



Government.no

Carbon Border Adjustment Mechanism – Norwegian Positions

Letter | Date: 02/03/2022 | [Ministry of Finance](http://www.regjeringen.no/en/dep/fin/id216/) (http://www.regjeringen.no/en/dep/fin/id216/)

Recipient: Vice-President Timmermans

Our ref.: 21/1568

Norway and the EU have a strong relationship, sharing common fundamental values and a common regulatory framework through the European Economic Area (EEA). We are partners and cooperate to fulfil common climate targets.

CBAM will impact Norway and other EEA EFTA States as participants in the Internal Market and the EU ETS. Norway supports the intentions and objectives of the CBAM regulation. CBAM should contribute to meeting climate goals in Europe as well as globally.

The following perspectives of the Norwegian Government on certain aspects of a CBAM mechanism, could be highlighted:

1. Norway shares the view that a price on carbon emissions is the most cost-efficient way to reduce emissions. We have an ambitious carbon price policy nationally, in parallel with being part of EU ETS.
2. We share the objective of reducing the risk of carbon leakage to countries outside the Internal Market by developing more efficient instruments, such as a CBAM. There is a risk that ambitious climate policies in the EU may lead to the relocation of production, which would imply that a reduction of emissions

in Europe would not result in an equivalent reduction in global emissions. With recent increases in the price of allowances in the ETS, the risk of such leakage is increasing.

3. Existing measures could be said to have certain drawbacks. Key features of the EU ETS directives, with a certain level of free allowances, as well as the framework for compensation of indirect CO₂-costs, to exposed industries are implemented to reduce the risk of carbon leakage.
4. As has been pointed out by certain industries, there is also a risk that replacing existing measures with a CBAM may increase the production costs for European export industries as well as industries using goods covered by CBAM as intermediary goods in the production of more advanced products. We have noted that free allocation of allowances most likely would need to be phased out to ensure compliance with the WTO Agreement. The challenge will be to ensure that our efforts to reduce emissions in Europe will result in a significant reduction in global emissions, and not a relocation of emissions to other jurisdictions.
5. We believe that CBAM will be most effective if it is met with wide acceptance internationally, especially from partners that work closely with the EU to achieve shared climate objectives. Ensuring compliance with the WTO Agreement is crucial to this end and is also of the greatest importance to open economies with trade volumes constituting large shares of GDP. In our view, further steps to strengthen the appeal and relevance of the instrument to international partners should be considered. For instance, other climate policy instruments than explicit carbon pricing could be considered as a basis for reducing the number of certificates to be surrendered upon importation. Drawing on international work on quantifying the cost of different types of climate policies, such as the OECD ambition of an Inclusive Framework on Carbon Pricing, could help alleviate the practical and technical challenges of including indirect carbon pricing measures or other forms of regulation.
6. We believe it is important that the introduction and implementation of CBAM does sufficiently allow for experience gained and necessary learning to be