

21 April 2021 r., Polish Climate Summit TOGETAIR2021, online debate about Carbon Border Adjustment Mechanism. Tomasz Włostowski from Business & Science Poland *“CBAM is at the centre of number of EU policies: not only trade or climate but industrial policy, customs, geopolitics and development policy as well”*.

By end of June, the European Commission is planning to put the proposal for CBAM as part of Green Deal package. The debate *CBAM: reconciling EU climate ambitions with competitiveness*, organised by Business and Science Poland was part of TOGETAIR Climate Summit.

Carbon Border Adjustment Mechanism (CBAM) is being proposed by the European Commission as part of the European Green Deal in order to put a price on CO₂ emissions incurred in the production of products imported to the EU. The objective is to encourage EU trading partners to match the European ambitions in the context of increased climate goals by the EU.

The discussion centred around some of the most controversial aspects of CBAM – how to reconcile EU climate ambitions with competitiveness of EU industry and existing anti-carbon leakage instruments as well as WTO compliance and relations with our trading partners.

In his keynote speech Adam Guibourgé-Czetwertyński, Undersecretary of State in Poland’s Ministry of Climate and Environment expressed Polish government’s support for the introduction of CBAM: *“Transition to climate neutrality is a new challenge, and therefore, we need new instruments [...] We must ensure that this huge decarbonisation effort is a collective one [...] CBAM is a method of promoting climate ambitions abroad and preventing imports of products which lead to substantial emissions abroad”*. He added that Poland is in favour of a phase-in approach to CBAM and pilot stage covering steel cement and fertilisers.

Czetwertyński appealed: *“Free allocations under ETS should remain in place as they serve different purpose: to secure competitiveness of EU industry. CBAM fills a gap in addressing imported emissions.”* The idea of introducing CBAM raises questions on its relationship with the EU ETS system and its carbon leakage measures, such as free allowances and indirect cost compensation, to best ensure competitiveness of EU industry while creating fair and trade-compliant mechanism. *“ETS Free Allowances offer an incentive to industry: this encourages investment to be among the best and greenest; above all the industry needs stability to plan and implement decarbonisation”* – said Tove Andersen, Executive Vice-President for Europe at Yara.

Vicente Hurtado Roa, Deputy Director for Indirect taxes other than VAT in DG TAXUD, European Commission stated, however, that *“ETS free allowances are temporary by nature and with reduction targets there's no future for this measure. Therefore, CBAM is a positive message for industry.”* He added that *“the Commission is aware that industry needed predictability., There won't be an overnight withdrawal of free allowances”*.

“Free allowances protected industry from carbon leakage so far, we need a higher carbon price to encourage green investment.” added Mette Quinn, Deputy Director for European and International Carbon Markets in DG CLIMA European Commission. “

In the context of a long-awaited agreement on the European Climate Law reached just the night before the event, setting the EU carbon reduction target at 55% by 2030, the panellists highlighted the importance of ensuring comparable global climate ambitions. Mette Quinn stated that *“climate challenge is a global one [...], and we need our international partners to share comparable level of ambition. As long as we don't have similar ambitions there is risk of what we call carbon leakage”*.

CBAM’s impact on global climate discussions and cooperation is especially topical this week – on the 22nd and 23rd of April US President Joe Biden organises the Leaders Climate Summit aimed at encouraging common global climate efforts. *“Biden’s summit may bring new dynamic into global effort”*

said Dr Susanne Dröge, Senior Fellow, German Institute for International and Security Affairs. *“Ten years ago many countries united against EU which tried to introduce ETS rules to international aviation”* she added pointing to the dynamic changes in favour of carbon measures while highlighting the risks involved in proceeding with CBAM without having secured sufficient international cooperation.

The global support for EU’s CBAM is highly dependent on its compliance with World Trade Organisations’ rules. *“CBAM can be justified under WTO but as an environmental and not an economic measure.”* - explained Prof. Freya Baetens, Public International Law at Leiden & Oslo University She added that *“co-existence of ETS free allocations and CBAM is possible if no double protection and non-discrimination is ensured.”*

Vicente Hurtado Roa reaffirmed that Commission will not propose anything not compliant with WTO rules and stated that *“in designing CBAM we need to let third countries’ exporters to prove the actual level of emissions to avoid discrimination. We also must secure they don’t bear a similar carbon price at their home market.”*

The debate comes at a timely momentum in the EU, right after the resolution of the European Parliament and ahead of the publication of its proposal by European Commission, which is announced to take place by end of June.

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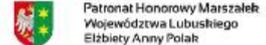


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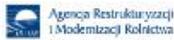
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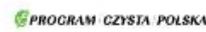
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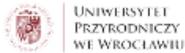


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