

The effect of the COM CBAM proposal and ETS on the EU Manufacturing Industry of Finished Goods

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EU ETS Strategy & the proposal for CBAM of the EU Commission of 14 July 2021

- ETS change: stop of free allowances for the EU production of raw materials such as steel
- CBAM introduced on imported raw materials
- Imported finished goods that contain such raw materials are not part of CBAM

(COM proposal: “review after three years to consider the extension of scope to more basic products and to semi-finished and finished goods”)

Is there an intention of COM to ever introduce finished goods in CBAM ?

Correct or not ?

“The proposed CBAM does not include finished goods such as Washing Machines in its scope, so EU appliance producers do not need to be concerned.”

Is this correct ?

No !

We are concerned.

The COM strategy for ETS and the proposal for CBAM will negatively impact the competitiveness of the EU manufacturing industry on its home market and risk to cause carbon leakage !

	Manufactured in the EU	Manufactured outside the EU
Steel <i>CBAM should reduce risk of Carbon Leakage</i>	Additional cost from ETS directly or indirectly (electricity used)	Additional cost from CBAM
Washing machine containing steel <i>CBAM has the risk to cause Carbon Leakage !</i>	Additional indirect cost from: <ul style="list-style-type: none"> • ETS for electricity used & • ETS (if EU steel is used), or • CBAM (if non EU steel is used) 	ETS does not apply CBAM does not apply ? ☐ No additional cost ?!

Improved competitive situation for non-EU based manufacturing industry of finished goods

Reason why Finished Goods are not included in the COM CBAM proposal

- COM Impact Assessment Page 84:
“Option 5: Import certificates on basic materials also as part of components and finished products”

Table 16: How do the options compare

Effectiveness, efficiency and coherence	Option 0 (0) MEX	Option 0 (0) MEX full auctioning	Option 1 Import Carbon Tax	Option 2 Import certificates at average EU emissions	Option 3 Import certificates based on actual emissions	Option 4 Import certificates with parallel continuation of free allowances for a transitional period	Option 5 Import certificates on basic materials also as part of components and finished products	Option 6 Excess duty
<i>Effectiveness</i>								
Supporting reduction of GHG emissions (by supporting investments on low carbon technologies)	Green	Green	Green	Green	Green	Green	Green	Green
Carbon leakage prevention (respect international commitments that incentivising country producers)	Green	Red	Green	Green	Green	Green	Green	Green
<i>Coherence</i>								
Consistency with EU ETS	Green	Green	Green	Green	Green	Green	Green	Green
<i>Efficiency</i>								
Economic Impacts	Green	Red	Red	Red	Red	Red	Red	Red
Social Impacts	Green	Red	Red	Red	Red	Red	Red	Red
Biological impacts	Green	Green	Green	Green	Green	Green	Green	Green
Administrative costs	Green	Green	Green	Green	Green	Green	Red	Green
<i>Sustainability proportionality</i>								
<i>Overall assessment</i>								
Cost/benefit	Green	Red	Green	Green	Green	Green	Red	Green



- Page 79:
*“option 5, adds more relevant installations, importers and import transactions. **This increases the compliance costs** compared to similar designs only targeting basic materials (and basic material products).”*

The message from the COM CBAM proposal..

Avoiding administrative burden and additional cost for imported finished goods is considered more important..

..than securing the competitiveness of the EU based manufacturing industry of finished goods..

..and more important than preventing carbon leakage from this industry sector.

Way forward ?

Global or bilateral solutions with other regions.

Page 9 of Explanatory Memorandum of the COM CBAM proposal:

*“Moreover, during an initial transitional phase, **where importers may not be able to produce yet the data required by system on actual emissions, a default value could also apply**. This option will need to be designed to fully respect the EU’s international commitments, in particular WTO rules, and therefore it will be necessary to ensure that if a default value applies, importers are in all cases given the opportunity to demonstrate that they perform better than such value based on their actual emissions. “*

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End