

Roadmap Public Consultation: Carbon Border Adjustment Mechanism

Minerals, metals and advanced materials have a central role in the green transition, e.g. in the clean energy and transport sector. Ensuring a sustainable supply of raw materials is crucial for Europe's industrial leadership and to achieve a climate neutral, resource efficient and competitive European economy.

Large investments are needed in industrial transformation, and it is of major importance for economic, employment as well as environmental and climate reasons that European industry remains competitive in the green transition. The fact that a limitation and/or a price on CO₂ is missing in important competitor countries outside the EU already has consequences for the Swedish mining, mineral and metal industries today in favor of more carbon intensive production outside the EU, which does not benefit the climate nor the European economy.

Against this background, Svemin welcomes the fact that a Carbon Border Adjustment Mechanism (CBAM) is further considered at EU level. However, the devil is in the details, and in this context Svemin would like to highlight certain key aspects that need to be addressed in the design of a CBAM:

- ◆ **Climate transition and competitiveness must go hand in hand.** It is crucial that in the transition to become climate neutral, the industry can maintain and even improve competitiveness. A CBAM must be designed with the overall objective to contribute efficiently to reducing CO₂ emissions in a way that is administratively manageable for companies and causes as little trade friction as possible.
- ◆ **It is crucial that the risk of carbon leakage for companies with export to third countries is addressed.** The carbon and investment leakage that we already see today, i.e. that investments are prioritized in other countries with lower climate ambitions and higher CO₂ emissions in production, must be addressed. This leakage is likely to increase over time if the EU increases its climate ambitions while other countries do not. Therefore, if the instrument of free allowances in the EU ETS is not compatible with a CBAM, another instrument that tackles the risk of carbon leakage must be developed.
- ◆ **The indirect costs for industry of a higher electricity price need to be taken into account.** The mining and minerals industry in Sweden has adopted a roadmap in order to reach fossil-free mining operations by 2035 and climate neutral metals and mineral processing by 2045. In order to reach these climate targets, electrification is key. This requires access to fossil-free electricity at competitive prices. Svemin's member companies are mainly established in the Nordic countries, with a very high degree of fossil free electricity. Due to the marginal cost pricing of electricity, the industry still pays the price of the coal, natural gas and oil in the system, even if the electricity is fossil free. The consequence is that switching from fossil fuels to fossil free electricity does not give any price incentives and competitive advantages for the first movers, but rather increased costs due to the increased electricity consumption that follows from moving away from fossil fuels and thus a competitive disadvantage compared to the slow movers. To get the incentives right to benefit the first movers, not punishing them, is crucial for the green transition and to achieve the EU climate targets.
- ◆ **It is crucial that the existing system remain functional until another solution has been tested and proved effective.** A temporary weakening of competitiveness can lead to non-

reversible effects that have a negative impact on the economy, the environment and the climate.

- ◆ **Particular attention must be taken to ensure that no distorting effects are created between sectors and value chains in cases where different protection mechanisms would be applied to different sectors, e.g. free allocation of allowances for one sector and a CBAM for another. Ensuring a level playing field is essential for the functioning of the internal market.**