Wednesday 10 March 2021

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(Resolutions, recommendations and opinions)

RESOLUTIONS

EUROPEAN PARLIAMENT

P9_TA(2021)0071

A WTO-compatible EU carbon border adjustment mechanism

European Parliament resolution of 10 March 2021 towards a WTO-compatible EU carbon border adjustment mechanism (2020/2043(INI))

(2021/C 474/01)

The European Parliament,

— having regard to the Agreement adopted at the 21st Conference of the Parties (COP21) to the UN Framework Convention on Climate Change (UNFCCC) in Paris on 12 December 2015 (the Paris Agreement),

— having regard to the UN Environment Programme Emissions Gap Report 2019,

— having regard to the special reports of the Intergovernmental Panel on Climate Change (IPCC) on global warming of 1,5 °C and on the ocean and cryosphere,

— having regard to the Commission communication of 11 December 2019 on the European Green Deal (COM(2019)0640),

— having regard to the Commission communication of 17 September 2020 on stepping up Europe's 2030 climate ambition (COM(2020)0562) and its accompanying impact assessment (SWD(2020)0176),

— having regard to the European Council conclusions of 12 December 2019 and of 17-21 July 2020,

— having regard to its resolution of 23 July 2020 on the conclusions of the extraordinary European Council meeting of 17-21 July 2020 ([1]),

— having regard to the conclusions and recommendations of the European Court of Auditors in its special report No 18/2020 of 15 September 2020 entitled 'The EU's Emissions Trading System: free allocation of allowances needed better targeting',

— having regard to its resolution of 28 November 2019 on the climate and environment emergency ([2]),

— having regard to its resolution of 15 January 2020 on the European Green Deal ([3]),

([1]) Texts adopted, P9_TA(2020)0206.
([2]) Texts adopted, P9_TA(2019)0078.
([3]) Texts adopted, P9_TA(2020)0005.

— having regard to its position on the 2030 climate target, namely a 60 % reduction in greenhouse gas emissions compared with 1990 levels ([4]),

— having regard to Rule 54 of its Rules of Procedure,

— having regard to the opinions of the Committee on International Trade, the Committee on Economic and Monetary Affairs, the Committee on Budgets and the Committee on Industry, Research and Energy,

— having regard to the report of the Committee on the Environment, Public Health and Food Safety (A9-0019/2021),

A. whereas the adverse impacts of climate change represent a direct threat to human livelihoods and terrestrial and marine ecosystems, as confirmed by the IPCC special reports on global warming of 1,5 °C and on the ocean and cryosphere; whereas these impacts are unevenly distributed, with most adverse effects being felt by poorer countries and people;

B. whereas according to the World Health Organization (WHO), as of 2030 climate change is expected to contribute to approximately 250 000 additional deaths per year, from malnutrition, malaria, diarrhoea and heat stress;

C. whereas the average global temperature has already risen past 1,1 °C above pre-industrial levels ([5]);

D. whereas the EU and its Member States are committed under the Paris Agreement to delivering climate action on the basis of the latest available scientific evidence and now have the objective of achieving climate neutrality by 2050 at the latest;

E. whereas over the past few decades, the EU has managed to successfully decouple territorial greenhouse gas (GHG) emissions from economic growth, with GHG emissions falling by 24 %, while GDP grew by more than 60 % between 1990 and 2019; whereas this does not take into account the EU's emissions embedded in its international trade and therefore underestimates its global carbon footprint;

F. whereas in 2015 the ratio of imported to exported emissions in the EU was approximately 3:1, with 1,317 billion tonnes of CO_2 imported and 424 million tonnes exported ([6]);

G. whereas existing EU law has been effective in delivering the climate goals adopted so far; whereas the current design of the Emission Trading System (EU ETS), in particular the existing provisions on carbon leakage, has not provided effective incentives for the necessary decarbonisation of certain sectors, notably in industry, and has in some cases led to unjustified windfall profits for the beneficiary companies, as highlighted by the European Court of Auditors ([7]);

H. whereas the Commission should continue its work on developing methodologies to ascertain a product's carbon and environmental footprint, by employing a full life cycle approach and ensuring that the accounting of embedded emissions in products reflect reality as far as possible, including emissions from international transport;

I. whereas the Commission should also study the traceability of products and services in order to identify more precisely all the impacts of their life cycles, such as the extraction and use of materials, the manufacturing process, the use of energy, and the mode of transport used, with the aim of setting up databases;

([4]) Amendments adopted by the European Parliament on 8 October 2020 on the proposal for a regulation of the European Parliament and of the Council establishing the framework for achieving climate neutrality and amending Regulation (EU) 2018/1999 (European Climate Law) (Texts adopted, P9_TA(2020)0253).

([5]) World Meteorological Organization (WMO), 'Statement on the State of the Global Climate in 2019'.

([6]) Fezzigna, P., Borghesi, S., Caro, D., 'Revising Emission Responsibilities through Consumption-Based Accounting: A European and Post-Brexit Perspective' in *Sustainability*, 17 January 2019.

([7]) See ECA Special Report No 18/2020.

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J. whereas around 27 % of global CO_2 emissions from fuel combustion currently relate to internationally traded goods ([8]); whereas 90 % of international goods transport is carried out at sea, leading to significant GHG emissions; whereas only GHG emissions from domestic waterborne navigation were included in the EU's initial nationally determined contribution (NDC); whereas this is subject to revision in light of the EU's enhanced 2030 target;

K. whereas the COVID-19 crisis has delivered some important lessons, hence why the Commission's proposal for a new recovery instrument — Next Generation EU — underlines the need to strengthen European autonomy and resilience and the need for short circuits, in particular shorter food supply chains;

L. whereas it is essential that the Commission has an integrated vision of climate policies, for example by addressing emission reduction targets, such as those for maritime transport, in coordination with carbon pricing strategies;

M. whereas ensuring effective and meaningful carbon pricing as part of a broader regulatory environment can serve as an economic incentive to develop production methods with a lower GHG footprint and can spur investments in innovation and new technologies, providing for the decarbonisation and circularity of the EU's economy; whereas an effective Carbon Border Adjustment Mechanism (CBAM) can play a role in that context;

N. whereas trade can be an important tool to promote sustainable development and help fight climate change; whereas the EU's single market is the world's second-largest consumer market, putting the Union in a unique position as a global standard setter;

O. whereas combating climate change is a factor in competitiveness and social justice and offers major potential in terms of industrial development, job creation, innovation and regional development;

P. whereas Article XX of the General Agreement on Tariffs and Trade (GATT) allows World Trade Organization (WTO) members to implement measures that are necessary to protect human, animal or plant life or health (b), or natural resources (g);

Q. whereas the EU should accept that a third country can set up a CBAM if that country implements a higher carbon price;

R. whereas US President Biden has taken a favourable stance through his electoral platform to seek to 'impose carbon adjustment fees or quotas on carbon-intensive goods from countries that are failing to meet their climate and environment obligations'; whereas this would create a new opportunity for cooperation between the EU and the US in fighting climate change and restoring this key partnership;

S. whereas the EU's increased ambition on climate change should not lead to the risk of carbon leakage for European industries;

General remarks

1. Is deeply concerned that currently none of the NDCs submitted, including those of the EU and its Member States, are in line with the objective of keeping the global temperature increase, as provided by the Paris Agreement, to well below 2 °C, while pursuing efforts to limit the global temperature increase to 1,5 °C above pre-industrial levels;

2. Is concerned by the lack of cooperation by some of the EU's trade partners in international climate negotiations over the past few years, which, as recently observed at COP25, undermines our collective global ability to reach the objectives of the Paris Agreement; encourages all parties to support a collective and science-based global effort that can deliver the achievement of these goals; calls on the Commission and the Council to uphold a transparent, fair and inclusive decision-making process in the UNFCCC;

([8]) Organisation for Economic Co-operation and Development (OECD), 'CO_2 emissions embodied in international trade and domestic final demand: methodology and results using the OECD inter-country input-output database', 23 November 2020.

3. Stresses that the EU and its Member States have the responsibility and opportunity to continue assuming a leading role in global climate action along with the other leading global emitters; points out that the EU has been leading global climate action, as evidenced by its adoption of the objective to achieve climate neutrality by 2050 at the latest and its plan to scale up its 2030 GHG emission reduction target; strongly encourages the Commission and the Member States to intensify their climate diplomacy ahead of and after the adoption of the legislative proposal for a CBAM and, in particular, to ensure continuous dialogue with trade partners in order to incentivise global climate action; stresses the need for concurrent diplomatic efforts to ensure that the EU's neighbourhood countries are engaged early on;

4. Highlights the central role of citizens and consumers in the energy transition, and the importance of stimulating and supporting consumer choice in order to reduce the effects of climate change by promoting sustainable activities and collateral benefits that lead to a higher quality of life;

5. Takes note of the Commission's proposal to set the EU's 2030 climate target to 'at least 55 % net emissions reduction' compared to 1990 levels; highlights the fact, however, that Parliament adopted a higher target of 60 %;

6. Notes that while the EU had substantially reduced its domestic GHG emissions, the GHG emissions embedded in imports to the EU have been constantly rising, thereby undermining the Union's efforts to reduce its global GHG footprint; underlines that the net imports of goods and services in the EU represent more than 20 % of the Union's domestic CO_2 emissions; considers that the GHG content of imports should be better monitored in order to identify possible measures to reduce the EU's global GHG footprint;

Designing a WTO-compatible CBAM

7. Supports the introduction of a CBAM, provided that it is compatible with WTO rules and EU free trade agreements (FTAs) by not being discriminatory or constituting a disguised restriction on international trade; considers that as such, a CBAM would create an incentive for European industries and EU trade partners to decarbonise their industries and therefore support both EU and global climate policies towards GHG neutrality in line with the Paris Agreement objectives; states unequivocally that a CBAM should be exclusively designed to advance climate objectives and not be misused as a tool to enhance protectionism, unjustifiable discrimination or restrictions; stresses that this mechanism should support the EU's green objectives, in particular to better address GHG emissions embedded in EU industry and in international trade, while being non-discriminatory and striving for a global level playing field;

8. Stresses that Least Developed Countries and Small Island Developing States should be given special treatment in order to take account of their specificities and the potential negative impacts of the CBAM on their development;

9. Recalls the specific constraints and challenges facing the outermost regions, compounded, in particular, by their remoteness, their insularity and the limited size of their market, and calls for the CBAM to give special consideration to their specific characteristics, in accordance with Article 349 of the Treaty on the Functioning of the European Union (TFEU);

10. Reiterates that the introduction of a CBAM should be part of a package of legislative measures to ensure the swift reduction of GHG emissions deriving from EU production and consumption, in particular by scaling up energy efficiency and renewable energies; stresses that the CBAM should be coupled with policies aimed at enabling and promoting investments in low-carbon industrial processes, including through innovative financing tools, the new Circular Economy Action Plan and a broader EU industrial policy that is both environmentally ambitious and socially fair, with a view to steering a decarbonised reindustrialisation of Europe to create quality jobs at a local level and ensure the competitiveness of the European economy, while fulfilling the EU's climate ambition and offering predictability and certainty to secure investments towards climate neutrality;

11. Emphasises that product standards can ensure low-carbon, resource-efficient manufacturing as well as help to guarantee minimal negative environmental impacts from product use; therefore asks the Commission to propose, as a complement to the introduction of a CBAM, more ambitious and binding norms and standards on products placed on the EU market in terms of GHG emission reduction and savings on resources and energy, in support of the Sustainable Product Policy Framework and the new Circular Economy Action Plan;

12. Considers that in order to prevent possible distortions in the internal market and along the value chain, a CBAM should cover all imports of products and commodities covered by the EU ETS, including when embedded in intermediate or final products; stresses that as a starting point (already by 2023) and following an impact assessment, the CBAM should cover the power sector and energy-intensive industrial sectors like cement, steel, aluminium, oil refinery, paper, glass, chemicals and fertilisers, which continue to receive substantial free allocations, and still represent 94 % of EU industrial emissions;

13. Underlines that the GHG emissions content of imports should be accounted for on the basis of transparent, reliable and up-to-date product-specific benchmarks at the level of the installations in third countries and that, as a default, if data is not made available by the importer, account should be taken of the global average GHG emissions content of individual products, broken down by different production methods with varying emission intensities; considers that the carbon pricing of imports should cover both direct and indirect emissions and therefore also take into account the country-specific carbon intensity of the electricity grid or, if data is made available by the importer, the carbon intensity of the energy consumption at the level of the installation;

14. Notes that the Commission is currently assessing all the different options for the introduction of a CBAM, ranging from tax instruments to mechanisms using the EU ETS; stresses that the modalities for the design of a CBAM should be explored alongside the revision of the EU ETS so as to ensure they are complementary and consistent, and to avoid overlapping that would lead to double protection of EU industries; underlines the importance of a transparent process behind a CBAM, including by engaging with the WTO and the EU's trading partners in coordination with the European Parliament and carefully assessing and comparing the effectiveness, efficiency and legal feasibility of different forms of a CBAM with a view to reducing total global GHG emissions; insists that the primary aim of the CBAM is environmental and that environmental criteria should therefore play an essential role in the choice of instrument, ensuring a predictable and sufficiently high carbon price that incentivises decarbonisation investments in order to realise the aims of the Paris Agreement;

15. Stresses the importance of assessing the impacts of each option on the living standards of consumers, especially those belonging to more vulnerable groups, as well as their impact on revenue; calls on the Commission to also include in the impact assessment the consequences for the EU budget of the revenue generated from the CBAM as an own resource, depending on the design and modalities chosen;

16. Considers that in order to address the potential risk of carbon leakage while complying with WTO rules, the CBAM needs to charge the carbon content of imports in a way that mirrors the carbon costs paid by EU producers; stresses that carbon pricing under the CBAM should mirror the dynamic evolution of the price of EU allowances under the EU ETS while ensuring predictability and less volatility in the price of carbon; is of the opinion that importers should buy allowances from a separate pool of allowances to the EU ETS whose carbon price corresponds to that of the day of the transaction in the EU ETS; underlines that the introduction of the CBAM is only one of the measures in the implementation of the European Green Deal objectives and must also be accompanied by the necessary measures in non-ETS sectors as well as an ambitious reform of the EU ETS to ensure it delivers meaningful carbon pricing that fully respects the polluter pays principle, and to contribute to the necessary GHG emissions reduction in line with the EU's updated 2030 climate target and 2050 net zero GHG emissions target, including by addressing the linear reduction factor, a rebasing of the cap and assessing the potential need for a carbon floor price;

17. Highlights that an excise duty (or tax) on the carbon content of all consumed products, both domestic and imported, would not fully address the risk of carbon leakage, would be technically challenging given the complexity of tracing carbon in global value chains and might place a significant burden on consumers; acknowledges that a fixed duty or tax on imports could be a simple tool to give a strong and stable environmental price signal for imported carbon; believes, however, that given its fixed nature, such a tax would be a less flexible tool to mirror the evolving price of the EU ETS; stresses that, in practice, an evolving tax that automatically mirrors the price of the EU ETS would be equivalent to a notional ETS; acknowledges that, should the CBAM be of a fiscal nature, there is a possibility that a mechanism based on Article 192(2) TFEU would be introduced;

18. Stresses that importers should have the option to prove, in accordance with EU standards for monitoring, reporting and verification of the EU ETS, that the carbon content of their products is lower than those values, and avail of a payable amount adapted accordingly, to encourage innovation and investment in sustainable technologies across the world; considers that this should not impose a disproportionate burden on SMEs; highlights that the implementation of the mechanism will need to be underpinned by a set of EU standards that will prevent it from being circumvented or misused, and will require strong independent infrastructure in order to be administered;

19. Stresses that the CBAM should ensure that importers from third countries are not charged twice for the carbon content of their products to ensure they are treated on an equal footing and without discrimination; calls on the Commission to assess carefully the impact of the different CBAM options on Least Developed Countries;

20. Highlights that unlike the ETS, the mechanism should not treat burning wood for fuel as carbon neutral and within the revised and updated framework the carbon embedded in logged wood and depleted soil should have a price;

21. Urges the Commission to minimise the risk of exporters to the EU trying to bypass the mechanism or compromise its effectiveness, for example by re-routing production between markets or exporting semi-finished goods;

Trade-related aspects of a CBAM

22. Calls for the Paris Agreement and its goals to become one of the main guiding principles of trade policy, to which all trade initiatives and their policy tools must be adjusted, by including it in, inter alia, FTAs as an essential element; is convinced that such a purpose-built trade policy can be an important driver in steering economies towards decarbonisation in order to achieve the climate objectives set in the Paris Agreement and the European Green Deal;

23. Expresses its deep concern over the erosion of the multilateral trading system; calls on the Commission to actively engage with trade partners' governments to ensure a continued dialogue on this initiative, thereby providing incentives for climate action both within the Union and by its trading partners; underlines that trade policy can and should be used to promote a positive environmental agenda and to avoid major differences in the levels of environmental ambition between the EU and the rest of the world, and that a CBAM should be designed as an action complementing actions under the trade and sustainable development chapters of the EU's FTAs; underlines that global action which makes the CBAM redundant must be the final goal of the initiative, as the rest of the world catches up with the level of ambition the EU has set for reducing CO_2 emissions; is therefore of the view that the CBAM should be regarded as a means to help the acceleration of this process and not as a means of protectionism; expects the Commission to initiate negotiations on a global approach within the framework of the WTO or the G20;

24. Considers that international trade and trade policy are key enablers of the transition towards a climate-neutral, resource-efficient, circular global economy and, as such, support the global efforts towards the achievement of the UN Sustainable Development Goals (SDGs) and the Paris Agreement; considers that there is an urgent need to pursue a comprehensive reform of the WTO, enabling it to guarantee fair trade, while at the same time combating global warming; notes that the GATT rules date back to 1947 and is of the view that they need to be rethought in the present context of climate crisis; expects the Commission to take urgent initiatives for WTO reform in order to achieve compatibility with the climate objectives; calls on the Commission to intensify its efforts to achieve global CO_2 pricing and to facilitate trade in climate and environmental protection technologies, for example through trade policy initiatives such as the WTO Environmental Goods Agreement;

25. Calls on the Commission to pursue multilateral WTO reforms that bring international trade law into line with the goals of the Paris Agreement and other aspects of international law, in particular the conventions of the International Labour Organization (ILO); points out that a CBAM is compatible with WTO rules if it is designed with a clear environmental objective in mind to reduce global GHG emissions and if it upholds the highest environmental integrity;

26. Underlines that the CBAM can help to contribute to the SDGs; recalls that the promotion of decent work is also an SDG and urges the Commission to ensure that goods placed on the EU market are produced under conditions that respect the ILO conventions;

27. Notes that in order to be compatible with WTO rules, GATT provisions such as Article I (the principle of most-favoured nation treatment), Article III (the national treatment principle) and, if necessary, Article XX (general exceptions) could be the basis for any CBAM design, whose rationale should be solely and strictly environmental — reducing global CO_2 emissions and preventing carbon leakage;

28. Underlines the principle of non-discrimination under GATT Article III; stresses that treating imports and domestic production in the same way is a key criterion for ensuring WTO compatibility of any measure; emphasises that the CBAM should create a level playing field between EU domestic and foreign producers by applying an ETS-equivalent charge on the embodied carbon emissions of imported goods in those sectors, regardless of their origin, thereby ensuring full protection against carbon leakage for European industry and avoiding emission transfers to third countries; emphasises that the implementation of the CBAM should avoid double protection for EU installations, while assessing the impact on exports and dependent sectors along the value chain; emphasises that the design of the CBAM should follow a simple principle whereby one tonne of carbon should not be protected twice;

29. Underlines the importance of ensuring a global level playing field for the competitiveness of European industries without generating harmful effects on climate and the environment; urges the Commission, therefore, to consider the possible introduction of export rebates, but only if it can fully demonstrate their positive impact on climate and their compatibility with WTO rules; stresses that in order to prevent perverse climate effects by incentivising less efficient production methods for European exporting industries and ensure WTO compatibility, any form of potential export support should be transparent, proportionate and not lead to any kind of competitive advantages for EU exporting industries in third countries, and should be strictly limited to the most efficient installations so as to maintain GHG reduction incentives for EU exporting companies;

30. Stresses that any mechanism must create an incentive for industries in the EU and abroad to produce clean and competitive products and avoid carbon leakage, without endangering trade opportunities;

31. Notes that the CBAM is part of the European Green Deal and a tool to achieve the EU's goal of net zero GHG emissions by 2050; notes that the most carbon- and trade-intensive industrial sectors could potentially be impacted by the CBAM, either directly or indirectly, and that they should be consulted throughout the process; notes further that the CBAM could influence supply chains in such a way that they would internalise carbon costs; stresses that any CBAM should be easy to administer and not place an undue financial and administrative burden on enterprises, especially SMEs;

The CBAM and own resources

32. Acknowledges that the CBAM could be implemented either as an extension of the current regime of customs duties or as a complementary scheme within the existing EU ETS framework; emphasises that both approaches could be entirely consistent with an own resources initiative;

33. Supports the Commission's intention to use revenues generated by the CBAM as new own resources for the EU budget, and asks the Commission to ensure full transparency about the use of those revenues; highlights, however, that the budgetary role of the CBAM should only be a by-product of the instrument; believes that those new revenues should allow for greater support for climate action and the objectives of the Green Deal, such as the just transition and the decarbonisation of Europe's economy, and for an increase in the EU's contribution to international climate finance in favour of Least Developed Countries and Small Island Developing States, which are most vulnerable to climate change, in particular to support them to undergo an industrialisation process based on clean and decarbonised technologies; calls on the Commission to take into account the social effects of the mechanism in its upcoming proposal with a view to minimising them; stresses that the revenues generated from a CBAM should by no means be used as disguised subsidies for high-polluting European industries, as this would ultimately compromise its WTO compatibility;

34. Recalls that Parliament, the Council and the Commission agreed to the creation of new own resources, including the CBAM, during the next multiannual financial framework under the Interinstitutional Agreement of 16 December 2020 on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources (IIA) ([9]); stresses that assigning the financial flows generated by the CBAM to the EU budget would help to mitigate issues of fiscal equivalence and ensure a fairly

([9]) OJ L 433 I, 22.12.2020, p. 28.

distributed impact across Member States, as well as ensuring a lean structure with minimal administrative overhead costs; concludes, therefore, that defining the proceeds as an EU own resource would reduce the share of GNI-based contributions in the financing of the EU budget, and would thus help to mutualise the impact of the CBAM in a fair way across all Member States; considers that any savings at national level due to lower GNI-contributions will increase Member States' fiscal space;

35. Takes note of various prudent revenue estimates, ranging from EUR 5 to 14 billion per year, depending on the scope and design of the new instrument; highlights the fact that the EU budget is in any event uniquely suited to absorbing revenue fluctuations or even long-term regressive effects;

36. Is determined to ensure that the CBAM-based own resource will be part of a basket of own resources sufficient to cover the level of overall expected expenditure for the repayment costs of the principal and interests of the borrowing incurred under the Next Generation EU instrument, while respecting the principle of universality; recalls moreover, that any surplus from the repayment plan must still remain in the EU budget as general revenue;

37. Stresses that the introduction of a basket of new own resources, as provided for in the roadmap towards the introduction of new own resources under the IIA, could facilitate a better focus of expenditure at EU level on priority areas and common public goods with high efficiency gains compared to national spending; recalls that any failure to respect the terms agreed in the IIA by one of the three institutions could expose it to a legal challenge by the others;

38. Calls on the institutions to follow up actively in the spirit and to the letter of the roadmap towards the introduction of new own resources under the IIA, which prescribes that this new own resource is to enter into force by 1 January 2023 at the latest;

Implementing the CBAM and other aspects

39. Stresses that the implementation of the CBAM must be accompanied by the removal of all forms of environmentally harmful subsidies granted to energy-intensive industries at national level; calls on the Commission to evaluate the different practices of Member States in that matter in the light of the polluter pays principle;

40. Requests that the CBAM be monitored through an independent body, under the auspices of the Commission, which should regularly report and provide transparent information to Parliament, the Council and Commission on request and at least twice a year;

41. Notes that the EU is the world's largest carbon importer and that the carbon content of exported goods from the EU is well below the carbon content of imported goods; deduces that European efforts to combat climate change are greater than the average international effort; highlights that in order to measure the overall climate impact of the Union, a solid reporting method is needed that takes into account the emissions of imported goods and services to the EU;

42. Stresses that sufficient international climate efforts, such as robust, widespread and consistent international carbon pricing and fully competitive low-emission technologies, products and production processes will render the mechanism obsolete over time; considers that climate change is a global problem that requires global solutions, and therefore believes that the EU should continue to support the establishment of a global framework for CO_2 pricing in line with Article 6 of the Paris Agreement; encourages the Commission to design the mechanism with a clear and ambitious timeline for its implementation and evolution; recalls that some technical solutions for mitigating CO_2 are still at the pilot stage and thus calls on the Commission to continue efforts to develop them further; calls on the Commission to design the mechanism as part of a comprehensive and long-term-oriented policy package that is consistent with achieving a highly energy- and resource-efficient, net-zero GHG economy by 2050 at the latest;

43. Recalls that the EU's climate policy, industrial policy and the goal to maintain and increase sustainable economic growth must go hand in hand; stresses that any mechanism must be embedded in our industrial strategy, creating an incentive for industries to produce clean and competitive products;

44. Underlines that a properly functioning mechanism should ensure the reduction of emissions imported into the EU and provide the most effective climate protection against the risk of carbon leakage while respecting WTO rules; stresses that the mechanism should be designed in way that ensures its effective and simple application and at the same time prevents circumventing behaviour such as resource shuffling or the import of semi-finished or end products not covered under the mechanism;

45. Calls on the Commission to provide technical advice and support to industries at home and abroad, especially for SMEs, in setting up reliable GHG emission accounting systems for imports in order to maintain a strong European industry without causing technical obstacles for trading partners;

46. Calls for a special evaluation of the impact of the mechanism on SMEs and on competition within the internal market; calls for the creation, if needed, of a support mechanism for SMEs to successfully adjust to the new market reality, thereby preventing them from being victims of unfair practices by larger market players;

47. Notes, furthermore, that in order to prevent unfair competition on the European market, no competitive disadvantages among competing materials should be created by the mechanism; underlines that the most climate-friendly materials should not suffer competitive disadvantages;

48. Emphasises its importance in ensuring that European citizens and their interests are represented and in contributing to the achievement of EU priorities such as climate protection, sustainable growth and international competitiveness; calls on the Commission and the Council, therefore, to fully involve Parliament, as co-legislator, in the legislative process to establish the mechanism;

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49. Instructs its President to forward this resolution to the Council and the Commission.