

**AGRI Opinion on ENVI Report on a Carbon Border Adjustment Mechanism (CBAM)
2021/0214(COD)
AGRI/9/07544**

DRAFT COMPROMISE AMENDMENTS

1. ARTICLES:

CA1 : Article 1, Paragraph 1

If adopted: 95 (LEFT), 96 (RE) fall

This Regulation establishes a carbon border adjustment mechanism (the ‘CBAM’) for addressing greenhouse gas emissions embedded in the goods referred to in Annex I, upon their importation into the customs territory of the Union, in order to *contribute to the gradual reduction of imported emissions, reduce the Union’s total carbon footprint*, prevent the risk of *possible* carbon leakage *and encourage carbon pricing worldwide*.

CA2 : Article 30, Paragraph 1

If adopted: Rapp 9, 147 (LEFT), 148 (EPP), 150 (ID), 151 (NA), 152 (EPP) fall

The Commission shall collect the information necessary with a view to *monitoring the impact of the CBAM on climate and environmental protection, on the competitiveness of the Union economy, especially in the agricultural and food sectors and with regard to SMEs, on the viability of production facilities in the sectors covered by the Regulation, on the structure and volume of Union imports, on the costs to final customers and on developing countries*.

Based on the outcome of this scrutiny, the Commission shall examine the feasibility and relevance of extending the scope of this Regulation to indirect emissions and goods other than those listed in Annex I, including assessing the impact of the potential inclusion of agricultural and agri-food products. The Commission shall also develop methods of calculating embedded emissions based on environmental footprint methods and ensure an efficient and transparent verification and control system to guarantee the accuracy of the information received from third-country producers.

CA3 : Article 30, Paragraph 2

If adopted: 149 (RE), 153 (RE), 154 (NA), 155 (LEFT), 156 (ID), 157 (EPP), 158 (SD), 159 (EPP), 160 (GREENS), 161 (RE) fall

Before the end of the transitional period, the Commission shall present a report to the European Parliament and the Council on the application of this Regulation. The report shall contain, in particular, *an*:

- (a) assessment of the possibilities to further extend the scope of embedded emissions to indirect emissions and to other goods at risk of carbon leakage than those already covered by this Regulation;
- (b) assessment of the governance system;
- (c) assessment of the possibility to further extend the scope to embedded emissions of transportation services as well as to goods further down the value chain and services that may be subject to the risk of carbon leakage in the future;
- (d) assessment of the real impact on climate and environmental protection;*
- (e) assessment of the impact on the competitiveness and viability of the Union's economy;*
- (f) assessment of the impact on Union's imports;*
- (g) identification of the effects on sustainable innovation and changes in trade flows, supply chains and prices with regards to fertilisers and agricultural sector;*
- (h) identification of the effects on Union enterprises, including a quantitative assessment of impacts, specifically on small and medium sized enterprises (SMEs), and actual compliance cost;*
- (i) assessment of the effects from the potential extension of the scope of this Regulation to agricultural and food products and its potential implications;*
- (j) assessment of whether the carbon embedded in the short-lived harvested wood products, accounted for in the land use, land use change and forestry sector, should be covered by this Regulation;*
- (k) evaluation of the possibility of earmarking revenues from CBAM to promote measures contributing to reducing EU carbon emissions and to reduce the agriculture's dependence on fertilisers.*

2. RECITALS:

CA4 : Recital 1

If adopted: 1 (RE), 2 (LEFT), 3 (EPP) fall

The Commission has, in its communication on the European Green Deal, set out a new *sustainable* growth strategy that aims to transform the Union into a fair, prosperous *and resilient* society, with a modern, resource-efficient, *circular* and competitive economy, where there are no net emissions (emissions after deduction of removals) of greenhouse gases ('GHG emissions') in 2050 and where economic growth is decoupled from resource use. The European Green Deal also aims to protect, conserve and enhance the EU's natural capital, *combat the decline of biodiversity* and protect the health and well-being of citizens from environment-related risks and impacts. At the same time, that transformation must be *balanced*, just and inclusive, *creating sustainable growth and jobs and* leaving no one behind. *In addition, the European Green Deal aims to support the global efforts towards the achievement of the Sustainable Development Goals of the United Nations 2030 Agenda for Sustainable Development (UN SDGs) and the Paris Agreement.* The Commission also announced in its EU Action Plan: Towards Zero Pollution for Air, Water and Soil the promotion of relevant instruments and incentives to better implement the polluter pays principle as set out in Article

191(2) of the Treaty on the Functioning of the European Union ('TFEU') and thus complete the phasing out of 'pollution for free' with a view to maximising synergies between decarbonisation and the zero pollution ambition.

CA5 : Recital 8

If adopted: 12 (EPP), 13 (EPP) fall

As long as a significant number of the Union's international partners have *very different* policy approaches that do not result in the same level of climate ambition *than that of the EU and lead to significant differences in the price of GHG emissions*, there is a risk of carbon leakage. *This risk exists not only for industrial goods, but also potentially for agricultural products.* Carbon leakage occurs if, for reasons of costs related to *different levels of ambition in climate policy*, businesses in certain industry *or trade* sectors or subsectors were to transfer production to other countries or imports from those countries would replace equivalent but less GHG emissions intensive products. That could lead to an increase in their total emissions globally *while undermining the effectiveness of EU emission reduction policies*, thus jeopardising the reduction of GHG emissions that is urgently needed if the world is to keep the global average temperature to well below 2 °C above pre-industrial levels.

CA6: Recital 12

If adopted: 29 (RE), 30 (RE), 31 (LEFT), 97 (EPP) fall

While the objective of the CBAM is to prevent the risk of carbon leakage, this Regulation would also encourage the use of more GHG emissions-efficient technologies *and regenerative practices, e.g. in agriculture*, by producers from third countries, so that less emissions per unit of output are generated; *it would also encourage carbon pricing worldwide, thus enhancing a global level playing field.*

At the same time, the CBAM should be seen as a way of supporting industry through innovation and investment funding, contributing effectively to a just transition to a carbon-neutral economy and creating new job opportunities and economic growth, while maintaining the necessary safeguards to protect industrial competitiveness in Europe.

CA7: Recital 12a (new)

If adopted: Rapp 3, 32 (EPP), 33 (ID), 34 (EPP), 38 (SD) fall

However, the problem of carbon leakage has to be seen in a broader context of the cumulative impact of the Union's growing environmental ambitions, as expressed, inter alia, in the Green Deal component strategies, on the competitiveness of the Union economy as a whole. The disparity in production standards and requirements between the Union and its external trading partners is evident not only in the sectors covered by the EU ETS scheme, but also, inter alia, in agriculture. Therefore, a two-pronged approach is needed: the combat against carbon leakage through CBAM should be accompanied by favourable investment and production conditions in the Union,

involving, for example, the more effective use of agricultural organic matter such as livestock manure to replace chemical fertilisers; financial incentives for innovation, for production of bio-fertilizers and soil improvers from agricultural biomass and digestates from biogas; the removal of administrative barriers and the reduction of adjustment costs, especially for small and medium-sized enterprises and the agricultural sector to ensure that their competitiveness is preserved. New resources for this purpose should be made available.

CA8: Recital 13

If adopted: 35 (GREENS), 36 (RE), 37 (LEFT) fall

As an instrument to prevent carbon leakage and reduce GHG emissions, the CBAM should ensure that imported products are subject to a regulatory system that applies carbon costs equivalent to the ones that otherwise would have been borne under the EU ETS. The CBAM is a climate *and environmental protection* measure, which should prevent the risk of carbon leakage, *promote carbon pricing globally, enhance decarbonisation in a cost-effective and technology-neutral way* and support the Union's increased ambition on climate mitigation, while ensuring WTO compatibility. *Support measures for farmers in adapting to changes in fertiliser price or sourcing should be made available under existing appropriate instruments, notably the CAP and the NextGenerationEU, rather than compromising the efficacy and WTO compatibility of the CBAM itself.*

CA9: Recital 28

If adopted: 51 (RE), 52 (LEFT), 53 (NA) fall

Whilst the ultimate objective of the CBAM is a broad product coverage, it would be prudent to start with a selected number of sectors with relatively homogeneous products where there is a *potential* risk of carbon leakage. Union sectors deemed at risk of carbon leakage are listed in Commission Delegated Decision (EU) 2019/708. *Any further extension of the sectors and products covered by the CBAM should take place after an exhaustive scientific analysis and risk assessment, based on the latest available scientific evidence. The potential contribution of such extension, and possible negative effects as well as the effects on the stability of the internal market should also be taken into consideration.*

CA10: Recital 52

If adopted: Rapp 6, 78 (RE), 79 (LEFT), 80 (EPP), 81 (ID), 83 (RE), 85 (RE) fall

The Commission should evaluate the application of this Regulation before the end of the transitional period and report to the European Parliament and the Council. The report of the Commission should, in particular, *assess as accurately as possible the real impact that the CBAM mechanism has on climate and environmental protection, the impact on the competitiveness and viability of the Union's economy, especially in the agricultural sector and on SMEs, as well as actual compliance costs. The report should also examine the effects on sustainable innovation and changes in trade flows and supply chains, notably concerning*

fertilisers, and the effects on the prices of fertilisers and agricultural production. It should also assess the possibility of dedicating revenues obtained through CBAM to the financing of measures aimed at reducing carbon emissions and promoting more sustainable use of fertilisers in the European Union. The effects of the potential extension of the scope of this Regulation to agriculture and agri-food products, and other products at risk of carbon leakage, as well as to indirect emissions, should also be evaluated. The Commission should also develop methods of calculating embedded emissions based on the environmental footprint methods.