



## **Glass Alliance Europe input to the Public Consultation on the Carbon Border Adjustment Mechanism Proposal.**

17 November 2021

Glass Alliance Europe (GAE), the European Alliance of Glass Industries, welcomes the opportunity to provide feed-back on the Commission proposal to introduce a Carbon Border Adjustment Mechanism.

Given the 4,000 characters limitation, this input will focus on the main elements. A more elaborated position paper is attached to the contribution.

### **CBAM and free allocation**

CBAM should not be perceived as an alternative to the free allocation of ETS allowances as both measures address different types of carbon leakage. For instance, a CBAM alone would not solve the issue of carbon leakage for EU industries that are mainly export-oriented. From a legal point of view, the co-existence of free allowances and a CBAM under the EU ETS umbrella can be WTO compatible. See also the position paper on the Alliance of EII (attached).

The consistency with WTO rules can be achieved by treating importers and EU manufacturers on the same footing, requiring importers to only buy allowances above the benchmark levels.

The co-existence of free allowances and CBAM would reduce additional costs for EU manufacturers, allow sufficient time for the deployment of low carbon technologies and alleviate the impact on EU value chains and final consumers.

### **Solution for exports**

EU manufacturers will bear carbon costs for the entirety of their production, while foreign manufacturers will only face additional costs for the exports to the EU. This asymmetry will make EU exports more expensive than local production in regions where no (or less) carbon costs exist. This will inevitably result in lower access to export markets for the European industry, with a negative impact on EU trade balance, on EU manufacturers competitiveness and on global CO<sub>2</sub> emissions.

It is therefore crucial to design a system for EU exports as part of CBAM. Such solution should be developed in time for the implementation of CBAM. This would act as a further incentive to ensure third countries set up carbon pricing schemes.

### **Monitoring and Verification**

Under the EU ETS, EU operators must comply with annual monitoring, reporting and verification requirements with data verified by an EU accredited verifier. Shall a CBAM be introduced, the same level of control should apply to non-EU operators importing products.

Ideally, emissions should be calculated and reported at installation level, as it is the case for EU operators. Defining the exact carbon content of imported products is critical to the success of the CBAM.

Both direct and indirect emissions should be accounted plus emissions resulting from the transport of the goods up to the EU border.

Should the legislator wish to propose the introduction of benchmarks (at the relevant statistical level; i.e. NACE or Prodcom), these should be set per product and country of origin. To avoid the import of carbon-intensive products to the EU, the imported product benchmarks per country of origin should be set at adequate levels so to incentivize non-EU operators to present emissions' reports verified by an EU accredited verifier.

### **Circumvention measures**

The CBAM proposal is complex and open to loopholes and circumvention.

In the Commission proposal, the definition of circumvention (i.e. finding ways to avoid the CBAM) is too restrictive and limited to slight product modifications. There are however other means to get round the CBAM such as resource shuffling (allocating low carbon production in a country for EU exports with no effect on the overall CO2 emissions), transshipment strategies (if exemptions exist) or costs absorption (only part of the foreign production is subject to CBAM).

The proposal should therefore better define and address circumvention risks.