

ECIPE PRESS RELEASE — NEW POLICY BRIEF

Europe's Carbon Border Adjustment Mechanism: Time to Go Back to the Drawing Board

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Brussels, Belgium, 3rd November 2021 - This Policy Brief takes stock of the global and European trade and carbon-emission effects from CBAM. It argues that the current design of the CBAM is not good enough and, ultimately, that there are risks that it will dent the positive effects on global carbon emissions that come from a lower cap on carbon emissions in Europe. These effects will happen through trade and the reallocation of production – and from retaliatory responses from countries that will be negatively affected by the CBAM.

This Policy Brief by Fredrik Erixon provides recommendations on what the EU could do to improve the CBAM. According to the author the EU should:

1. Respond better to concerns about WTO compatibility;
2. Address development problems that will arise from CBAM;
3. Provide workable ideas for how CBAM could be anchored in trade and climate agreements;
4. Provide a realistic assessment of what retaliatory strategies that other countries will use against the EU, and get a much better understanding of the dynamic or second-order actions that CBAM will prompt;
5. Consider how it can avoid that CBAM (not the ETS) provokes carbon leakage through both imports and exports.

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