



**MINISTÈRE
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**Événement Un Ajustement Carbone Aux Frontières
En Faveur Du Climat**

**Discours de Bruno Le Maire,
ministre de l'Economie, des Finances et de la Relance**

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Dear Commissioner, honourable guests, Ladies and gentlemen, I am very pleased to co-host this international event together with Barbara Pompili, Minister for the Ecological Transition, and Jean-Yves Le Drian, Minister for Europe and Foreign Affairs.

First of all, let me thank our high-level speakers and the very numerous attendees for seizing this opportunity to discuss the crucial issue of carbon leakage and carbon border adjustment mechanisms.

Five years ago, here in Paris, world leaders agreed to avoid dangerous climate change by limiting global warming to well below 2°C by and pursuing efforts to limit it to 1.5°C. That is the Paris Agreement.

As a first milestone, many countries, including France and all EU Member States, have endorsed a common objective of achieving climate neutrality by mid-century.

The European Union recently increased to 55% its target of net greenhouse gas emission reductions for 2030 [compared to 1990 levels]. It gives a strong positive signal of our commitment to other economies.

I welcome US official return to the Paris Agreement. The soon-to-be-announced enhancement of the US climate ambition is a very promising step in the context of the upcoming COP26 in Glasgow next November.

France is strongly committed to decarbonising its economy and reaching carbon neutrality by 2050. Over the past years, greenhouse gas emissions have been declining; we must still speed up the dynamic.

The current crisis should be a wake-up call for us all to invest massively for a sustainable economy.

France has allocated a significant share of its recovery plan to the greening of our economy. We have a clear objective: to considerably speed up the transition towards a low-carbon economy in order to reach carbon neutrality by 2050.

One third of the €100 billion plan France Relance is devoted to four main green priorities: energy-efficiency and renovation of buildings, decarbonised transport, agricultural transition and low-carbon energy production.



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At European level too, the recovery plan features high green ambition, with a 37% target for climate expenditure. It also foresees that 100% of investments made under the European recovery plan have to be consistent with the “do no harm” principle, meaning that no expenditure should undermine environmental objectives.

Yet, the climate ambition of recovery packages differ across countries. We could collectively do more.

The European Union will also strengthen its climate policies to deliver on the new -55% emission reduction objective for 2030.

This entails in particular a strengthening of its carbon pricing policy via the Emissions Trading System, which now covers almost half of the EU's greenhouse gas emissions. Carbon price has recently crossed the symbolic threshold of €40 per tonne of CO₂.

However, when levels of carbon pricing differ between countries or regions, there is a risk of what we commonly call “carbon leakage” from regions where carbon price is high to the ones where it is much lower, or where there is no carbon pricing.

To date, very few economies have a carbon price level that is consistent with the ambition of the Paris Agreement. Indeed, more than three-quarters of global emissions do not face carbon pricing.

Let me be clear: this is not sustainable, both from an environmental and from a social acceptance points of view.

To be climate effective, the commitments we take must not lead to reallocation of the production and translate into increased greenhouse gas emissions elsewhere. Polluting more elsewhere to produce the goods we need here makes no sense. It would mean our efforts have no impact on climate change, that they are meaningless.

Yet, as we collectively strengthen our climate commitments, the already significant divergence in ambition with third countries is likely to widen even further. As a consequence, the phenomenon of emission transfer that I describe, which correspond to “carbon leakage”, is very likely to intensify.

Ladies and gentlemen, carbon leakage, which a few years ago was still dismissed as a “fantasy” by some, is now becoming a worrying reality.



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Our ex ante modelling estimate carbon leakage to be in the range of 5 to 30%. In other words, for every 10 tonnes of emission reduction in the country or region implementing ambitious climate policies, emissions in the rest of the world increase by half a tonne to 3 tonnes.

Without appropriate measures, carbon leakage will hinder our efforts to reduce emissions.

Addressing carbon leakage is also a matter of fairness towards third countries, because, in the end, it is not fair to transfer part of our burden of reducing emissions to other countries.

I am sure Commissioner Gentiloni will come back to that later: we do know that existing EU instruments to tackle carbon leakage, such as free allowances in the European carbon market, although they are currently necessary for our industry, are bound to ultimately fall short of addressing the issue.

Free allowance provide insufficient incentives to implement the EU's new 2030 net emission reduction target. We need increased decarbonisation effort by all sectors, including those at risk of carbon leakage. The implementation of a more effective instrument is therefore crucial.

Hence, the EU Commission's proposal to set up a Carbon Border Adjustment Mechanism. It is a core tool of the European Green Deal. Commission's proposal is due for the summer.

It is not the first time we will discuss a carbon border adjustment mechanism, at least in France.

The reason why it was not introduced earlier is because a carbon border adjustment mechanism raises complex issues.

I firmly believe though it is now time for action. We can work around technical difficulties. There are ways to set up a non-discriminatory instrument that is fully compliant with World Trade Organization's rules.

France has already made concrete proposals to overcome the complex environmental, economic and political challenges to be addressed in designing and implementing such a mechanism.

We are having numerous discussions with our European colleagues and the foundations for an agreement are building fast. This morning, together with fellow Ministers of Economy, Finance, Environment and Foreign Affairs from Austria, Czech Republic, Denmark, Lithuania,



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Luxembourg, Slovakia, Spain and The Netherlands [that is a total of 9 Member States, 20 signatories] we publicly reaffirmed, in an op-ed published by Politico, the need to implement an EU Carbon Border Adjustment Mechanism that is effective, legitimate and fair.

Effective first, because it could tackle carbon leakage better than existing instruments.

Legitimate, because it will be fully compliant with the international rules laid down by the WTO, as I have already mentioned, and consistent with the framework of the Paris Agreement.

And fair, because it will be implemented in a transparent and coordinated manner with our trading partners, without discriminating between domestic and foreign producers.

We therefore look forward to discussing Commission's proposal later this year, together with other EU Member States and the European Parliament.

Today though is not about focusing on us, Europeans – all the contrary. It is not about the EU against the rest of the world.

Carbon border adjustment mechanisms should be designed and implemented for the benefit of all and provide an opportunity to enhance international climate coordination.

This is why we are gathered here today with renowned panellists from leading international organisations and think tanks, academic experts and European representatives both from the Commission and the Parliament.

First, we will discuss carbon leakage and its implications, not only for the European Union but also for global climate action. And we will see how relevant carbon border adjustment mechanisms are to fight it.

We then want to discuss how such a mechanism can be articulated with the Paris Agreement and with the development needs of the most vulnerable ones. I have said it before, the EU has said it too: no one should be left behind on the long road to a low carbon economy.

Finally we will discuss the legitimacy of such a mechanism with regard to our duty and commitment to multilateralism and in particular with the rules of the World Trade Organization.

Ladies and gentlemen, before leaving you in the hands of our talented panellists for what promises to be a very exciting discussion, let me now give the floor to my dear Paolo, European Commissioner for Economy.