

Bld. Brand Whitlock 114 / B-1200 Brussels
T: +32 2 738 78 10

Alvaro Vilas

alvaro.vilas@applia-europe.eu



The CBAM proposal risks negative environmental impacts and it is unfair to European manufacturing

A negative environmental impact, as a result of ETS and CBAM proposals

APPLiA represents the Home Appliance industry in Europe and, as a leader in sustainability, fully supports the EU's 2050 decarbonisation target. Over the years, home appliances have been delivering increasingly higher efficiency standards. Such improvements are a proof of the already significant contributions of the sector to the ultimate EU climate targets.

One of the main objectives of the removal of the free allowances of ETS combined with CBAM is to reduce climate change by putting a price on CO2 emissions. As such it is essential that carbon leakage is prevented so the emissions are not simply moved elsewhere.

The COM proposal for CBAM is only including raw materials such as steel and aluminium and not finished goods. This will create an incentive for carbon leakage from the EU, that is to say that finished products produced outside the EU containing such raw materials will get a competitive advantage over similar products produced in the EU. When CO2 emissions occur outside the EU, the EU will have no possibility to monitor or regulate these emissions.

This represents a serious negative environmental impact, undermining the CBAM objective.

A relevant product cost increase only for EU-based manufacturing, as a result of ETS and CBAM proposals

The combined effect of reduction of free allowances in ETS, and the consequent introduction of CBAM, will make manufacturing in Europe more expensive. To illustrate the issue with a simple example,



a washing machine contains approximately 25kg of steel, 3kg of aluminium and 25kg of cement. At the current level of ETS CO2 cost of 60€/ton, this would translate into up to a 10 Euro cost increase for each washing machine manufactured in Europe.

Therefore, if other regions of the world would not set up a similar mechanism, manufacturing in Europe would be at a disadvantage.

Overall, the planned ETS revisions, combined with the current CBAM proposal are, factually, unfair to all manufacturing entities based in Europe using steel, aluminium and cement and produces a negative environmental impact, as it would not remove carbon leakage. The proposed changes are also not in line with other, equally important, goals that the European Union has set itself: upholding European competitiveness and preserving European jobs.

The European Commission to address the complex goods issue before CBAM is producing an effect on the market.

The Commission proposal for CBAM partly recognizes this concern for finished products and the review clause suggests that COM should investigate the matter and potentially address the concern of finished goods with future legislation. There is however no binding obligation for COM to create such next legislation. The explanatory memorandum of the COM CBAM proposal concludes that it would be administratively too complicated to handle the finished goods in CBAM. We seriously question how this concern would become less administratively complex some years in the future. If this is deemed by COM as being too complex already now, it will not become less complex in the future. We therefore believe COM might have little incentive to create the necessary future legislation to address this concern.

The EU needs to get this legislation right from the beginning, otherwise we risk having created a policy that has obvious negative effects for climate change (more carbon leakage) and also risks jobs in the EU and the global competitiveness and resilience of the EU.

At this point, we suggest that the European Commission is requested to create the next legal proposal to resolve this serious concern for finished goods, not only having an option to do so. Such a requirement can be put on the European Commission in the review article nr 30 of the CBAM proposal.

In particular, we would modify Art 30 in such a way that two years before the removal of free allowances in ETS, the Commission must create a legislative proposal for finished goods containing raw materials to prevent distortion of competition. This would prevent carbon leakage and would, of course, have to be in line with WTO rules.

APPLiA - Home Appliance Europe represents home appliance manufacturers from across Europe. By promoting innovative, sustainable policies and solutions for EU homes, APPLiA has helped build the sector into an economic powerhouse, with an annual turnover of EUR 53 billion, investing over EUR 1.6 billion in R&D activities and creating nearly 1 million jobs.

