

**Priority question for written answer P-000631/2022
to the Commission**

Rule 138

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Subject: Carbon Border Adjustment Mechanism (CBAM)

In the impact assessment on the Carbon Border Adjustment Mechanism (CBAM), the Commission stated that the phase-out of the free allocation of allowances under the Emissions Trading System (ETS) would have a negative impact on both employment and exports. This is even more worrying considering that the carbon price is now much higher than the assumptions in the impact assessment and it could lead to an increasing risk of carbon leakage.

In a recent trade case with the USA, the Commission argued that free allocation does not represent a WTO illegal subsidy because it is neither a financial contribution nor foregone government revenue and does not provide a benefit to EU companies.

Meanwhile, the Commission told Parliament's ENVI and INTA committees that the coexistence of CBAM and free allocation is not WTO compatible because of double protection, and an export solution is not WTO compatible because it is an illegal WTO subsidy.

Can the Commission please clarify whether it is legally possible and consistent with international trade law:

1. to complement full benchmark-based free allocation with CBAM for emissions that are not already covered by free allocation for a transition period?
2. to implement/include an export mechanism to the EU ETS and CBAM in a WTO compatible way (such as through ETS free allocation for export)?