Dear Mr Dombrovskis,

On behalf of AFEP (French Association of Large Companies) member companies, I am delighted to inform you that we published our report "Trade & Climate Change: Quantitative Assessment of the Best Policy Tools to Achieve Climate Neutrality and Competitiveness" in January.

It aims to provide a comparative and quantitative analysis of the impacts of the Carbon Border Adjustment Mechanism (CBAM) and other trade policy tools. Firstly, it assesses the effective impact of the climate neutrality scenario. Secondly, it identifies best policy tools to avoid the risk of carbon leakage outside the EU, while maintaining EU growth and competitiveness. You will find enclosed the full report (executive summary available on page 7).

This assessment confirms the unprecedented level of carbon leakage that EU companies will be facing from 2030 onward. It also shows that a well-designed carbon border adjustment mechanism to be set up on a voluntary basis at sectoral level is effective if it is complemented by supporting internal and international instruments.

The cornerstone of this report’s recommendations is that a tax-based (or ETS separate market for imports) CBAM is clearly a better performing tool than other internal instruments, such as a final consumption tax, if it comes along with strong supportive measures, such as WTO-compatible subsidies, that would help EU companies to be protected from carbon leakage. At the same time, CBAM results would be significantly boosted if this tool would be combined with international trade agreements fostering a « green » impact: for instance, a revised Agreement on industrial subsidies and an agreement reducing tariff duties on low carbon and environmental goods.

Large French companies strongly support the Green Deal and the new climate neutrality target by 2050. Simultaneously, these new objectives make up a real challenge to their competitiveness on the EU and foreign markets, due to a growing differential in carbon prices. I hope that this study will be a useful contribution to the debate in view of the forthcoming legislative proposal.
I would be honoured to **meet you to discuss this fundamental topic** for the years to come, as well as, more broadly, **how we can make the Green Deal a success in the context of the current crisis**. In addition, it could be the opportunity to exchange further on sustainable finance, capital market union and the new trade policy strategy.

Should you accept my invitation, this discussion could take place at your best convenience virtually or in person (in Paris or in Brussels) in April-May 2021.

Do not hesitate to contact us should you require additional information.

Yours sincerely,