

Joint Statement by CBAM sectors ahead of the ENVI vote on CBAM and ETS

Dear Member of the Environment, Public Health & Food Safety Committee,

As representatives of the four industrial sectors proposed by the Commission to be included in the scope of the EU Carbon Border Adjustment Mechanism (CBAM) – cement, steel, aluminium and fertilisers – we would like to raise our **thoughts and concerns on the ENVI compromise amendments (CA) that will be voted on 17th May**.

We welcome that several CAs strengthen the governance and enforcement of the CBAM, notably with regards to the role of the central authority, circumvention provisions, default values, the limitation of exceptions and the verification and transparency of data. These amendments are important to reinforce CBAM's watertightness.

At the same time, we would like to share our concern on key CAs regarding the interaction of the CBAM with current carbon leakage provisions and the export competitiveness. Such provisions entail highly adverse effects on the viability of our industries:

- 1. The Free Allowances phase-out in CA 12 is premature and would cause major risks for CBAM sectors, their direct and indirect jobs that rely on them.** CA 12 proposes to phase out free allocation between 2025 and 2030 without including a diligent testing period or a solution for exports. This fast phase out trajectory will have inflationary effects on the value chains and reduce financial resources that our companies can invest in low carbon technologies. For CBAM to be effective in achieving its objectives, it should include a solution for exports and co-exist with the current system of full benchmark-based free allocation in a transition period until 2030 to test its effectiveness, focus companies' financial resources on low carbon investments, and avoid market disruptions across value chains. As proposed by the Commission, the CBAM fee will deduct free allocation granted to EU industry, which avoids any potential risks of double protection.
- 2. Compromise amendments do not provide a real export solution.** We strongly regret that the compromise amendments in both ETS and CBAM do not provide any real solution for exports. They request the Commission to assess the impact of the CBAM on exports and present possible proposals, while the proposed CBAM by its nature cannot have any effectiveness on export markets, since it does not include any export measure. Moreover, the call for an additional assessment is redundant and tardy as the Commission Impact Assessment already indicates a negative effect on exports (even with a lower carbon price than the current one). Instead, it is crucial that CBAM prevents carbon leakage of exports before any free allowances phase-out takes place. Otherwise, our sectors share in third markets will be met by production from other countries, with a much higher carbon footprint and no carbon costs. This would lead to a further increase in global emissions, undermining the CBAM's environmental and competitiveness objectives. In this regard, the ITRE Committee had agreed with wide majority a much more concrete measure that should be considered in plenary. We therefore consider that maintaining free allocation for export, as suggested in the ITRE opinion on ETS, is crucial pending the development of more detailed export solutions.
- 3. Provisions on the current Carbon Leakage Measures in CA1 are factually incorrect:** In addition, the statement in CA 1 that free allocation and indirect cost compensation system weaken the carbon price signal is factually incorrect. Free allocation is set at the level of the best performers. Indirect cost compensation has no negative impact on the efficiency of the EU ETS. The power sector passes the full direct emissions costs on to its consumers and thus, fully incentivises further decarbonisation of the power sector, independent of any compensation.

We hope that the Members of the European Parliament will duly consider our concerns.

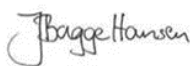
Yours sincerely,



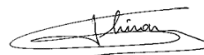
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