

# CIELFFA

**COMITÉ INTERNATIONAL  
D'ÉTUDE DU LAMINAGE À FROID  
DU FEUILLARD D'ACIER**  
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Düsseldorf, 22<sup>nd</sup> October 2020

**To the European Commission**

## **Public Consultation on Carbon Border Adjustment**

Dear Madam, dear Sir,

CIELFFA is the European Federation of the National Associations of Cold Rolled Narrow Steel Strip Producers and Companies.

The cold rolling mills as part of the steel and metal processing industry have committed themselves to the climate goals of the Paris Agreement.

In the framework of the presentation of her Green Deal for Europe, the President of the EU Commission announced a CO<sub>2</sub> border adjustment system for selected sectors in order to reduce the risk of CO<sub>2</sub> emissions being shifted. The system is designed to ensure that import prices better reflect CO<sub>2</sub> costs.

The risk of energy-intensive industries or production moving to regions with lower climate protection standards (carbon leakage) must be avoided at all costs. In doing so, it must be ensured that free and rule-based world trade, which is vital for the export-oriented European industry, is not disrupted. Border adjustment measures must therefore comply with WTO rules and retaliatory measures by important trading partners must be prevented.

### **Border adjustment measures must include the entire value chain**

Border adjustment measures must consider and include the entire value chain and flow of goods. It is not sufficient and would lead to distortions if only the raw materials at the beginning of the value chain were protected from international competition. We therefore emphatically support France's proposal, which advocates a border tax on all goods that contain emission-intensive materials and also includes relief for the export of these goods.

### **Maintaining the competitiveness of European's steel and metal processing industries**

With a material cost share of approx. 60 per cent, the cold rolling industry is enormously dependent on both competitive raw material prices and competitive European raw material suppliers. Limiting the border adjustment mechanism solely to the import of raw materials such as steel or aluminium would have a negative impact

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on the competitiveness of the processing stages in Europe due to the political increase in the price of imports and consequently also the increase in the price of raw materials produced in Europe and would lead to an investment and job leakage.

Companies in third countries would also be encouraged to process the steel in their own country and then deliver the finished or semi-finished products to the EU, to which no border adjustment is applied and which are burdened with higher CO<sub>2</sub> emissions. European manufacturers would only have limited access to steel imports from third countries and would come under increasing import and competitive pressure for their own products manufactured within the EU. In order to procure the raw materials without CO<sub>2</sub> costs, these companies could in future be forced to relocate their production and the associated added value as well as jobs outside the EU.

Last but not least, the customers of the medium-sized cold rolling mills could be encouraged to relocate their production to third countries in order to avoid the cost disadvantages in the preliminary work. Many European customers in the steel and metal processing industry, such as automotive and mechanical engineering are already producing in third countries and could expand these locations.

### **Petition**

In the event of a border adjustment mechanism being introduced, the cold rolling industry demands comprehensive protection against competition that includes all processing stages of high-emission materials and products. This is the only way to prevent the risk and costs of carbon leakage being shifted to the downstream processing stages and to guarantee the protection of jobs and companies in the value chains of steel and metal processing. Protection only for selected sectors would be far too short-sighted and lead to a shift in jobs and prosperity to third countries.

Kind regards



M. Kunkel

- Managing Director-

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