HYDROGEN EUROPE RESEARCH'S STATEMENT ON THE EUROPEAN PARLIAMENT'S REPORT ON THE CARBON BORDER ADJUSTMENT MECHANISM (CBAM)

On 22 June, the European Parliament adopted its position on the regulation establishing the world's first Carbon Border Adjustment Mechanism (CBAM). In light of the EU´s Green Deal and the enormous transformation process taking place in an international competitive setting characterised by different CO2 pricing levels, effective protection measures against so-called "carbon leakages" are required. The European Parliament agrees on the need of this carbon border mechanism which aims to reduce global greenhouse gases emissions by incentivising non-EU countries to reduce their emissions and to prevent the risk of carbon leakage, i.e. production being moved outside the EU to countries not enforcing carbon pricing mechanisms. Unlike the European Commission´s proposal, the European Parliament calls for enlarging the scope of the CBAM to additional products, amongst which hydrogen and ammonia.

Hydrogen Europe Research (HER) acknowledges the relevance of such a mechanism to avoid carbon leakages. Furthermore, HER is fully aligned with the Hydrogen Europe´s position on the need to ensure a level playing field as well as incentivising investments in third counties to ramp up global decarbonisation efforts.

However, the carbon price to pay for importing products into the EU does not take into account the emissions emitted during the transportation of the product. In the case of hydrogen, greenhouse gases emissions and hydrogen losses from transportation can be significant. HER strongly argues for accounting for transport emissions to stay close to science. If not implemented directly in the CBAM, complementary mechanisms could cover these aspects, for example through the Emissions Trading System (ETS). Neglecting transport emissions may lead to structural disadvantages for EU renewable hydrogen production sites and could hamper investments in European green hydrogen production capacities. In view of increasing EU energy sovereignty and reducing dependency on foreign countries, as much renewable hydrogen as possible should be produced in Europe.

Furthermore, the CBAM should be clearly designed as a learning process. The mechanism should first be tested and scientifically reviewed to assess whether the carbon leakage protection can effectively be guaranteed or whether it shall be supplemented/replaced by other means (e.g. climate clubs or sectoral agreements). In addition, the CBAM should be reviewed on frequent basis based on actual and up to date scientific data.