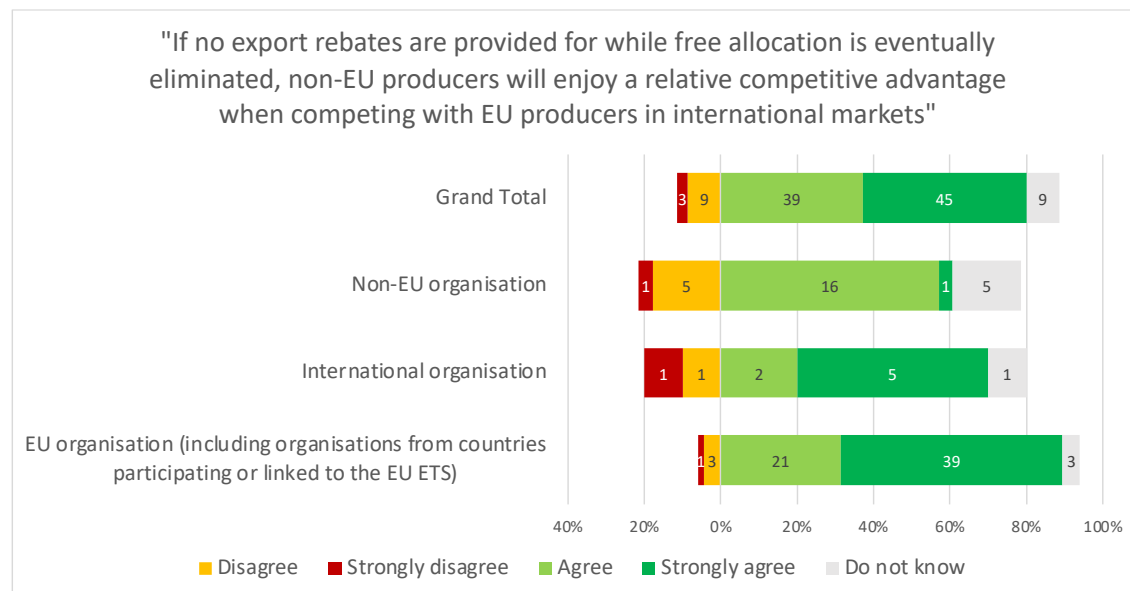
The following two figures provide a breakdown of responses to the first of the above three statements by type of respondent (Figure 10), and their location respectively (Figure 11).

Figure 10 CBAM coverage of exports – responses by type of respondent



Almost 90% of respondents from EU organisations ‘agreed’ or ‘strongly agreed’ that ‘if no export rebates are provided for while free allocation is eventually eliminated, non-EU producers will enjoy a relative competitive advantage when competing with EU producers in international markets’ (Figure 11). The same share amounted to 70% of respondents from international organisations, and 61% of respondents from non-EU organisations.

Figure 11 CBAM coverage of exports –responses by country of respondents



4.2 Policy mechanism

Text box 2 EU CBAM proposed design with respect to the policy mechanism

EU CBAM proposed design

The proposed policy Instrument is a 'notional ETS' without a cap (uncapped pool of CBAM certificates), whereby importers of covered products have to surrender CBAM certificates (priced on the basis of EU ETS allowances) equal to the embedded emissions in their imports.

About 61% of the respondents either 'agreed' or 'strongly agreed' that '*the proposed instrument is the most appropriate, as it is the closest in terms of being equivalent to the carbon pricing instrument applicable to EU producers (EU ETS)*' (Figure 12).

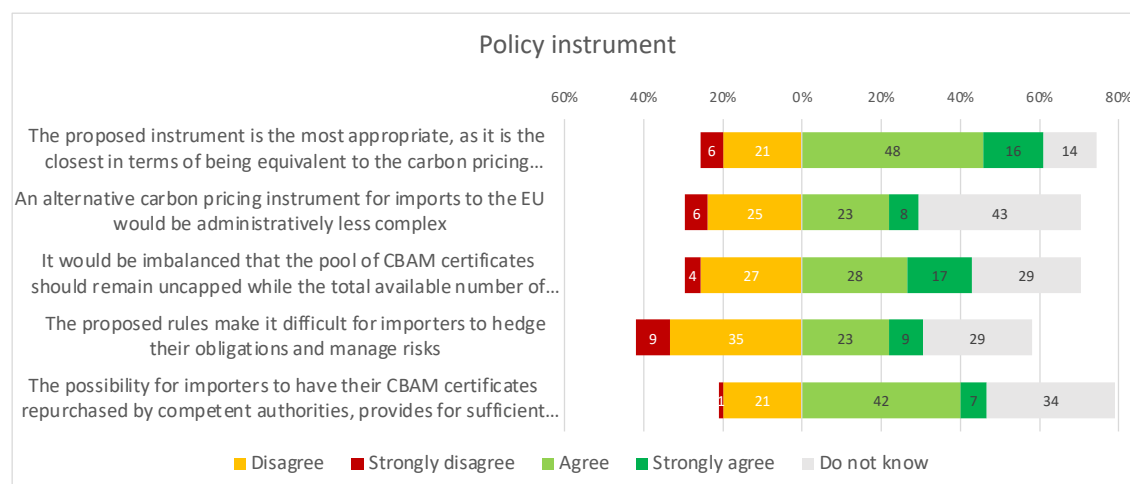
Close to 30% of the respondents either 'agreed' or 'strongly agreed' that '*an alternative carbon pricing instrument for imports to the EU would be administratively less complex*', while an equal share of respondents 'disagreed' or 'strongly disagreed' with this statement. As much as ~41% of respondents indicated 'do not know' as their reply (Figure 12).

Close to 43% of the respondents either 'agreed' or 'strongly agreed' that '*it would be imbalanced that the pool of CBAM certificates should remain uncapped while the total available number of EU allowances in the EU ETS drops*', while ~30% of respondents 'disagreed' or 'strongly disagreed' with this statement, and ~28% replied 'do not know' (Figure 12).

About 30% of the respondents either ‘agreed’ or ‘strongly agreed’ that *‘the proposed rules make it difficult for importers to hedge their obligations and manage risks’*, ~42% of respondents ‘disagreed’ or ‘strongly disagreed’ with this statement and ~28% replied ‘do not know’ (Figure 12).

About 47% of the respondents either ‘agreed’ or ‘strongly agreed’ that *‘the possibility for importers to have their CBAM certificates repurchased by competent authorities, provides for sufficient hedging possibilities’*, ~21% of respondents ‘disagreed’ or ‘strongly disagreed’ with this statement and ~32% replied ‘do not know’ (Figure 12).

Figure 12 CBAM policy instrument



4.3 Geographical scope

Text box 3 EU CBAM proposed design with respect to geographical scope

EU CBAM proposed design

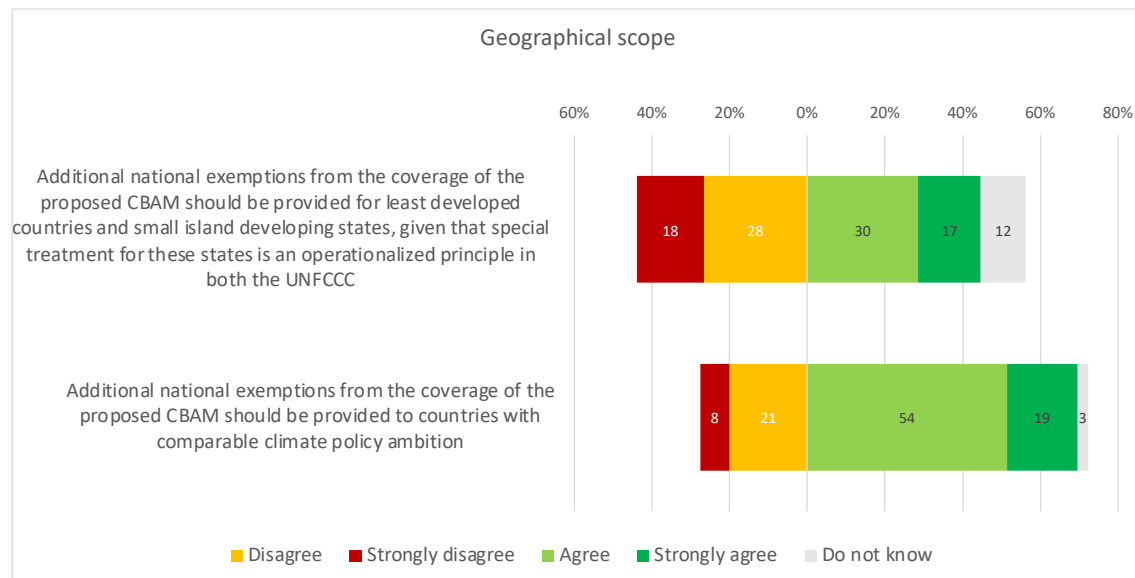
Countries that are part of or linked to the EU ETS (currently Iceland, Liechtenstein, Norway and Switzerland) are exempted from the CBAM scope. Some special territories of the EU are also exempted. Additional exemptions may be provided for imports of electricity from countries that fulfill certain conditions.

Views were split with respect to whether *‘additional national exemptions from the coverage of the proposed CBAM should be provided for least developed countries and small island developing states, given that special treatment for these states is an operationalized principle in both the UNFCCC’*, with ~45% of the respondents either ‘agreeing’ or ‘strongly agreeing’ with this statement and a further ~44% ‘disagreeing’ or ‘strongly disagreeing’ (Figure 13).

In contrast, ~70% of respondents ‘agreed’ or ‘strongly agreed’ with the statement that ‘additional national exemptions from the coverage of the proposed CBAM should be provided to countries with comparable

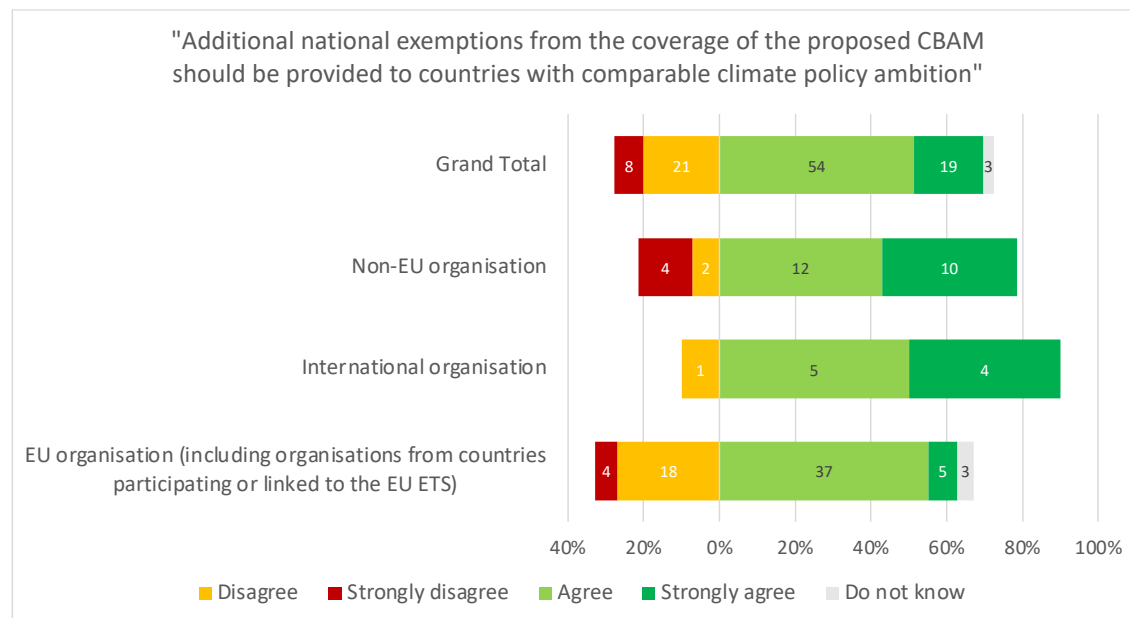
climate policy ambition', while ~28% of respondents 'disagreed' or 'strongly disagreed' with the statement (Figure 13).

Figure 13 CBAM geographical scope



The following figure provides a breakdown of replies to the second of the above two statements by location of respondents (Figure 14). From it, it can be inferred that 90% of respondents from international organisations, ~79% of respondents from non-EU organisations and ~63% of respondents from EU organisations respectively 'agreed' or 'strongly agreed' with the statement that '*additional national exemptions from the coverage of the proposed CBAM should be provided to countries with comparable climate policy ambition*'.

Figure 14 CBAM geographical scope exemptions – by country of respondents



4.4 Sectoral scope

Text box 4 EU CBAM proposed design with respect to sectoral scope

EU CBAM proposed design

Five sectors are to be covered initially: cement, steel, electricity, aluminium, fertilizers. Covered products within these sectors include both 'simple' goods (i.e. primary materials) and some more 'complex' goods (i.e. semi-manufactured goods that use primary materials as inputs).

About 73% of respondents either 'agreed' or 'strongly agreed' that '*the initial sector scope is appropriate as it covers some of the most emissions intensive sectors and products, before CBAM is expanded after its viability has been proven*', while ~22% of respondents 'disagreed' or 'strongly disagreed' with this statement, and ~5% replied 'do not know' (Figure 15).

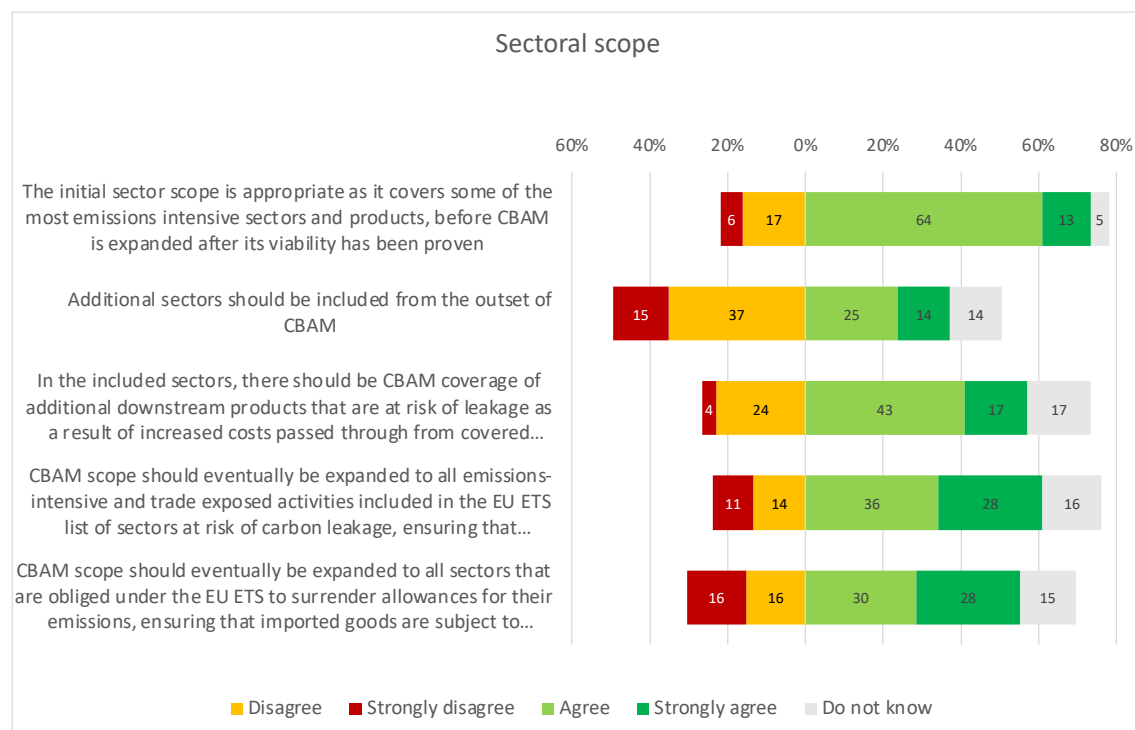
At the same time, ~50% of respondents 'disagreed' or 'strongly disagreed' with the statement that '*additional sectors should be included from the outset of CBAM*', while 37% of respondents either 'agreed' or 'strongly agreed' with this statement, and ~5% replied 'do not know' (Figure 15).

Notwithstanding, ~57% of respondents either 'agreed' or 'strongly agreed' with this statement that '*in the included sectors, there should be CBAM coverage of additional downstream products that are at risk of leakage as a result of increased costs passed through from covered upstream inputs*', while 27% of respondents either 'disagreed' or 'strongly disagreed' with this statement, and ~16% replied 'do not know' (Figure 15).

About 61% of respondents either ‘agreed’ or ‘strongly agreed’ with the statement that ‘*CBAM scope should eventually be expanded to all emissions-intensive and trade exposed activities included in the EU ETS list of sectors at risk of carbon leakage, ensuring that imported goods are subject to similar requirements*’. A further 24% of respondents either ‘disagreed’ or ‘strongly disagreed’ with the above statement, and ~15% replied ‘do not know’ (Figure 15).

Finally, ~55% of respondents either ‘agreed’ or ‘strongly agreed’ with the statement that ‘*CBAM scope should eventually be expanded to all sectors that are obliged under the EU ETS to surrender allowances for their emissions, ensuring that imported goods are subject to similar requirements*’, while 30% of respondents either ‘disagreed’ or ‘strongly disagreed’ with this statement, and ~14% replied ‘do not know’ (Figure 15).

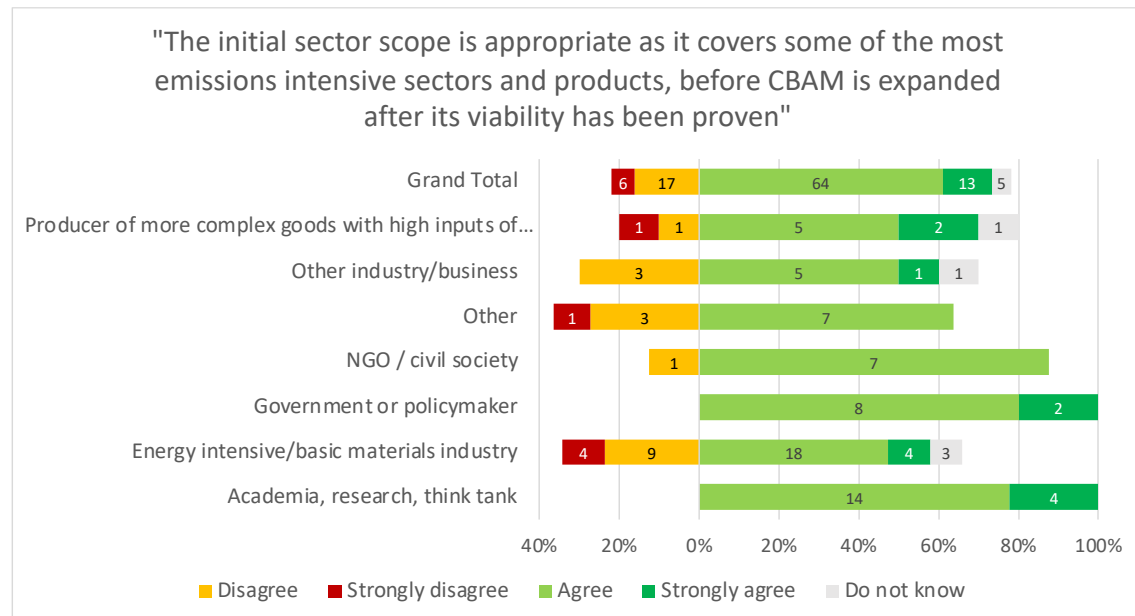
Figure 15 CBAM sectoral scope



The following figure provides a breakdown of replies to the first of the above statements by type of respondents (Figure 16). From it, it can be inferred that 100% of respondents from academia, research, and think tanks, as well as government representatives and policymakers ‘agreed’ or ‘strongly agreed’ with the statement that ‘*the initial sector scope is appropriate as it covers some of the most emissions intensive sectors and products, before CBAM is expanded after its viability has been proven*’. About 88% of respondents from NGOs / civil society ‘agreed’ with the above statement and 12% ‘disagreed’. About 70% of respondents from producers of more complex goods with high inputs of energy intensive basic materials ‘agreed’ or ‘strongly agreed’ with the statement, 20% of them ‘disagreed’ or ‘strongly

disagreed', and 10% indicated 'do not know'. About 58% of respondents from energy intensive/basic materials industry 'agreed' or 'strongly agreed' with the above statement, 34% of them 'disagreed' or 'strongly disagreed', and 8% indicated 'do not know'.

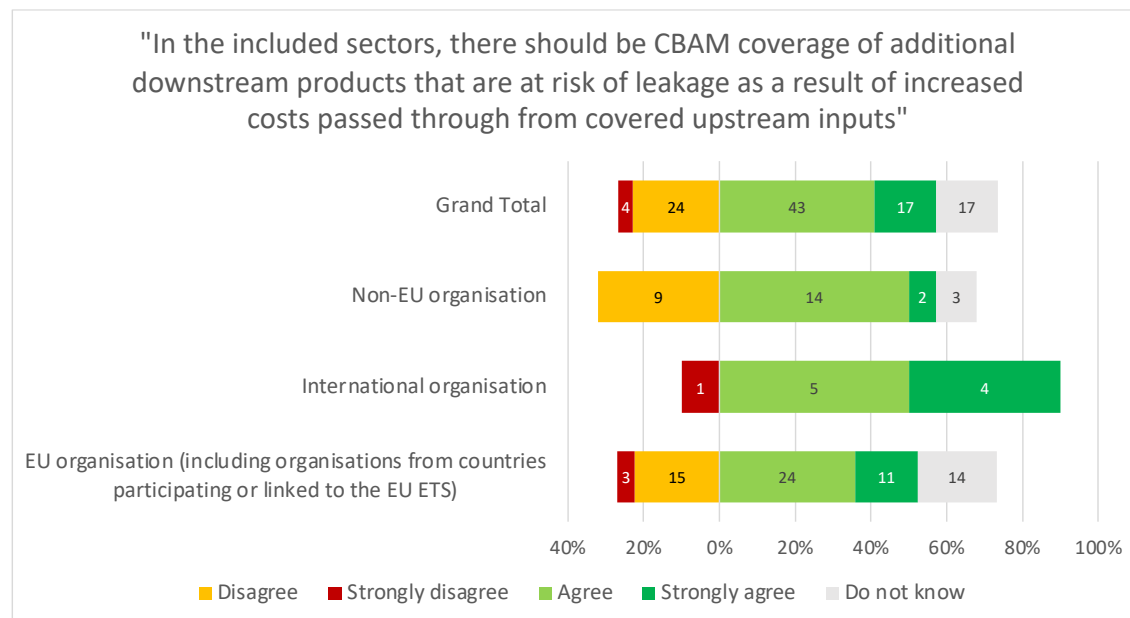
Figure 16 CBAM initial sector scope – by type of respondents



The following two figures provide a breakdown of replies to the third of the above statements by location and type of respondents (Figure 17 and Figure 18).

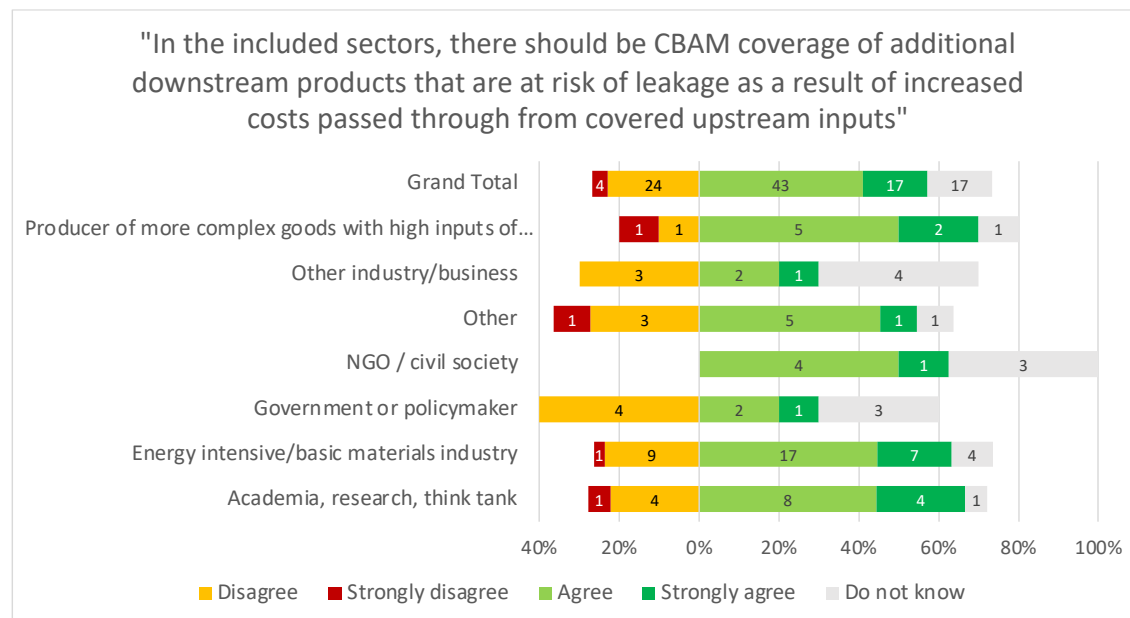
From Figure 17, it can be inferred that 90% of respondents from international organisations, ~59% of respondents from non-EU organisations and ~52% of respondents from EU organisations respectively 'agreed' or 'strongly agreed' with the statement that '*in the included sectors, there should be CBAM coverage of additional downstream products that are at risk of leakage as a result of increased costs passed through from covered upstream inputs*' (Figure 17).

Figure 17 CBAM coverage of downstream products – by country of respondents



From Figure 18, it can be inferred that 70% of respondents from producers of more complex goods with high inputs of energy intensive basic materials ‘agreed’ or ‘strongly agreed’ with the statement that *‘in the included sectors, there should be CBAM coverage of additional downstream products that are at risk of leakage as a result of increased costs passed through from covered upstream inputs’*. About two thirds (67%) of respondents from academia, research, and think tanks, ~63% of respondents from NGOs / civil society, and ~63% of respondents from energy intensive/basic materials industry also ‘agreed’ or ‘strongly agreed’ with the above statement. Forty percent (40%) of responses from government representatives and policymakers ‘disagreed’ with the statement, 30% either ‘agreed’ or ‘strongly agreed’, and another 30% indicated ‘do not know’.

Figure 18 CBAM coverage of downstream products – by type of respondents



4.5 Emissions scope

Text box 5 EU CBAM proposed design with respect to emissions scope

EU CBAM proposed design

Only direct emissions are covered initially, including direct emissions attributed to covered goods (Scope 1) and those embedded in input goods deemed to be within the system boundaries of the production process (part of Scope 3). Indirect emissions from electricity (Scope 2) are not covered, though a review will make recommendations in 2026 on whether to include these going forward.

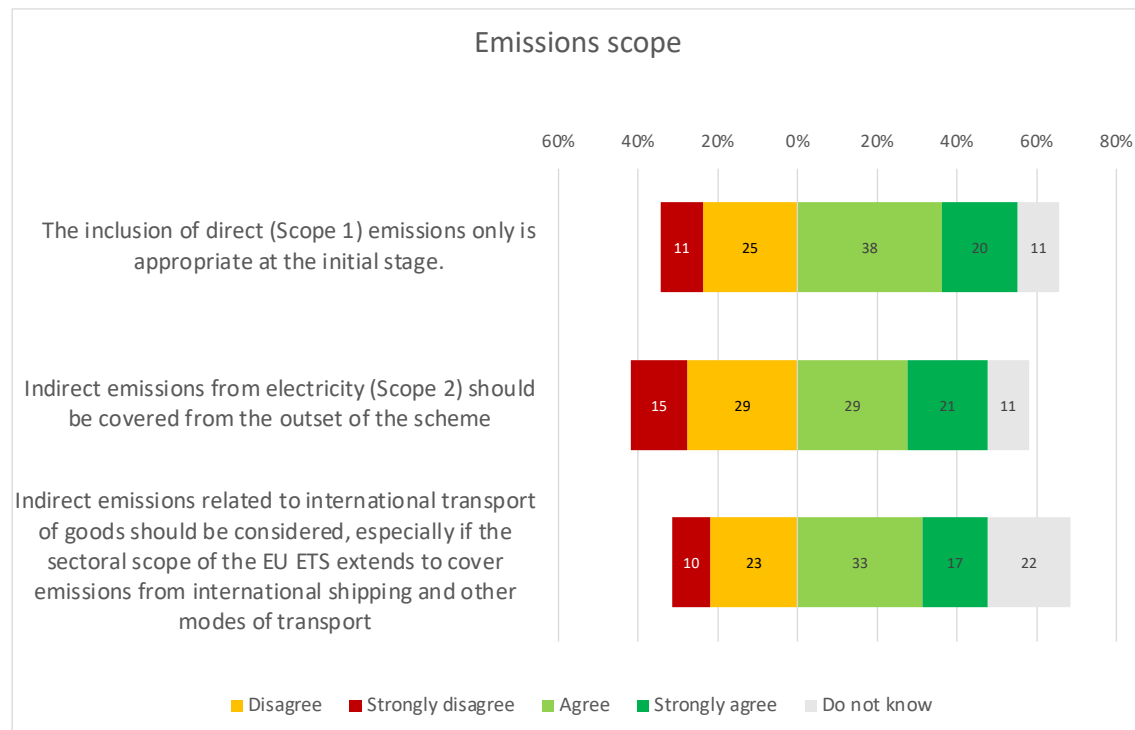
Fifty-five percent (55%) of the total respondents either 'agreed' or 'strongly agreed' with the statement that *'the inclusion of direct (Scope 1) emissions only is appropriate at the initial stage'*, while ~34% of total respondents 'disagreed' or 'strongly disagreed' with the statement, and ~10% of respondents indicated 'do not know' (Figure 19).

About 48% of total respondents 'agreed' or 'strongly agreed' that *'indirect emissions from electricity (Scope 2) should be covered from the outset of the scheme'*, while ~42% 'disagreed' or 'strongly disagreed' with the statement and a further ~10% of respondents indicated 'do not know' (Figure 19).

About 48% of total respondents 'agreed' or 'strongly agreed' that *'indirect emissions related to international transport of goods should be considered, especially if the sectoral scope of the EU ETS extends to cover emissions from international shipping and other modes of transport'*, while ~31%

‘disagreed’ or ‘strongly disagreed’ with the statement and a further ~21% of respondents indicated ‘do not know’ (Figure 19).

Figure 19 CBAM emissions scope



4.6 Determination of embedded emissions

Text box 6 EU CBAM proposed design with respect to the determination of embedded emissions

EU CBAM proposed design

For imports of products, embedded emissions would be determined based on actual emissions at installation level verified by accredited verifiers, with fallback default values. For imports of electricity, emissions would be determined based on third country-specific default values, while if a set of certain conditions are collectively met (e.g. declarant has concluded a power purchase agreement with a producer of electricity located in a third country), a declarant can opt for declaring actual emissions.

About 63% of respondents either ‘agreed’ or ‘strongly agreed’ with the statement that ‘*the requirement to furnish data on actual emissions by foreign producers contributes to the cooperative spirit in which the instrument could be applied*’, while ~21% of total respondents ‘disagreed’ or ‘strongly disagreed’ with the statement, and ~16% of respondents indicated ‘do not know’ (Figure 20).

About 68% of respondents either ‘agreed’ or ‘strongly agreed’ with the statement that ‘*any default values should be punitive enough to provide an incentive to foreign producers to provide actual emissions data*’,

while ~23% of total respondents ‘disagreed’ or ‘strongly disagreed’ with the statement, and ~9% of respondents indicated ‘do not know’ (Figure 20).

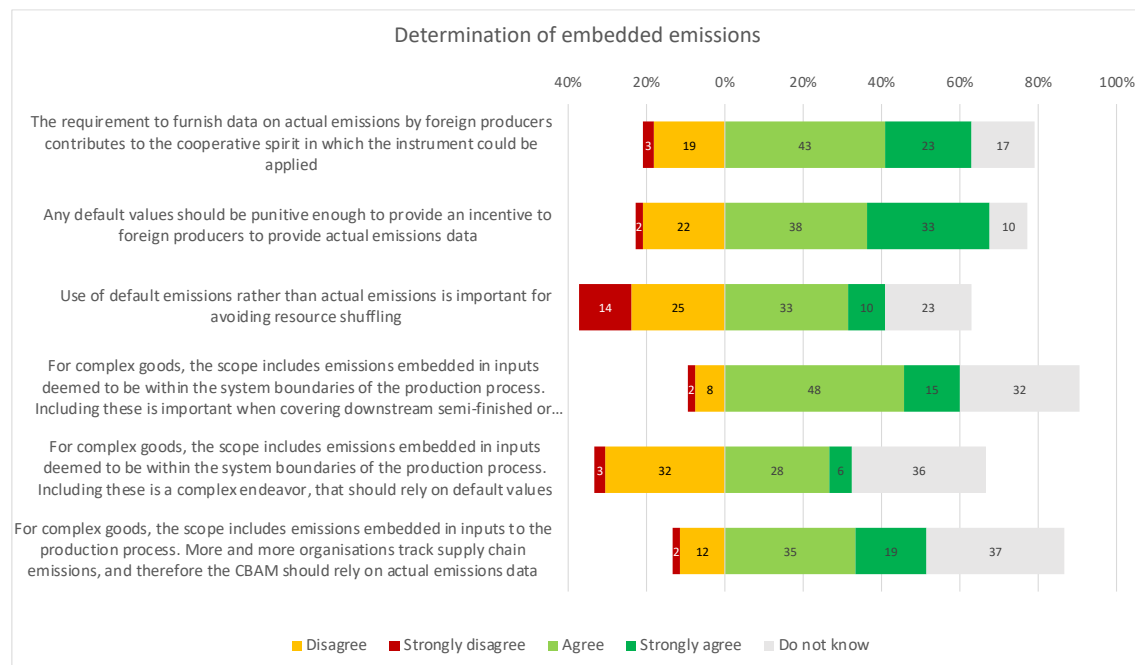
About 41% of respondents either ‘agreed’ or ‘strongly agreed’ with the statement that the *‘use of default emissions rather than actual emissions is important for avoiding resource shuffling’*, while ~37% of total respondents ‘disagreed’ or ‘strongly disagreed’ with the statement, and ~22% of respondents indicated ‘do not know’ (Figure 20).

About 60% of respondents either ‘agreed’ or ‘strongly agreed’ with the statement that *‘for complex goods, the scope includes emissions embedded in inputs deemed to be within the system boundaries of the production process. Including these is important when covering downstream semi-finished or finished goods, as the embedded carbon cost passed through in the price of carbon-intensive raw materials is a major and often the primary carbon cost faced by such downstream producers’*, while ~10% of total respondents ‘disagreed’ or ‘strongly disagreed’ with the statement, and ~30% of respondents indicated ‘do not know’ (Figure 20).

About 32% of respondents either ‘agreed’ or ‘strongly agreed’ with the statement that *‘For complex goods, the scope includes emissions embedded in inputs deemed to be within the system boundaries of the production process. Including these is a complex endeavor, that should rely on default values’*, while ~33% of total respondents ‘disagreed’ or ‘strongly disagreed’ with the statement, and ~34% of respondents indicated ‘do not know’ (Figure 20).

More than half (51%) of respondents either ‘agreed’ or ‘strongly agreed’ with the statement that *‘for complex goods, the scope includes emissions embedded in inputs deemed to be within the system boundaries of the production process. More and more organisations track supply chain emissions, and therefore the CBAM should rely on actual emissions data’*, while ~13% of total respondents ‘disagreed’ or ‘strongly disagreed’ with the statement, and ~35% of respondents indicated ‘do not know’ (Figure 20).

Figure 20 Determination of embedded emissions



4.7 Calculation of the charge

Text box 7 EU CBAM proposed design with respect to the calculation of the charge

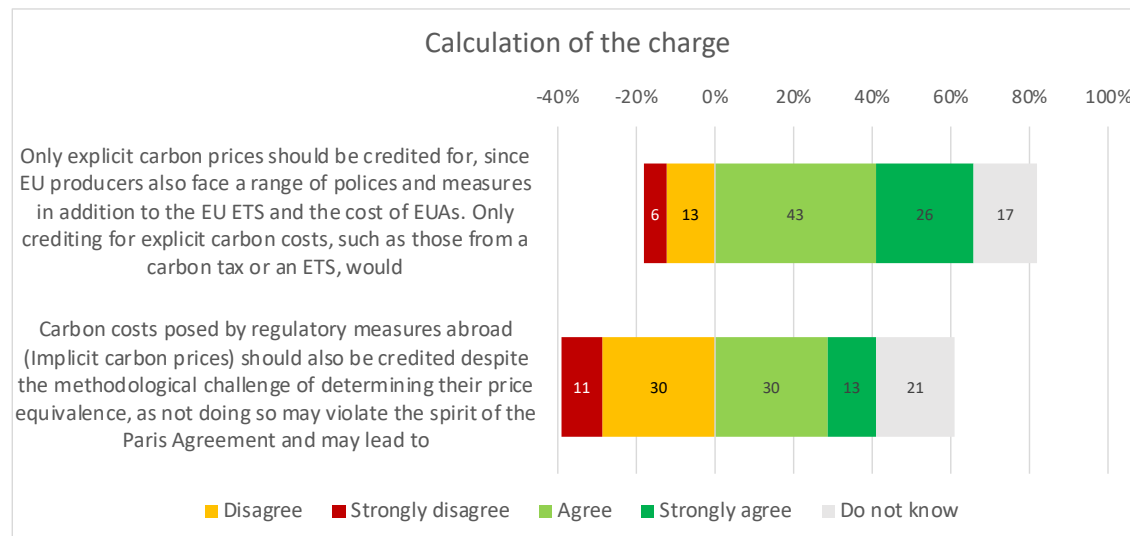
EU CBAM proposed design

The level of adjustment will mirror the average auction price of EU ETS allowances each week. Crediting of policies in the country of origin will only recognize explicit carbon pricing policies (e.g. a carbon tax or ETS), with prices paid deducted from CBAM.

About 66% of respondents either 'agreed' or 'strongly agreed' that '*only explicit carbon prices in third countries should be credited by CBAM*', while ~18% of respondents 'disagreed' or 'strongly disagreed' with this statement, and ~16% replied 'do not know' (Figure 21).

At the same time, ~41% of respondents either 'agreed' or 'strongly agreed' that '*carbon costs imposed by regulatory measure in third countries should also be credited by CBAM*', while 39% of respondents 'disagreed' or 'strongly disagreed' with this statement, and 20% replied 'do not know' (Figure 21).

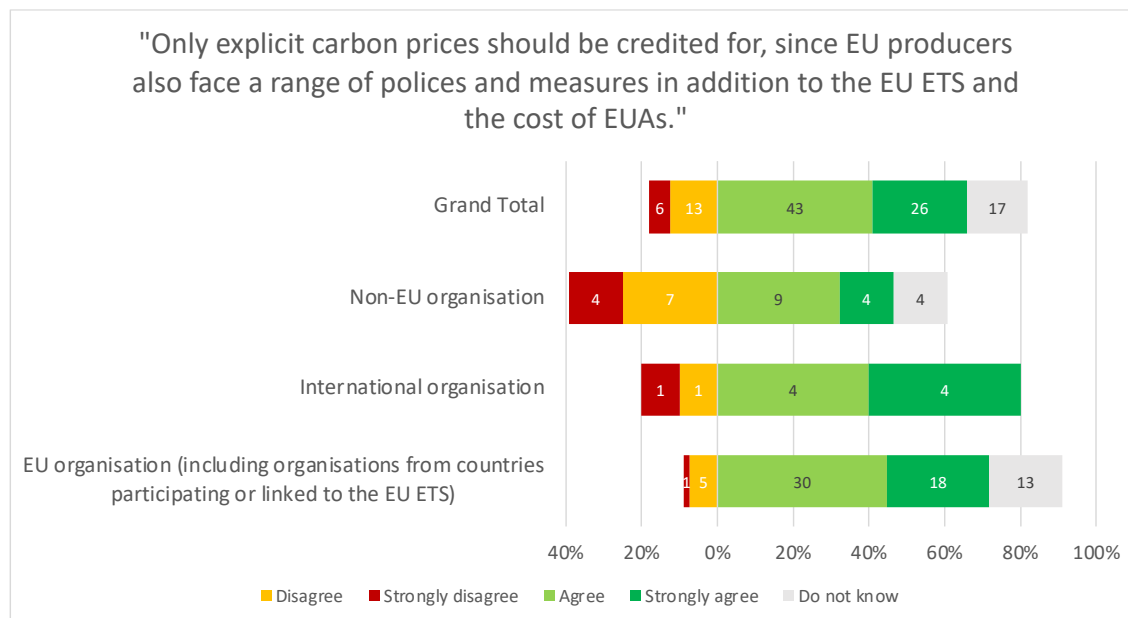
Figure 21 Calculation of the charge



The following two figures provide a breakdown of replies to the first of the above statements by location (Figure 22) and type of respondents (Figure 23).

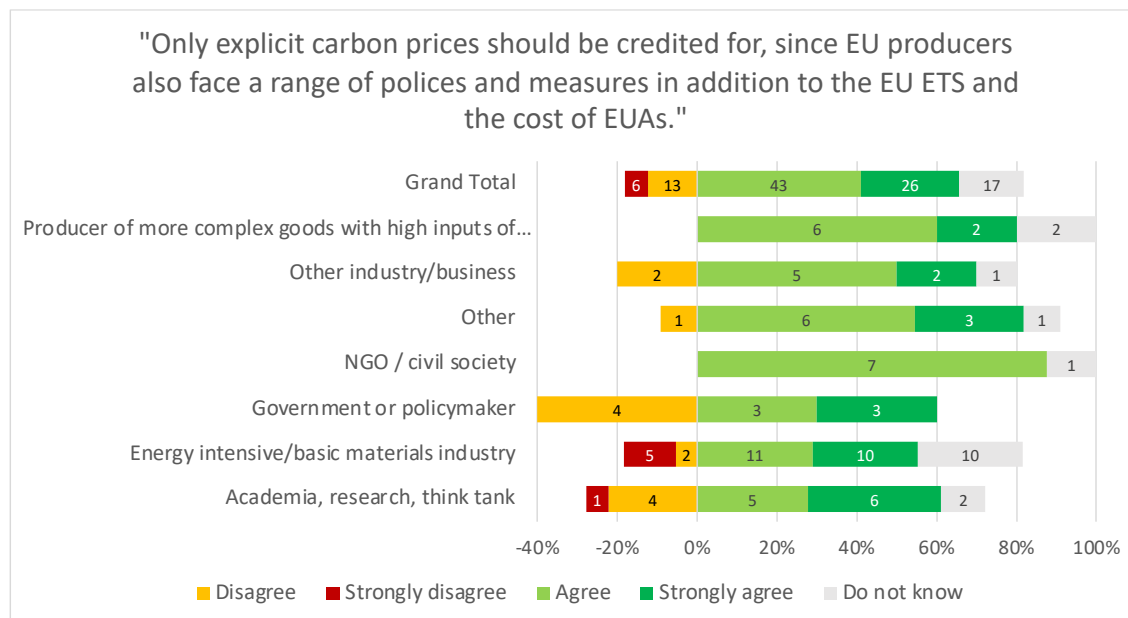
From Figure 22, it can be inferred that 80% of respondents from international organisations, ~72% of respondents from EU organisations, and ~46% of respondents from non-EU organisations respectively ‘agreed’ or ‘strongly agreed’ with the statement that *‘only explicit carbon prices should be credited for, since EU producers also face a range of policies and measures in addition to the EU ETS and the cost of EUAs. Only crediting for explicit carbon costs, such as those from a carbon tax or an ETS, would be relatively simple and efficient’*.

Figure 22 Crediting of explicit carbon prices – by country of respondents



From Figure 23, it can be inferred that 80% of respondents from producers of more complex goods with high inputs of energy intensive basic materials ‘agreed’ or ‘strongly agreed’ with the statement that ‘*Only explicit carbon prices should be credited for, since EU producers also face a range of policies and measures in addition to the EU ETS and the cost of EUAs*’. More than two thirds (72%) of respondents from academia, research, and think tanks, ~90% of respondents from NGOs / civil society, and ~55% of respondents from energy intensive/basic materials industry also ‘agreed’ or ‘strongly agreed’ with the above statement. Sixty percent (60%) of responses from government representatives and policymakers either ‘agreed’ or ‘strongly agreed’ with the statement, while 40% ‘disagreed’ with it.

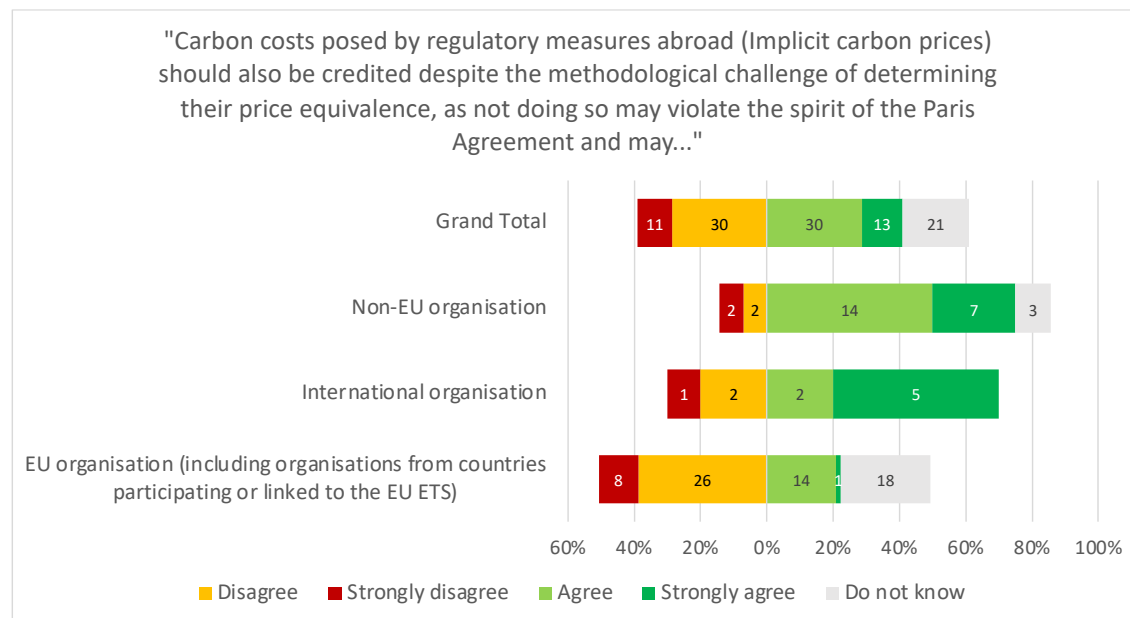
Figure 23 Crediting of explicit carbon prices – by type of respondents



The following two figures provide a breakdown by location (Figure 24) and respondent type (Figure 25) of responses to the statement that *'Carbon costs posed by regulatory measures abroad (Implicit carbon prices) should also be credited despite the methodological challenge of determining their price equivalence, as not doing so may violate the spirit of the Paris Agreement and may lead to significant trade tensions with those that have legitimate climate policies'*.

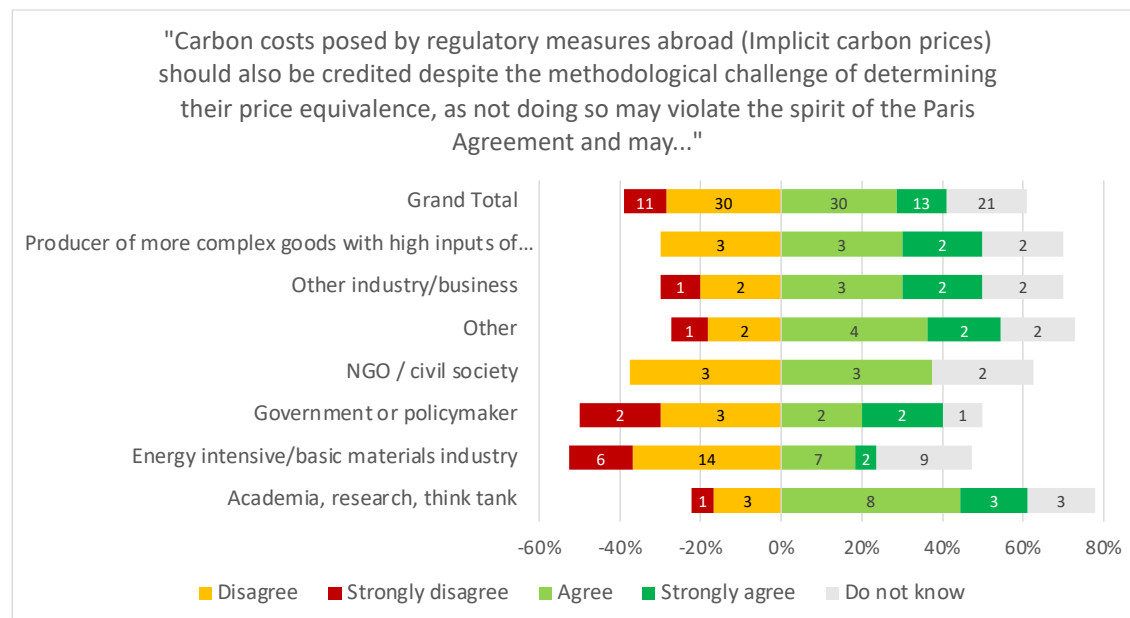
From Figure 24, it can be inferred that 70% of respondents from international organisations, ~22% of respondents from EU organisations, and ~75% of respondents from non-EU organisations respectively 'agreed' or 'strongly agreed' with the above statement.

Figure 24 Crediting of implicit carbon prices – by country of respondents



From Figure 25, it can be inferred that 50% of respondents from producers of more complex goods with high inputs of energy intensive basic materials 'agreed' or 'strongly agreed' with the above statement. About 61% of respondents from academia, research, and think tanks, ~38% of respondents from NGOs / civil society, and ~24% of respondents from energy intensive/basic materials industry also 'agreed' or 'strongly agreed' with the above statement. Forty percent (40%) of responses from government representatives and policymakers either 'agreed' or 'strongly agreed' with the statement, while 50% 'disagreed' with it, and 10% indicated 'do not know'.

Figure 25 Crediting of implicit carbon prices – by type of respondents



4.8 Use of revenue

Text box 8 EU CBAM proposed design with respect to the use of revenue

EU CBAM proposed design

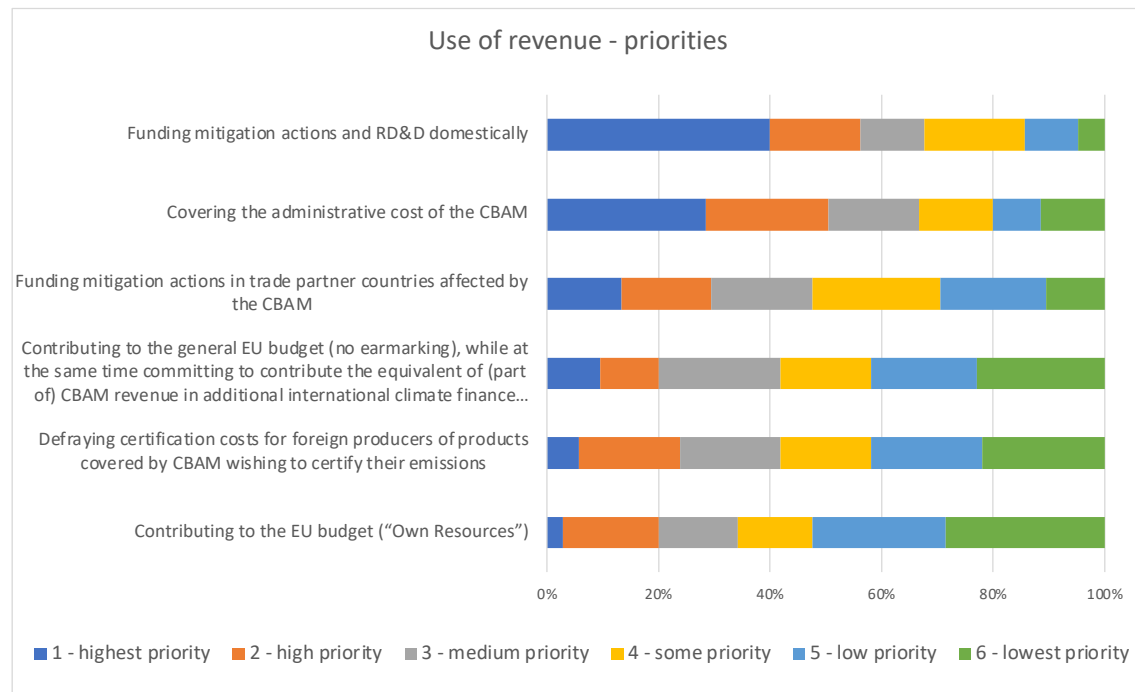
The proposed CBAM will not generate revenue in the transitional period from 2023 to 2025. Revenue generated as of 2026 will be collected nationally by competent authorities, and the intent is that most of it will accrue to the EU budget. There is no mention of earmarking revenues for specific purposes (e.g. for climate purposes domestically or abroad).

Finally, respondents were asked to rank six areas where CBAM revenue should be directed by order of priority (Figure 26).

'Funding mitigation actions and RD&D domestically in the EU' was ranked as the highest priority by 40% of the respondents. Close to 30% of respondents ranked 'covering the administrative cost of the CBAM' as the highest priority, while ~10% of respondents indicated 'funding mitigation actions in trade partner countries affected by the CBAM' as the highest priority.

More than half (~52%) of respondents indicated 'contributing to the EU budget' as either the 'lowest priority' (~28%) or 'low priority' (24%).

Figure 26 Use of revenue - priorities



5 Takeaways

Survey responses indicate that there is a growing recognition not only inside but also outside the EU that BCAs are becoming increasingly necessary tools to address carbon leakage at increasing levels of climate ambition and international climate asymmetry (section 3.1).

Responses also suggest that CBAM has already had or is expected to have an impact on the intention of countries outside the EU ETS to adopt carbon pricing (section 3.1).

With respect to recognizing the level of effort of foreign climate policies, more than two thirds of respondents thought that additional exemptions from the coverage of the proposed CBAM should be provided to countries with comparable climate policy ambition (section 4.3). However, views were split on whether or not the CBAM should credit the carbon costs imposed by regulatory measure in third countries, with respondents from non-EU and international organisations largely in favour, and respondents from EU organisations largely opposed (section 4.7).

There was more of a convergence of views with respect to the treatment of EU exports and its impact under the CBAM. A large share of responses (80% of total responses; 90% of responses from EU organisations; 70% of responses from international organisations, and ~60% of responses from non-EU organisations) recognized that non-EU producers will enjoy a competitive advantage when competing with EU producers in international markets in the case where EU exports of products in the covered sectors are not covered by CBAM (section 4.1).

While nearly half of the total respondents thought that it will be possible to find a WTO-compatible way of including exports in CBAM, a further 28% of respondents replied ‘do not know’, suggestive perhaps of the complexity of and early stage of deliberations on this topic (section 4.1).

Another aspect where a large share of responses indicated a knowledge gap related to the coverage of more complex, downstream products. While 60% of respondents either ‘agreed’ or ‘strongly agreed’ that for complex goods (e.g. steel pipes) it is important to include emissions embedded in inputs (e.g. crude steel) used in their production, about 30% of respondents indicated that they did not know (section 4.5). Similarly, ~57% of total respondents either ‘agreed’ or ‘strongly agreed’ with the statement that *‘in the included sectors, there should be CBAM coverage of additional downstream products that are at risk of leakage as a result of increased costs passed through from covered upstream inputs’*. However, replies varied depending on the type of respondent, with for example about 40% of responses from government representatives and policymakers ‘disagreeing’ with the above statement, 30% either ‘agreeing’ or ‘strongly agreeing’, and another 30% indicating ‘do not know’ (section 4.4).

Looking ahead, the majority of respondents expect the CBAM to face either medium or high political and diplomatic pushback and possible challenges before the WTO or other instances. Nonetheless, they also expect that the EU will hold its ground in the event of such diplomatic opposition, and that other jurisdictions are likely to follow the EU example and propose a BCA next (section 3.3).

References

European Commission (2021a). Proposal for a Regulation of the European Parliament and of the Council Establishing a Carbon Border Adjustment Mechanism, COM(2021) 564 final, 14 July 2021. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52021PC0564&qid=1629724352616>

European Commission (2021b). Proposal for a Directive amending Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union, Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and Regulation (EU) 2015/757, COM(2021) 551 final, 14 July 2021. https://eur-lex.europa.eu/resource.html?uri=cellar:618e6837-ee6-11eb-a71c-01aa75ed71a1.0001.02/DOC_1&format=PDF

Appendix 1: Overview of the EU CBAM proposal provisions

The main elements of the proposed CBAM design are outlined in the following table:

Design element	Proposed design in EC proposal of July 2021
<i>Trade flow coverage</i>	Only imports to the EU are covered. There are no export rebates, but free allocation of EU ETS allowances is maintained (and gradually phased-out by 2035, see below).
<i>Policy mechanism</i>	‘Notional ETS’ without a cap, whereby importers of covered products have to surrender CBAM certificates (priced on the basis of EU ETS allowances, see below) equal to the embedded emissions in their imports.
<i>Effect on free allocation of EU ETS allowances</i>	<p>The CBAM is put forward as an alternative to free allocation of EU ETS allowances in the covered sectors, and would therefore replace free allocation over time. To allow producers, importers and traders to adjust to the new regime, the reduction of free allocation will be implemented gradually while the CBAM is phased-in.</p> <p>Sectors covered by the CBAM will eventually stop receiving free allocation. The Commission proposes a 10-year transition period before free allocation is fully phased-out. The share of free permits for the sectors affected will still be 100% in 2025, and will gradually decline by 10 percentage points each year to reach zero in 2035.</p> <p>During the period when free allocation is maintained, the CBAM will only apply to those emissions above the free allocation received by domestic producers. The methodology for calculating the reduction in the number of CBAM certificates to be surrendered by importers to reflect free allocation will be determined by implementing acts.</p>
<i>Geographical scope / exemptions</i>	Countries that are part of or linked to the EU ETS (currently Iceland, Liechtenstein, Norway and Switzerland) are exempted. Some special territories of the EU are also exempted. Additional exemptions may be provided for imports of electricity from countries that fulfill certain conditions.
<i>Sectoral/product scope:</i>	Five sectors are to be covered initially: cement, steel, electricity, aluminium, fertilizers. Covered products within these sectors include both ‘simple’ goods (i.e. primary materials) and more ‘complex’ goods (i.e. semi-manufactured goods that use primary materials as inputs). The European Commission can add products /sectors to the list through delegated acts.
<i>Emissions scope</i>	Only direct emissions (Scope 1) are covered, including emissions attributed to covered goods and those embedded in input goods deemed to be within the system boundaries of the production process. Indirect emissions from electricity (Scope 2) are not covered, though a review will make recommendations in 2026 on whether to include these going forward.

Design element	Proposed design in EC proposal of July 2021	
<i>Determination of embedded emissions</i>	<p>For products:</p> <ul style="list-style-type: none"> Based on actual emissions at installation level verified by accredited verifiers, with fallback default values set at the average emission intensity of each exporting country for each of the goods, increased by a mark-up (to be determined in implementing acts). When reliable data for the exporting country cannot be applied for a type of goods, the default values shall be based on the average emission intensity of the 10 per cent worst performing EU installations for that type of goods. During the initial transitional phase (2023-2025), where importers may not yet be able to produce the data required on actual emissions, default values could also apply. 	<p>For electricity:</p> <ul style="list-style-type: none"> Based on third country-specific default values that correspond to the average CO₂ emission factor in tonnes of CO₂ per MWh of price-setting sources in the third country Where third country-specific default values have not been determined, the calculation will be based on a default value set at the average CO₂ intensity of electricity produced by fossil fuels in the EU. A different (lower) default value can be established for a third country that demonstrates, based on reliable data, that the average CO₂e emissions factor of price-setting sources in the country is lower than the default value that represents the CO₂ emissions factor from EU fossil fuel-based generation. If a set of certain conditions are collectively met (e.g. declarant has concluded a power purchase agreement with a producer of electricity located in a third country), a declarant can opt for declaring actual emissions.
<i>Level of adjustment (CO₂ price):</i>	The level of adjustment will mirror the average auction price of EU ETS allowances each week. Crediting of policies in the country of origin will only recognize explicit carbon pricing policies (e.g. a carbon tax or ETS), with prices paid deducted from CBAM.	
<i>Use of revenues</i>	The CBAM will not generate revenue in the transitional period from 2023 to 2025. Revenue generated as of 2026 will be collected nationally by competent authorities, and the intent is that most of it will accrue to the EU budget. No mention of earmarking of revenues for specific purposes (e.g. for climate purposes domestically or abroad).	
<i>Implementation timeline</i>	<ul style="list-style-type: none"> 2023-2025: transitional CBAM entailing no financial adjustments 2026: Full implementation of the CBAM 	

Source: ERCST

Appendix 2: Survey questionnaire

(See overleaf)

ERCST

European Roundtable on
Climate Change and
Sustainable Transition

ERCST survey on stakeholder reactions to the EU Carbon Border Adjustment Mechanism (CBAM) proposal

Fields marked with * are mandatory.

About ERCST

The European Roundtable on Climate Change and Sustainable Transition (ERCST) is an independent, not-for-profit think tank, registered under Belgian law, based in the heart of the European quarter in Brussels. The mission of ERCST is to provide a neutral space where policymakers and regulators can meet stakeholders, and discuss climate change policy, including how to manage a sustainable transition to a low-carbon society. While focused on European climate policy, ERCST fully recognises, and incorporates in its activities and thinking, the global dimension of climate change policy.

Introduction to the survey

ERCST has since 2018 worked extensively on the topic of Border Carbon Adjustments (BCAs), focusing on design options as well as the impacts of a potential EU BCA domestically and on third countries (for previous reports, events and ongoing analysis related to BCAs please visit the [ERCST BCA project webpage](#)).

As part of its “Fit for 55” climate and energy package, the European Commission (EC) issued a [proposal for a regulation establishing a Carbon Border Adjustment Mechanism \(CBAM\)](#) on 14 July 2021. The mechanism seeks to address the risk of carbon leakage by imposing a carbon price on imports of certain carbon intensive goods from outside the EU. It is a proposal that few would have anticipated not so long ago.

The proposal puts forward certain choices with respect to the mechanism’s design elements. ERCST has published a [short paper](#) providing a quick review of the provisions of the July proposal and high-level preliminary conclusions.

With this survey, ERCST aims to collect stakeholder reactions to the proposed CBAM provisions.

We thank you for taking ten minutes of your time to reply to the survey.

Survey closing date: 20 September 2021

Questions

*** Q1. Please choose the location of your organization (EU ETS / non-EU ETS country)**

- ☐ EU organisation (including organisations from countries participating or linked to the EU ETS)
- ☐ Non-EU organisation
- ☐ International organisation

Please specify your country:

*** Q.2 Please choose the type of your organisation**

- ☐ Energy intensive/basic materials industry
- ☐ Producer of more complex goods with high inputs of energy intensive basic materials
- ☐ Other industry/business
- ☐ Government or policymaker
- ☐ NGO / civil society
- ☐ Academia, research, think tank
- ☐ Other

Q.3 What is your perception of the key objective of the proposed EU Carbon Border Adjustment Mechanism (CBAM)? - Please rank the following in order of importance from 1 (most important) to 6 (least important)

	1 - first most important objective	2 - second most important objective)	3 - third most important objective	4 - fourth most important objective	5 - fifth most important objective	6 - sixth most important objective
* Avoid carbon leakage	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Address competitiveness concerns	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Allow the EU to increase its level of ambition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Motivate and nudge other countries to increase their pledges under the Paris Agreement	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Eliminate free allocation of EU ETS allowances	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Generate revenue	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Additional comments:

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Q4. What is your perception of CBAM and Border Carbon Adjustments (BCAs) in general and their likely impact? - *To what extent do you agree or disagree with the following statements (strongly agree, agree, disagree, strongly disagree)?*

	Strongly agree	Agree	Disagree	Strongly disagree	Do not know
* BCAs constitute unfair trade barriers / environmental protectionism	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* BCAs increasingly necessary tools to address carbon leakage at increasing levels of climate ambition and international climate asymmetry	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Your home country is likely to consider a BCA in the near future, as its climate policy is in general becoming more ambitious than that of its closer trade partners	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* CBAM has already had or is likely to have an impact on your home country's intention to adopt carbon pricing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* With the currently proposed design and scope, CBAM is likely to have a limited impact on economic operators in your home country	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* The currently proposed CBAM design and scope is likely to have a limited economic impact on your country, however the impact could be significant if the scope is expanded in the future	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* CBAM is likely to have a limited economic impact on your country even with an expanded product and emissions scope. However, specific industries might be more significantly affected	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* If CBAM is applied there might be opportunities for boosting exports to the EU from your country as production in some of the included sectors might entail relatively low carbon intensities compared to other countries exporting to the EU, or compared to EU producers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* CBAM is likely to create a greater potential for downstream competition and market share					

expansion: CBAM is likely to lead to rising exports to the EU of downstream products not covered by the CBAM, whose domestic production costs in the EU increase as a result of the CBAM (e.g. aluminium doors and windows rather than aluminium ingots).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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Additional comments:

Q5. Coverage of Trade Flows: The proposed CBAM would not provide export rebates to EU producers of covered products, potentially exacerbating leakage risks facing exported EU products sold in foreign markets. At the same time maintaining a declining share of free allocation of EU ETS allowances for both domestically sold and exported European products during the pilot phase would temporarily alleviate this risk. - *To what extent do you agree or disagree with the following statements (strongly agree, agree, disagree, strongly disagree)?*

	Strongly agree	Agree	Disagree	Strongly disagree	Do not know
* If no export rebates are provided for while free allocation is eventually eliminated, non-EU producers will enjoy a relative competitive advantage when competing with EU producers in international markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* It is possible to find a WTO-compatible way of including export rebates in CBAM	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* A solution to address exports can be found but separately from CBAM	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Additional comments:

Q6. The proposed policy Instrument is a 'notional ETS' without a cap (uncapped pool of CBAM certificates), whereby importers of covered products have to surrender CBAM certificates (priced on the basis of EU ETS allowances) equal to the embedded emissions in their imports. - *To what extent do you agree or disagree with the following statements (strongly agree, agree, disagree, strongly disagree)?*

	Strongly agree	Agree	Disagree	Strongly disagree	Do not know
* The proposed instrument is the most appropriate, as it is the closest in terms of being equivalent to the carbon pricing instrument applicable to EU producers (EU ETS)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* An alternative carbon pricing instrument for imports to the EU would be administratively less complex	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* It would be imbalanced that the pool of CBAM certificates should remain uncapped while the total available number of EU allowances in the EU ETS drops	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* The proposed rules make it difficult for importers to hedge their obligations and manage risks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* The possibility for importers to have their CBAM certificates repurchased by competent authorities, provides for sufficient hedging possibilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Additional comments:

Q7. Geographic scope: Countries that are part of or linked to the EU ETS (currently Iceland, Liechtenstein, Norway and Switzerland) are exempted. Some special territories of the EU are also exempted. Additional exemptions may be provided for imports of electricity from countries that fulfill certain conditions. - To what extent do you agree or disagree with the following statements (strongly agree, agree, disagree, strongly disagree)?

	Strongly agree	Agree	Disagree	Strongly disagree	Do not know
* Additional national exemptions from the coverage of the proposed CBAM should be provided for least developed countries and small island developing states, given that special treatment for these states is an operationalized principle in both the UNFCCC (the principle of common but differentiated responsibilities and respective capabilities) and the WTO (the principle of special and differential treatment)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Additional national exemptions from the coverage of the proposed CBAM should be provided to countries with comparable climate policy ambition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Additional comments:

Q8. Sectoral/product Scope: Five sectors are to be covered initially: cement, steel, electricity, aluminium, fertilizers. Covered products within these sectors include both ‘simple’ goods (i.e. primary materials) and some more ‘complex’ goods (i.e. semi-manufactured goods that use primary materials as inputs). - *To what extent do you agree or disagree with the following statements (strongly agree, agree, disagree, strongly disagree)?*

	Strongly agree	Agree	Disagree	Strongly disagree	Do not know
* The initial sector scope is appropriate as it covers some of the most emissions intensive sectors and products, before CBAM is expanded after its viability has been proven	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Additional sectors should be included from the outset of CBAM	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* In the included sectors, there should be CBAM coverage of additional downstream products that are at risk of leakage as a result of increased costs passed through from covered upstream inputs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* CBAM scope should eventually be expanded to all emissions-intensive and trade exposed activities included in the EU ETS list of sectors at risk of carbon leakage, ensuring that imported goods are subject to similar requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* CBAM scope should eventually be expanded to all sectors that are obliged under the EU ETS to surrender allowances for their emissions, ensuring that imported goods are subject to similar requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Additional comments:

Q9. Emissions Scope: Only direct emissions (Scope 1) are covered initially, including emissions attributed to covered goods and those embedded in input goods deemed to be within the system boundaries of the production process. Indirect emissions from electricity (Scope 2) are not covered, though a review will make recommendations in 2026 on whether to include these going forward. - *To what extent do you agree or disagree with the following statements (strongly agree, agree, disagree, strongly disagree)?*

	Strongly agree	Agree	Disagree	Strongly disagree	Do not know
* The inclusion of direct (Scope 1) emissions only is appropriate at the initial stage.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*					

Indirect emissions from electricity (Scope 2) should be covered from the outset of the scheme	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Indirect emissions related to international transport of goods should be considered, especially if the sectoral scope of the EU ETS extends to cover emissions from international shipping and other modes of transport	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Additional comments:

Q10. Determination of Embedded Emissions - *To what extent do you agree or disagree with the following statements (strongly agree, agree, disagree, strongly disagree)?*

	Strongly agree	Agree	Disagree	Strongly disagree	Do not know
* The requirement to furnish data on actual emissions by foreign producers contributes to the cooperative spirit in which the instrument could be applied	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Any default values should be punitive enough to provide an incentive to foreign producers to provide actual emissions data	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Any default values should be lenient and therefore evidently not higher than the average corresponding values applying to domestic producers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Use of default emissions rather than actual emissions is important for avoiding resource shuffling	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* For complex goods, the scope includes emissions embedded in inputs deemed to be within the system boundaries of the production process. Including these is important when covering downstream semi-finished or finished goods, as the embedded carbon cost passed through in the price of carbon-intensive raw materials is a major and often the primary carbon cost faced by such downstream producers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* For complex goods, the scope includes emissions embedded in inputs deemed to be	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

within the system boundaries of the production process. Including these is a complex endeavor, that should rely on default values					
* For complex goods, the scope includes emissions embedded in inputs deemed to be within the system boundaries of the production process. More and more organisations track supply chain emissions, and therefore the CBAM should rely on actual emissions data	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Additional comments:

Q11. Calculation of the Charge: The level of adjustment will mirror the average auction price of EU ETS allowances each week. Crediting of policies in the country of origin will only recognize explicit carbon pricing policies (e.g. a carbon tax or ETS), with prices paid deducted from CBAM. - To what extent do you agree or disagree with the following statements (strongly agree, agree, disagree, strongly disagree)?

	Strongly agree	Agree	Disagree	Strongly disagree	Do not know
* Only explicit carbon prices should be credited for, since EU producers also face a range of policies and measures in addition to the EU ETS and the cost of EUAs. Only crediting for explicit carbon costs, such as those from a carbon tax or an ETS, would be relatively simple and efficient.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Carbon costs posed by regulatory measures abroad (Implicit carbon prices) should also be credited despite the methodological challenge of determining their price equivalence, as not doing so may violate the spirit of the Paris Agreement and may lead to significant trade tensions with those that have legitimate climate policies.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Additional comments:

Q12. Use of Revenues: The proposed CBAM will not generate revenue in the transitional period from 2023 to 2025. Revenue generated as of 2026 will be collected nationally by competent authorities, and the intent is that most of it will accrue to the EU budget. No mention of earmarking of revenues for specific purposes (e.g. for climate purposes domestically or abroad). - Please rank the following with respect to the priorities where CBAM revenue should be directed from 1 (highest priority) to 6 (lowest priority)

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	1 - highest priority	2 - high priority	3 - medium priority	4 - some priority	5 - low priority	6 - lowest priority
* Covering the administrative cost of the CBAM	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Defraying certification costs for foreign producers of products covered by CBAM wishing to certify their emissions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Funding mitigation actions in trade partner countries affected by the CBAM	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Funding mitigation actions and RD&D domestically	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Contributing to the EU budget ("Own Resources")	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Contributing to the general EU budget (no earmarking), while at the same time committing to contribute the equivalent of (part of) CBAM revenue in additional international climate finance directed to trade partners affected by the CBAM	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Additional comments:

*** Q13. How would you rate the overall level of ambition of the July 2021 EU Carbon Border Adjustment Mechanism (CBAM) proposal?**

- ☐ Highly ambitious
☐ Moderately ambitious
☐ Strikes a balance between ambition and pragmatism
☐ Lacks in ambition
☐ Very low ambition
☐ Do not know

Additional comments:

*** Q14. What is the level of political or diplomatic pushback that you expect the CBAM to face?**

- ☐ High
☐ Medium
☐ Low

- ☐ None
- ☐ Do not know

Additional comments:

Q15. What are your expectations regarding the EU Carbon Border Adjustment Mechanism?

	Very likely	Likely	Unlikely	Very unlikely	Do not know
* The EU will hold its ground in the event of diplomatic opposition to CBAM	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* There will be challenges against the CBAM before the WTO or other instances	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Other countries (e.g. US, Canada, others) will propose a BCA next	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* A BCA carbon club (e.g. transatlantic) will be created	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Additional comments:

Kindly provide us with your contact details so that ERCST can get in touch in case of any clarifications (**optional**).

Name:

Organisation:

Email