



U.S. CHAMBER OF COMMERCE

**U.S. CHAMBER OF COMMERCE COMMENTS
IN RESPONSE TO THE EUROPEAN COMMISSION
CONSULTATION ON A CARBON BORDER ADJUSTMENT MECHANISM
SUBMITTED OCTOBER 28, 2020**

Introduction

The U.S. Chamber of Commerce welcomes the opportunity to respond to the European Commission's consultation on development of a possible Carbon Border Adjustment Mechanism (CBAM).

The Chamber is the world's largest business federation, representing the interests of more than three million enterprises of all sizes and sectors. The Chamber is a longtime advocate for stronger commercial ties between the United States (U.S.) and the European Union (EU). According to a recent Chamber study, the U.S. and EU are together responsible for more than 40% of global gross domestic product, and transatlantic trade and investment support 16 million jobs on both sides of the Atlantic. In the U.S. and globally, we advance cost-effective policy frameworks, informed by science, that support economic growth, promote consumer protection, foster innovation, and advance our members' sustainability priorities.

The Chamber recognizes that a robust sustainability strategy—as outlined in the European Green Deal—is a central pillar of the Commission's agenda. We believe sustainable growth requires a vigorous dialogue between policymakers and the private sector to make our societies more prosperous and resilient and to address the many environmental challenges arising from human activity. We also believe sustainability policies must be consistent with countries' international obligations.

The Commission's consultation document includes several detailed questions concerning design and implementation of a CBAM. The Chamber has not responded to these in detail; instead, we identify several critical issues that should be borne in mind as the Commission develops any such proposal.

Principles for an Effective Climate Policy

The Chamber believes the climate is changing and humans are contributing to these changes. We believe that there is much common ground on which all sides of this discussion could come together to address climate change with policies that are practical, flexible, predictable, and durable. We believe in a policy approach that acknowledges the costs of action and inaction. An effective climate policy should:

- Leverage the power of private enterprise and markets;
- Include regular, thorough and transparent impact assessments;
- Be technology neutral to allow quick uptake of innovative approaches and avoid locking in technologies that may be less efficient;
- Embrace technology and innovation, along with climate mitigation and adaptation;
- Aggressively pursue greater energy efficiency;
- Promote modern climate resilient infrastructure, including infrastructure finance through international markets;
- Oppose market fragmentation measures that reduce the efficiency of global value-chains and risk excluding developing regions from global trade;
- Promote trade in advanced technologies, products, and services via cooperation, public-private partnerships, innovative financing, and capacity building; and
- Encourage international cooperation on development of advanced lower carbon technologies.

Principles Governing Consideration of a CBAM

The Chamber urges the Commission to consider carefully the impact and efficacy of a possible CBAM, and recommend the following principles be top of mind in exploring such a measure.

- A CBAM should be implemented in a manner consistent with WTO rules requiring national treatment and most-favored nation (MFN) treatment. The EU faces an additional challenge squaring a CBAM with obligations it has undertaken in the WTO Agreement to bind its tariffs at today's relatively low levels. Multilateral negotiations should precede establishment of a CBAM, as unilateral moves to exceed these bindings risk triggering a "green trade war."
- A CBAM should be consistent with the letter and intent of the Paris Agreement and the UN Framework Convention on Climate Change. Article III of the UNFCCC states that, "(M)asures taken to combat climate change, including

unilateral ones, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade.” It is important, therefore, that CBAM not become a tool to erect trade barriers or to target products or countries for symbolic or political reasons.

- In terms of product/country coverage and methodology:
 - A CBAM should focus on simple rules that are transparent and quantifiable to minimize or eliminate any product advantage conferred by the absence of regimes to limit emissions.
 - To the greatest extent possible, rules should be based on a comparison of emissions utilizing a methodology that is credible, fair and efficient. Rules should also be focused on sectors that have a higher risk of carbon leakage, and can be monitored, reported, and verified.
 - A CBAM should take into account an exporting country’s overall emissions goals, progress, and level of effort as characterized in its nationally determined contribution per the Paris Agreement.
- Complicated and burdensome processes could impose unnecessary costs on and disrupt global supply chains. Ensuring a simple and transparent process will be critical. The Commission should carefully consider and compare different approaches to calculation and collection, such as point of sale versus at the border. Any attendant customs procedures should be developed with input from industries subject to a CBAM, and a large and intrusive administrative apparatus should be avoided.

The Chamber believes diverse stakeholders can come together to address climate change with policies that are practical, flexible, predictable, and durable. Free and fair trade also are bedrock principles of the Chamber – as they are of the EU. Devising border adjustments that effectively prevent leakage and are consistent with WTO obligations may prove difficult. We urge the Commission to proceed with caution to ensure its approach does not do more economic and environmental harm than good. The Chamber welcomes the opportunity to stay engaged in this process, and we look forward to reviewing any formal proposal put forward by the Commission.

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EU Transparency Register: 483024821178-51