

## **Emissions trading – new EU scheme (carbon border adjustment mechanism)**

### **Remarks (Public Consultation)**

AVE and its Members highly recognize and support all measures of the European Commission (EC) to be more sustainable and climate friendly, and in seizing methodologies such as this carbon border adjustment mechanism in order to establish some kind of level playing field between EU- and Non-EU-Companies and to prevent carbon leakage. We therefore appreciate the opportunity to share some of our thoughts that the implementation of such a policy option, beyond all legal, technical and political challenges, might bring along.

With the final design of the instrument to be elaborated, AVE welcomes the progress to focus on carbon- and energy-intensive industries and sectors in the first stage of introducing such a mechanism. This will enable the EC to test feasibility and appropriateness of this targeted method to reach its goals of reducing emissions and possible carbon leakage, to check its superiority in comparison to other policy instruments as well as its compliance with WTO-Regulations. Having a transparent calculation template in place in due course will also allow to apply this methodology to more complex sectors and products, as to be found in particular in the FMCG-Sector, and to enable respective importers such as German Retailers to assess any effects along their entire supply chain in a timely manner. This approach is to avoid that consumer goods, amongst which several categories currently face various trading obstacles such as specific taxes, strict rules of origin, certification requirements and the such already, will be strained any further, resulting in higher costs for the importing party and hence the consumer.

AVE also encourages the EC to assess beforehand the implications the introduction of such an instrument will most likely have on the current GSP-Scheme. This consideration should cover the climate policy of the countries benefiting from the GSP, and how the 'Aid by Trade'-Approach and benefits related thereto can be maintained under such circumstances. These considerations should also be expanded regarding the application of this very instrument to trade partners with whom a free trade agreement is in effect, respectively being negotiated. AVE would further like to encourage the EC to establish reliable procedures on how to reflect such carbon border adjustments in the customs valuation process.

We will gladly remain at EC disposal for any further inquiries, as well as to deliver further input to this initiative.

AVE (Foreign Trade Association of German Retailers) is the voice of retail importers in Germany. Since its foundation in 1952, it has represented the external economic interests of the German retail trade which needs friction-free import of all nature of consumer goods in the framework of its global purchasing policy. In addition, AVE is committed to strict observance of social and environmental standards in supplier countries. Taken together, AVE members have a total annual turnover of around 200 billion Euros.