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The EU Carbon Border Adjustment Mechanism must not make it more difficult for European industry to stop carbon leakage.

The Norwegian Confederation of Trade Unions (LO), Industri Energi, The United Federation of Trade Unions, The Federation of Norwegian Industries, and the Confederation of Norwegian Enterprise (NHO) are positive to implementing a firm European tool to secure a level playing field for industry in Europe, who have a price on carbon, with industries in countries who do not put a price on carbon. However, such a system must be designed in a way which does not hinder European employment, industrial activity and value creation.

European industry is constantly reminded of the challenges that that carbon leakage represents both for industrial activity, and for the enforcement of climate policies. We believe the ultimate solution to this challenge is a global one, in which trading blocks establish a framework which ensures a level playing field and ambitious enforcement of climate policies needed to deliver on our common climate objectives as reflected in the Paris agreement. As we acknowledge that this will require lengthy negotiations, a regional approach such as the EU CBAM may depending on it's design contribute to accelerating a global approach to climate actions and a level playing field for industry.

The Norwegian land-based industry is heavily dependent on access to renewable hydropower. Access to cost-efficient renewable energy ensures Norwegian industry to be cost-competitive and a green leader at the same time.

We have noted that the Commission has signaled that a CBAM will replace the scheme for free quotas and indirect cost compensation for industries which today are exposed to carbon leakage. These measures are especially important for Norwegian hydropower-based process industry which will experience reduced competitiveness if these measures are removed and exchanged with a CBAM.



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European production of key produce and goods has been considerably reduced the last 10 to 15 years because of import from third countries, which also have much higher CO₂ intensity in its production. The challenge European production faces are in many cases based on high energy prices and other costs not directly related to the CO₂ impact.

For products like aluminum and fertilizers, which we understand will be included in the first phase, it will be crucial that a CBAM not only protects them from unfair competition in the EU/EEA market – but also ensures that their competitive position globally is not hampered by changes in operating parameters following the implementation of CBAM.

While a CBAM will be directed at the carbon intensity in imported goods, the existing scheme for compensation is based on the CO₂ cost that arises in the electricity price because of marginal pricing. From the perspective of Norwegian industry, a CBAM will not be able to shield our electro-intensive industries against the indirect CO₂ cost in the Norwegian electricity market, with a 90+% share of renewable electricity. Hence, a CBAM proposal which removes the compensation scheme for indirect CO₂ costs, may hamper Norwegian and European industries competitiveness. We strongly advise the commission not to remove this important carbon leakage protection measure when the CBAM is included.

We would also like to make note that there exist several alternative measures to a CBAM. These measures are compatible with WTO rules, and would not run the risk of increasing trade conflicts, and hence putting employment and companies in danger. Environmental standards, product declarations, eco-labeling, and life-cycle assessments are already increasing in numbers and importance. This could also be combined with standards for low carbon content in public procurement.

If a CBAM were to be introduced, we believe that the mechanism should respect the following principles:

- The CO₂ compensation for indirect emissions and the scheme for free quotas must not be discontinued before the introduction of a robust and precise mechanism aimed at the entire production chain from raw material to final product. The new mechanism must have the same goal as the existing mechanism. A discontinuation of



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the existing mechanism will harm Norwegian and European competitiveness on the global market.

- A CBAM must be compatible with the WTO rules. This is important to avoid countermeasures from important trading partners and to protect European companies and global competitiveness.
- A CBAM must be compatible with the existing EU Emissions Trading Scheme.
- It is crucial that a CBAM is based upon a transparent and verified system for calculating the carbon content in products including direct and indirect emissions. The system must be completely transparent showing all details comprising origin and content in all goods from cradle to market, including recirculated content. The system must also estimate the content and demonstrate the composition of the total emissions.
- A CBAM must be based on the carbon content in the primary and secondary production including both direct and indirect CO₂ emissions in the entire production chain.
- Income from a CBAM must be returned to businesses, and inspired by the EU Innovation Fund, finance investments in sustainable development supporting EU climate policies.

Best regards

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