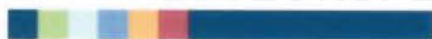


BUSINESSEUROPE



Mr Frans Timmermans

Executive Vice-President for a European Green Deal
European Commission
Rue de la Loi 200
BE-1049 Brussels
BELGIUM

22 June 2020

Dear Executive Vice President,

We wanted to thank you for joining our meeting on 16 June. This was very much appreciated by the Presidents and Directors General of our member federations.

As you have seen, the European business community strongly supports your plans to make the Green Deal a true success. The COVID-19 crisis is putting our businesses to the test, whether it is to keep their workforce in place or to keep their investments on track in a climate-neutral future.

Therefore, the recovery package has a strong role to play in helping us close the investment gap and strengthen our competitiveness. For this to happen, it needs to combine the long-term aspirations of the Green Deal and digital transformations with the need to repair the short-term negative impacts of the crisis. Doing this will help ensure that European businesses can maintain their competitiveness and transform this crisis into an opportunity.

We will remain a constructive but pragmatic voice to support you in your difficult job to deliver an effective Green Deal. For example, the carbon border adjustment (CBA) is at the centre of our wider discussions on the opportunities that Europe's trade agenda can provide to support effective climate ambition. We would therefore like to share with you our brand-new **trade and climate position paper**, with specific comments on the CBA.

For us it is essential that if introduced a CBA must be compatible with WTO rules. In particular, we believe that when assessing the option of a CBA, its design as an import-ETS system should be preferred. Maintaining the existing free allowances next to the CBA would then not amount to double protection. Just like you, we strongly agree that double protection should be avoided; one cannot have the cake and eat it. However, if importers can demonstrate that their imports are at least as efficient as the EU ETS product benchmark for their sector, they can avoid a CBA charge. This would be the equivalent for importers to receiving free allowances. If the EU would in such a system remove the free allowances for domestic EU installations, we would disfavour European producers and risk creating new market distortions between domestic producers and the imported products. I hope we can both agree that this would not be in the spirit of the Green Deal.

Once again, we look forward to continuing our constructive dialogue in the future. In particular, we hope to see you at our CEO event on 27 October, for which we sent you an invitation earlier this month.