

Carbon Border Adjustment Mechanism

Main messages

- The Commission's goal presented in the European Green Deal is for Europe to be the first climate neutral continent by 2050. As long as many international partners do not yet share the same climate ambition as the European Union, there is a risk of carbon leakage.
- Under the current EU Emission Trading System (ETS), the risk of carbon leakage is addressed in particular by free allocation of emission allowances or compensation for the increase in electricity costs. A Carbon Border Adjustment would be an alternative to these measures.
- The Commission will look in an upcoming impact assessment into several options to set up such a carbon border adjustment mechanism.
- All measures will have to be carefully assessed in terms of economic efficiency, environmental and social impacts, technical and legal feasibility in the context of EU's international commitments, in particular with respect to the rules of the World Trade Organization (WTO) and EU's trade agreements. Therefore, the mechanism will have to be designed to take into account the carbon footprint of the product and the carbon price in the countries of origin.
- The Green Deal Communication sets out that the carbon border adjustment mechanism would apply to selected sectors. The Commission will select the sectors on the basis of their carbon intensity and their exposure to trade. [At this stage possible sectors to be covered could include steel, cement, electricity and fertilizers.]
- The impact assessment should be launched in the coming weeks. It will include extensive public consultations. We will also commission an external study.
- The Commission should table a proposal for a carbon border adjustment in 2021, together with the revision of the EU Emission Trading System [except if in the meantime our main trading partners would have matched the EU's climate ambition].