

FEAD position on a Carbon Border Adjustment Mechanism (CBAM)

FEAD, the European Waste Management Association, represents the private waste and resource management industry across Europe.

FEAD welcomes the European Commission's proposal and the European Parliament's ENVI report on a carbon border adjustment mechanism (CBAM). We deem that a CBAM, being complementary to the EU ETS and the overall EU environmental legislation, can facilitate Europe's efforts towards climate neutrality by 2050, by counteracting the risk of carbon leakage through the implementation of carbon pricing on imports of certain goods from outside the EU.¹

In principle, EU regulations aimed at making the economy more circular constitute increased costs along the whole product life cycle. The whole production chain is more costly when based on recycling, than when using virgin materials.

- The CBAM should help address the price gap between products containing recycled materials and those based on virgin materials. A CBAM should support regulatory measures aimed at incorporating recyclates into products, and, more generally, the waste recycling chain.
- A CBAM mechanism should take into consideration the **energy content** of imported products and put them on an equal footing with manufactured goods produced by industries subject to ETS. It would consequently cover imported products based on glass, cement, ceramic, paper, steel, aluminium, insofar as the "carbon leakage" mechanism does not fully compensate the CO₂ costs for all sectors covered by the ETS. Previously established benchmarks under the ETS can offer the needed methodologies for calculating the energy related CO₂ content of imported products, as the basis of the CO₂ cost to be reflected by the CBAM.
- The CBAM should also take into consideration the **material content** of imported products and **aim to put the same level of competitiveness on products that incorporate recyclates and products that originate from virgin materials.**
- A CO₂ compensation mechanism at the borders should work together with **EU policies based on mandatory recycled contents.** The Circular Economy Action Plan (CEAP) adopted on the 11th of March 2020 clearly aims to extend mandatory recycled content to other products, such as packaging, construction products, and vehicles.

¹<https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12228-EU-Green-Deal-carbon-border-adjustment-mechanism->

The CBAM is an essential tool **against eco-dumping**, and a necessary **complement to mandatory recycled content policies**. It should also aim to strengthen European recycling markets, by consolidating the internal EU demand for recyclates. This will result in increased investments in recycling, and in a more competitive supply of recyclates.

In addition, a CBAM should also facilitate **closing the loop within the EU economy** by sourcing more waste as a material resource in industrial production. EU manufacturing industries would benefit from an **improved competitiveness on products containing recyclates**, compared to imported products based on virgin materials.

Furthermore, a CBAM would allow EU industries to **compete on an equal footing** with competitors from developing countries which do not regulate their industries' carbon emissions, nor regulate the whole material product life cycle by requesting the incorporation of recyclates in manufactured goods.

Regarding "green" manufacturing as part of the **eco-labelling** scheme foreseen by the Circular Economy Action Plan, the EC should envisage a **carbon label** on products that are manufactured or sold within the Union. It would reflect the CO₂ intensity in products, while showing the performance of products using recycled materials versus products that are made only with virgin resources.

Undoubtedly, the implementation of a CBAM would face numerous practical, economic and legal challenges, under International Trade Law and especially with ensuring the mechanism is WTO-compatible. The mechanism must be applied to developing countries and trade partners without prejudice to the non-discrimination principle. The key is to structure any accompanying measure as a straightforward extension of the domestic climate policy to imports. The CBAM should be deployed gradually, starting with pilot sectors, where carbon content of product is easy to evaluate and establish, both for domestic and for imported products.

To design a functioning and successful CBAM, FEAD believes that further cost-benefit analyses and impact assessments are needed, by comparing the carbon footprint of products with recycled content and products with virgin materials. Such an assessment would show the importance of mandatory recycling content in the EU industries and how that should be linked with the CBAM.

FEAD is committed to the objectives of the European Green Deal and considers the above-mentioned aspects apt for providing the adequate stimuli both for addressing GHG emissions and carbon leakages and for enhancing circular economy in Europe.

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