

Brussels, 8 April 2020

The Polish Electricity Association position on Inception Impact Assessment of the carbon border adjustment mechanism

The Polish Electricity Association (PKEE) finds it of crucial importance to ensure that the newly designed carbon border adjustment mechanism (CBAM) shall not result in adverse effects such as hampering the competitiveness of the European industry. The CBAM should limit net electricity imports from third countries not applying carbon price measures comparable to the EU ETS.

According to the European Commission's communication, the achievement of net-zero economy would require increasing the annual investments by up to EUR 575bn¹. Although COVID-19 outbreak has resulted in a rapid drop in carbon prices, we can assume that the price of CO₂ emission allowances (EUA) may be expected to increase due to the ambitious EU climate and energy policy, up to 76 EUR/t till 2030². It will particularly affect the Member States that are struggling with the biggest challenges and are less advanced in their energy transition. The PKEE draws the Commission's attention to the fact that according to the CAKE study³, just the transformation of the Polish electricity sector will require as much as EUR 176–206bn and it will not be possible without a strong financial support.

As far as it has not been yet decided how to use any possible revenues resulting from the carbon border adjustment mechanism application, we would like to underline that **funds collected through the EU mechanism could provide fresh money, which could be transferred to Member States with the biggest investment needs.**

The new mechanism should cover the imports of electricity from third countries

Decision on covering a specific sector by the carbon border adjustment mechanism will deeply impact the functioning of sector(s) concerned and therefore **should be preceded by a thorough Impact Assessment.** As some analyses suggest that CBAM could replace the carbon leakage mechanisms that are already

¹ COM(2018) 773 final, Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank – *A Clean Planet for all. A European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy.*

² CAKE, The European Green Deal impact on the GHG's emission reduction target for 2030 and on the EUA prices. available at: <http://climatecake.pl/wp-content/uploads/2020/03/Impact-on-the-reduction-target-for-2030-and-on-theEUA-prices.-Summary.pdf>

³ CAKE, Scenarios of low-emission energy sector for Poland and the EU until 2050 2019, available at: http://climatecake.pl/wpcontent/uploads/2019/11/CAKE_energy-model_EU_low_emission_scenarios_paper_final.pdf



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applied, increasing the vulnerability of energy-intensive industry, a possible replacement should be thoroughly assessed to avoid any unfair treatment of energy-intensive users across the EU.

The PKEE opts for covering by this instrument the imports of electricity from third countries not subject to the EU ETS carbon pricing rules. Between 2017 and 2019, electricity imports from outside the EU have increased by 700%, resulting in 11 million extra tonnes of CO₂ emissions. This electricity has been therefore produced in installations, which have not been subject to strict environmental rules (such as BAT), and have not provided the EU Member States with the funds that could be used for supporting the transition in the EU. According to a study "*The path of least resistance. How electricity generated from coal is leaking into the EU*", the EU Member States have missed over EUR 600 million in revenues in 2019 due to electricity imports⁴. If not missed, these funds could support the deployment of low-emission energy sources or development of new technologies, strengthening the EU's efforts in achieving its climate objectives.

Imports of electricity from third countries not applying the measures equivalent to the EU ETS-based carbon-price signal should be subjected to CBAM

Providing efficient and specific support to the most vulnerable Member States is of crucial importance. Fresh money would allow them to increase their climate ambitions while ensuring that it would not pose a threat to citizens' welfare. Support schemes, as well as shielding mechanism, can support the European energy sector the members of the PKEE are a part of, in its ambitious investments in the deployment of large-scale renewable energy sources projects.

⁴ For more information, refer to Sandbag's: *The path of least resistance. How electricity generated from coal is leaking into the EU*, <https://ember-climate.org/project/interconnectors-and-coal/>