

## EU carbon border adjustment mechanism

*CEFIC argues that a simple carbon border adjustment mechanism, addressing only imports, without free allowances or comparable measures to address the additional cost for exports, will not be sufficient to secure competitiveness along the value chains and avoid consequent economic and social loss. A carbon border adjustment mechanism would have to integrate all emissions along the value chain both, direct and indirect. They argue that not doing so may lead to imports of cheaper downstream products, contrary to the policy, objective, and damage upstream capacity.*

*In this context, CEFIC has argued that the impact assessment on the carbon border adjustment mechanism should look at all carbon pricing policies and carbon leakage prevention options including direct and indirect carbon costs and consider several scenarios. For the new measure to deliver the required benefits for the chemicals industry, CEFIC has emphasised the importance of ensuring export competitiveness, World Trade Organization compatibility and alignment with the Paris agreement. International dialogue will also be essential in order to avoid trade conflicts. They propose to use revenues resulting from the new measures to support low carbon manufacturing and investment. CEFIC has further stressed that the current carbon leakage measures, based on free allowances, must not be compromised. Any chosen option should minimise cost and complexity, while the framework must be robust as regards monitoring, reporting and verification.*

*The slightly different wording used for the carbon border adjustment mechanism in the European Green Deal and the NextGenerationEU might lead CEFIC to raise questions to understand if it implies a change in the approach at Commission level. This relates especially to the possibility of developing a carbon border adjustment mechanism that would co-exist with the emissions trading system free allowances.*

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