

United States Senate

WASHINGTON, DC 20510

August 9, 2021

The Honorable Joseph R. Biden
President of the United States
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20510

Dear President Biden,

We write to express our serious concerns with the direction of the European Commission's proposal to impose European Union (EU) carbon tariffs on imports, including those from the United States. The EU's carbon border adjustment mechanism (CBAM) plans to cover the import of certain energy-intensive manufactured products, including aluminum, cement, fertilizers, and iron and steel, starting in 2023 and phasing in fully by 2026.¹ We understand the Commission's proposal will undergo a lengthy internal approval process within the EU, which includes gaining the necessary level of support amongst its Member States and the European Parliament.

Your administration should safeguard U.S. commercial interests and oppose the EU's unilateral action. The United States should not allow the EU to define a climate and trade standard it has not helped shape. We have been a leader in addressing climate change, reducing our greenhouse gas (GHG) emissions more than any other economy since 2005.² Instead of punishing U.S. imports, our European allies should work with us to advance a common approach in curbing overseas emissions, particularly those from China, which presently make up about 30 percent of the world's total.³ EU policy should acknowledge the reality that non-OECD economies will account for more than 100 percent of global GHG emissions growth between now and 2050.⁴

The European Commission argues its primary objective is to prevent businesses from transferring production to other countries with less rigorous environmental regulatory systems – a goal we entirely support. However, the proposal's lack of flexibility in recognizing the carbon efficiency achieved in economies lacking a formal carbon price suggests it may be a guise to promote green protectionism. As we understand it, the CBAM would only credit explicit carbon pricing in the country of origin and not any other policies to reduce emissions. In practice, the scheme would only provide blanket national exemptions to trade partners with linked carbon trading systems to the EU's emissions trading system, such as Norway and Switzerland.⁵

We appreciate the importance of transparency requirements to prevent countries like China from cheating. However, many smaller U.S. companies lack the capacity to provide a customs declaration with detailed information on the carbon intensity of their products – as the Commission's proposal would require.

¹ European Commission. "Proposal for a Regulation of the European Parliament and the Council Establishing a Carbon Border Adjustment Mechanism," July 14, 2021 at [carbon_border_adjustment_mechanism_0.pdf \(europa.eu\)](https://ec.europa.eu/euro-press/press-room/2021/07/14-ec-proposal-carbon-border-adjustment-mechanism-0).

² Jos Olivier and Jeroen Peters, "Trends in Global CO₂ and Total Greenhouse Gas Emissions," *PBL Netherlands Environmental Assessment Agency*, (2019). https://www.pbl.nl/sites/default/files/downloads/pbl-2020-trends-in-global-co2-and-total-greenhouse-gas-emissions-2019-report_4068.pdf.

³ Ibid.

⁴ "International Energy Outlook 2019," *EIA*. <https://www.eia.gov/outlooks/aeo/data/browser/#/?id=10-IEO2019®ion=0-0&cases=Reference&start=2010&end=2050&f=A&linechart=Reference-d080819.11-10-IEO2019-Reference-d080819.25-10-IEO2019-Reference-d080819.26-10-IEO2019&ctype=linechart&sourcekey=0>.

⁵ European Commission.

If they failed to do so, the EU would apply the average carbon intensity for production of that good in the United States; if the average is unknown, the EU would treat them by default like the bottom 10-percent European performers.⁶ For a country the size of the United States, which has a varying electricity generation mix from one state to the next, this standard could penalize manufacturers powered by carbon-free nuclear energy or hydropower. Ironically, even large U.S. companies capable of providing the necessary customs data would face increased administrative costs, regardless of their performance relative to their EU competitors.

Recent studies have found the world average for manufactured goods is 80 percent more carbon intensive than U.S. production in 2015.⁷ At the time, the United States had a carbon advantage over many of its economic competitors – three times that of China, for example.⁸ While the EU economy on average was slightly cleaner, we are confident the United States has closed the gap, having achieved greater emissions reductions than the EU by more than 0.2 gigatons from 2015–2020.⁹ Importantly, in the case of steel, which again would be covered by the EU’s CBAM, U.S. industry is 75 to 320 percent more carbon efficient, depending on the product segment, than all of our major trading partners, including the EU.¹⁰

It is important to note the negative trade impacts flowing from the CBAM are likely to be felt more by other countries initially, but the EU policy will likely expand its scope over time, creating a significant burden on U.S. industry. Consequently, the United States should not ignore or downplay the direction of EU policy.

Before the EU invests too much political capital in implementing the CBAM, which we consider to be unfair to the United States, especially to our small businesses and manufacturers, your administration must convince our European friends the better course would be to work with us and our other treaty allies to design a common approach to climate and trade policy focused on the real problem – GHG emissions growth from China and other major developing economies. Achieving this objective would produce a tangible benefit for the United States and demonstrate real global leadership as opposed to simply rejoining the Paris Agreement.

Sincerely,



Kevin Cramer
United States Senator



Dan Sullivan
United States Senator

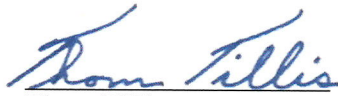
⁶ Ibid.

⁷ Rorke, Catrina and Greg Bertelson. “America’s Carbon Advantage,” Climate Leadership Council, September 2020 at <https://clcouncil.org/reports/americas-carbon-advantage.pdf>.

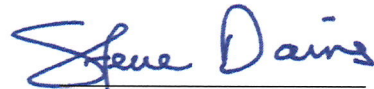
⁸ Ibid.

⁹ Olivier and Peters and data derived from the U.S. Energy Information Administration (EIA) sources at [EIA - Greenhouse Gas Emissions Overview](#).

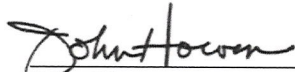
¹⁰ CRU Consulting. “Leveraging a Carbon Advantage: Impacts of a Border Carbon Adjustment and Carbon Fee on the U.S. Steel Industry,” May 25, 2021 at <https://clcouncil.org/reports/leveraging-a-carbon-advantage.pdf?v1>.



Thom Tillis
United States Senator



Steve Daines
United States Senator



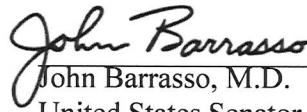
John Hoeven
United States Senator



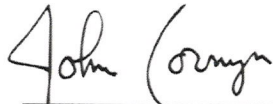
Roger Marshall, M.D.
United States Senator



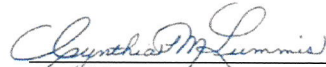
Marco Rubio
United States Senator



John Barrasso, M.D.
United States Senator



John Cornyn
United States Senator



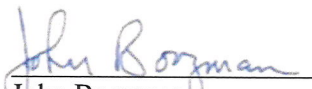
Cynthia Lummis
United States Senator




Mike Braun
United States Senator



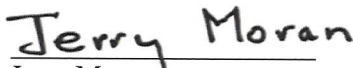
Marsha Blackburn
United States Senator



John Boozman
United States Senator



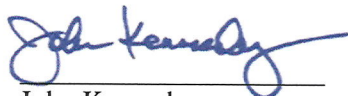
Bill Cassidy, M.D.
United States Senator



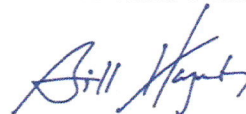
Jerry Moran
United States Senator



Tim Scott
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United States Senator



Bill Hagerty
United States Senator



James Lankford
United States Senator