



**U.S. CHAMBER OF COMMERCE**

## **Response to the European Commission’s 2030 Climate Target Plan**

The U.S. Chamber of Commerce (“Chamber”) welcomes the opportunity to respond to the *“Public consultation for the EU climate ambition for 2030 and for the design of certain climate and energy policies of the European Green Deal.”*

The Chamber is the world’s largest business federation, representing the interests of more than three million enterprises of all sizes and sectors. The Chamber is a longtime advocate for stronger commercial ties between the United States (U.S.) and the European Union (EU). According to a recent Chamber study, the U.S. and EU are together responsible for more than one-third of global gross domestic product, and transatlantic trade and investment support 16 million jobs on both sides of the Atlantic. In the U.S. and globally, we advance cost-effective policy frameworks, informed by science, that support economic growth, promote consumer protection, and foster innovation.

### **Introduction**

In broad terms, the Chamber believes that an effective climate policy should:

- Leverage the power of business
- Include regular, thorough and transparent impact assessments
- Be technology neutral based on life cycle analysis (LCA), to deliver the transition at the lowest cost for society
- Embrace climate mitigation and adaptation technology and innovation
- Aggressively pursue greater energy efficiency
- Promote modern climate resilient infrastructure, including infrastructure finance through international markets
- Oppose market fragmentation measures that reduce the efficiency of global value-chains and risk to exclude developing regions from global trade
- Promote trade in advanced technologies, products, and services via cooperation, public-private partnerships, innovative financing and capacity building

- Encourage international cooperation on development of advanced lower-carbon technologies.

We elaborate on these themes below, with a particular focus on trade, energy, circular economy, and transportation. Ultimately, before finalizing 2030 targets, we believe the Commission should pursue a rigorous and thorough analysis of both feasibility and potential impact on the EU's economy and global competitiveness.

## Trade

Trade plays a vital role in enabling the private sector to mobilize resources and creativity to deliver innovations where they are most needed and where they can have the biggest environmental payoff.

- The Commission should **eliminate tariffs** on as a broad a list as possible of environmental goods, inputs and technologies. Duties on such goods often soar into the double digits in a number of markets, raising the cost of adopting environmentally-friendly products. Ideally, this would occur in the context of plurilateral negotiations at the WTO.
- EU policy should support trade of **remanufactured, refurbished, remade, and recycled goods**, as well as ancillary services, including maintenance and training, with efficient and streamlined regulatory approvals for innovative products made with recycled materials.
- The Commission should also promote sustainable and resource-efficient **public procurement**, using international standards and eco-labels for product performance, credibility, and transparency.

## Energy

### *Emissions Trading Scheme (ETS) Market Efficiency*

In principle, markets allow consumers and business to identify and pursue the most efficient means to meet their needs and achieve policy goals at lowest cost.

- We encourage the Commission to bear in mind the interactions of the ETS with overlapping policies so as to **avoid negative interactions and distortions** in ETS markets that may adversely impact trade, investment and jobs. According to Working Group III 5<sup>th</sup> Assessment Report of the

Intergovernmental Panel on Climate Change (IPCC), if a cap-and-trade system has a binding cap, other instruments such as subsidies or feed-in tariffs for renewable energies have no further impact on reducing emissions, but may affect the overall costs of the system.<sup>1</sup> Moreover, connections with other markets could also be stimulated by completing guidance for implementing Article 6 of the Paris Agreement.

### *Industrial Competitiveness and Leakage*

Considering the diversity of nations' circumstances and priorities—such as existing energy mixes, industrial sectors and economies—Greenhouse Gas (GHG) markets must be flexible enough to allow for diversified domestic policy measures and the likelihood that even similar policies may have different impacts in different countries, for example in terms of competitiveness and social welfare.

GHG markets also must be flexible enough to address the international competitiveness of the industrial sectors concerned. While some may easily pass on the costs of carbon, others may not be able to do so, either fully or partially. This can give rise to carbon leakage that shifts emissions from one jurisdiction to another, leaving global emissions unchanged or even increased.

- So long as there is no global level playing field, allowing **flexibility of appropriate carbon leakage protections** (such as free allocation of allowances and indirect cost compensations) to tackle competitiveness concerns should be part of the EU's GHG markets design.

### *Carbon Border Adjustment Mechanism*

Article 3 of the United Nations Framework Convention on Climate Change (UNFCCC) makes clear that climate policies should not be used to erect barriers to free and open trade and investment, and the Paris Agreement's bottom-up approach envisages a mosaic of national climate policies globally. We believe a unilateral carbon border adjustment mechanism (CBAM) could restrict trade flows in a manner that violates the EU's non-discrimination obligations as a member of the WTO. A CBAM also risks triggering reprisals and should be carefully considered to prevent a green trade war. Instead, the EU should seek negotiations with other countries to ensure

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<sup>1</sup> The Intergovernmental Panel on Climate Change (IPCC), [AR5 Climate Change 2014: Mitigation of Climate Change](#), April 2014.

such a regime comports with and is mutually reinforcing with the global rules-based trading system. Doing so will also help ensure that such mechanisms do not slow the dissemination of advanced technologies and business practices.

- If pursued, a CBAM should be applied consistently across the economies in question, with transparent product-level emissions measurements or allocation protocols, and be **WTO-compliant**.
- A CBAM should also **align with existing regulations and international trade agreements** and avoid overlapping regulations.

### *Resilience and Adaptation*

Building modern, resilient infrastructure—from roads, bridges, and energy to water systems, waterways, and agriculture—is among the Chamber’s top priorities. We support policies that reduce risks from future disasters and crises, promote pre-disaster mitigation and proactive adaptation to climate impacts, and support high-growth companies that fuel prosperity for communities around the world.

### *Natural Gas*

Natural gas is an important part of a clean energy mix, and can help reduce carbon emissions quickly, at large scale and in a cost-efficient manner. Natural gas will play an important role in achieving the EU’s target of climate neutrality.

- The Commission should encourage **increased diversification of natural gas** supplies to improve energy security and enhance price competition.
- The Commission should **streamline siting and permitting** for LNG import terminals, pipelines and other infrastructure to broaden the number of LNG suppliers.
- The Commission should **combine low carbon gases and renewable electricity** as a cost-savings alternative to an all-electric solution.

## *Carbon Capture and Storage*

Carbon Capture and Storage (CCS) will be an essential technology to help mitigate energy transition challenges, and is already available at a commercial scale, on a limited basis.

- The Commission should encourage **widespread deployment of CCS** by developing durable incentives, a regulatory and legal framework, and long-term support for ongoing research and development of the technology.

## *Hydrogen*

Hydrogen has the potential to be used in all end-use energy sectors. There are no major technology barriers in using hydrogen and the cost to produce low-carbon hydrogen will only benefit from technology improvements.

- Policy to incentivize the production of low-carbon hydrogen should be **technology-neutral and independent of feed source**.

## *Innovation*

Technology will play an essential role in addressing climate change, and the private sector will continue to serve as the key incubator for innovative technologies. While many advanced solutions are available today, further innovation will lead to better technologies to tackle adaptation and mitigation more affordably and with greater social acceptance. Governments should make greater **financial commitments** to reduce the cost and improve the performance of new technologies.

- We support the Commission's efforts to **stimulate investment and provide opportunities for companies to invest** in the research, development, and commercial adoption of existing advanced technologies.
- The Commission should pursue policies to support innovation which are **technology neutral**. All technology options should be considered, and measures that favor one set of technologies over others should be avoided. This is especially important since technology development is inherently unpredictable and needed innovation can take years, if not decades.
- The Commission should also ensure stable and diverse supplies of **critical metals** to support the transition to clean technology.

## Circular Economy

Resources taken from nature for economic growth should yield the highest utility possible, which means value retention along the lifecycle of products and across global value chains. The use of resources is an increasingly global enterprise with interlinked local and global impacts.

- **Plastics** play an important role in helping society mitigate GHG emissions and support a healthy quality of life, but they should not end up in oceans or the environment more generally. The Commission should collaborate with industry, NGOs, and consumers to encourage and invest in the reuse, recycling, and recovery of plastic waste and to reduce marine debris.
- In addition to promoting waste management practices and investments, the Commission should advance and incentivize **value retention in the life cycle of plastics**. This includes global technical standards and efficient regulatory approval processes for innovation in plastics, recycled plastics, and plastic products; support for advanced recycling technologies; guidelines on circularity in plastics use and reuse; and phasing out harmful additives. The Commission should also leverage industry consultation to identify specific additives.
- We encourage the Commission to promote and incentivize **product reuse**, especially in the construction sector, as a method to minimize environmental impacts and maximize efficiency.
- The Commission should support effective disposal of **e-waste**.

## Transportation

### *Aviation*

The UN's Carbon Offsetting Reduction Scheme in International Aviation (CORSA) should be the exclusive market-based system that applies to emissions in international aviation. In 2016 the International Civil Aviation Organization (ICAO) adopted an emissions standard for carbon which will apply to new aircraft type designs beginning in 2020 and for in-production designs starting in 2028. The U. S. aerospace industry supports this standard, as it enables our technological innovation to achieve greater fuel efficiency and drive emission reductions.

- The EU should reform its Air Traffic Management system and adopt the **Single European Sky**, which could reduce carbon emissions by up to 10% per year and support co-modality infrastructure, much like CAREX in transport operations.
- The Commission should **avoid direct aviation fuel taxes**, as they deprive airlines and cargo carriers of revenue needed to invest in clean technology, and likely also violate international and bilateral treaty obligations.
- The Commission should develop financial and regulatory incentives to increase the supply of **sustainable alternative fuels** (SAF). This should be done before mandating usage requirements to prevent market distortions that increase SAF costs and discourage creation of greater SAF efficiencies.
- The ground transport environment has numerous opportunities to use alternate fuel types and technologies including hybrid electric, full electric, and emerging fuel cell technology, all of which are already deployable at scale. Aviation fuels are not yet as advanced. The Commission should also **prioritize SAF production** for aviation given the lack of alternative fuels types available for the sector.
- Finally, the Commission should develop a **domestic EU feedstock prioritized for SAF**. Relying solely on external feedstock supplies creates added costs and adds potential instability into the mix.

### *Roads*

Convenient, affordable, and versatile mobility of people and goods is a basic need.

- EU road transportation policy options should be **holistic and provide cost effective solutions** which address infrastructure, vehicles, and fuels.
- A GHG emissions fee on transport fuels is the preferred market-based policy option to address fuel combustion in vehicles, where the price component of the GHG emissions fee is linked to the ETS. Bringing transport under the ETS cap could achieve the same objectives as a linked GHG emissions fee but is more complex.

## **Conclusion**

The U.S. business community is engaged in significant trade and investment with the EU and we continuously look forward ways to strengthen and deepen the transatlantic relationship. We thank the Commission for the opportunity to provide these comments and look forward to continued dialogue as the EU develops its sustainability initiatives.

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