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Bioenergy Association of Finland

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The Bioenergy Association of Finland

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Bioenergy Association of Finland

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Initiative

[Carbon Border Adjustment Mechanism \(/info/law/better-regulation/have-your-say/initiatives/12228-Carbon-Border-Adjustment-Mechanism\)](/info/law/better-regulation/have-your-say/initiatives/12228-Carbon-Border-Adjustment-Mechanism)

The Bioenergy Association of Finland supports the objectives of the EU Green Deal, including climate neutrality by 2050, healthy ecosystems in the EU, improved competitiveness for European industries and higher energy security.

Development of carbon border adjustment (CBA) mechanisms requires, however, careful assessment. CBA-mechanisms are always second-best options in climate policy – even more so if they are unilateral. Multilateralism i.e. a broad global coalition of countries implementing ambitious climate policies together should remain as the best option and the overall goal for EU's climate diplomacy. The EU has succeeded in leading and should continue to lead and push for progress in such a broad coalition through its own convincing policies. A broad coalition of ambitious countries would also create a demand pull for cutting-edge clean technologies developed in the EU and elsewhere.

The Commission should analyse whether CBA mechanisms are indeed necessary and the best policy avenue for the EU. If that would be the case, the Commission should in its communication propose, under which conditions CBA mechanisms should be introduced.

The problem definition for CBA mechanisms begins with the presumption “As long as many international partners do not share the same climate ambition as the EU, there is a risk of carbon leakage.” In this context, it is worth noting that in its proposal for European Climate Law in March 2020, the Commission deliberately excluded the option of reducing emissions or increasing removals outside EU's borders. Such framing almost automatically implies a higher price of carbon and higher mitigation costs for the EU, as likely more cost-effective mitigation options outside the EU where “the same climate ambition is not shared” cannot be utilized. It therefore seems that the need for CBA mechanisms is partly dependent on whether the EU is open for emissions trading across its outer borders.

There is hardly any experience – even at technical level - about the use of CBA mechanisms. Implementation of such mechanisms in US or Canadian States is indeed worth exploring, but at the same time, it needs to be recognized that they are not comparable with the EU introducing such mechanisms for global trade.

We note that the planned roadmap is planning to carefully consider different types of policy instruments, methodological approaches for technical implementation and sectoral scopes. While all of this is useful, the Commission should also analyse and evaluate the political counterparty risks of CBA options, including risks like trade wars and backsliding in global implementation of the Paris Agreement and in the UNFCCC. These kinds of risks may be difficult to specify and quantify, but can be immensely important for decision-making in the EU institutions and should not be ignored.

If CBA mechanisms were introduced, that should take place gradually. The focus should first be in a few sectors, which are import-intensive (at EU and/or MS level) and where products are emission-intensive. The electricity generation sector with fossil fuels might be one of the candidates.

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