Carbon Border Adjustment Mechanism Policy

Our Position

We favor an equitable and globally consistent system of national climate policies. However, until such a system develops, countries that are prioritizing a low carbon economy should take steps to maintain the competitiveness of domestic industries against less expensive imports from countries where carbon is not comparably regulated. A Carbon Border Adjustment Mechanism (CBAM), which manages a carbon price on goods entering and leaving a country, is an example of a policy that, if designed properly, could achieve those aims.

Our Rationale

- As nations around the world enact policies to reduce GHG emissions, they may seek to address the potential for "carbon leakage", i.e., the risk that businesses will transfer production to countries with less stringent climate measures and in process, damage regulated economies and impact net global GHG reduction.
- Climate policies that place enacting jurisdictions at a long-term competitive disadvantage, resulting in loss of industries, businesses, and jobs, will not be economically or socially sustainable.
- A well-designed carbon pricing policy must address the risk of carbon leakage.

CBAM Policy Principles

The following principles provide the foundation for the design of a sustainable CBAM policy:

- The primary objective of a CBAM policy should be to create a level playing field for energy-intensive/trade-exposed domestic industries to prevent carbon leakage.
- Revenue generation should not be a priority of a CBAM policy, and any revenues generated should be directed to programs aimed at reducing emissions from energy-intensive domestic industry.
- A CBAM policy should be considered when carbon leakage is deemed to pose a material risk and it is demonstrated that existing polices and regulations aimed at addressing that risk are insufficient.
- A CBAM imposed as an alternative to existing policies should include both imports and exports; export competitiveness must be strongly safeguarded against the competition of carbon-intensive goods produced in countries where no carbon pricing regulation is applied.

- A CBAM policy should cover both direct greenhouse gas (GHG) emissions and indirect GHG emissions resulting from, for example, generation of the electricity used for production.
- Government procedures for determining product GHG intensity should be reasonable, flexible, and transparent; should consider factors such as the cost, technical feasibility, and availability of reliable data; and should integrate global standards as applicable.
- Such procedures should encourage producers to take company-specific steps to reduce GHG emissions, for example, by allowing producers to submit product-specific data to overcome any generic determination otherwise broadly applied to the relevant product classification.
- A CBAM policy must fully comply with national commitments under the World Trade Organization (WTO) and any applicable regional trade agreements and include a fair and efficient dispute resolution process for affected importers and exporters.
- Clear rules should be established defining steps that trading partners and least developed countries (LDCs)[1] can take to secure an exemption from CBAM.

Our Actions

We remain actively and constructively engaged in the development of CBAM and other climate policies in jurisdictions where we operate. We will manage the impacts of enacted CBAM policies on our global supply operations.

[1] The policy adopts the United Nations definition of least developed countries (LDCs): "low-income countries confronting severe structural impediments to sustainable development." That list of LDCs is reviewed every three years by the UN Committee for Development. LDCs have exclusive access to certain international support measures in the areas of development assistance and trade.