

# CLEANTRADE

Presentation for The Green Register  
July 2023

## **Why**

Boost the low-carbon industries of the future.

## **What**

Advocate for policies to address something long-ignored: high-carbon imports undercutting fledgling low-carbon industries.

## **How**

Distil the policy solutions, what their potential positive effects are and why they fit in with the main parties' agendas. Starting in the UK.



**What is a carbon border  
adjustment mechanism?**

## **Carbon border adjustment mechanism**

A carbon price on imported products, reflecting both the emission of their production and any gap between the carbon price applied in the country of origin and had it been made in the UK

### **Why?**

Without government help, low-carbon products won't gain market share.

Governments have an incentive to help because they want their countries to be making the low-carbon products of the future.



# The policies to reduce high-carbon supply chain inputs

## Problem today

Low-carbon supply chain inputs are undercut on price by high-carbon imports

UK today





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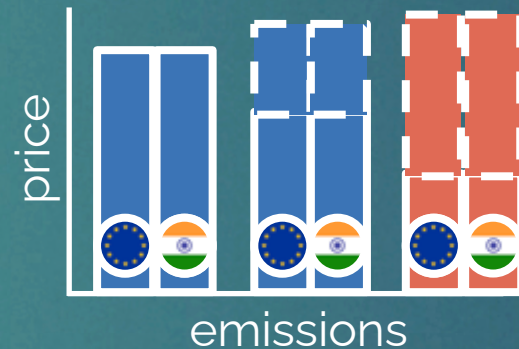
Make high-carbon inputs more expensive than the low/zero carbon ones

Carbon pricing  
(tax / cap and trade)

UK today



EU with carbon border adjustment mechanism





# The policies to reduce high-carbon supply chain inputs

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Make high-carbon inputs more expensive than the low/zero carbon ones

Ban/mandate reduction of high-carbon inputs

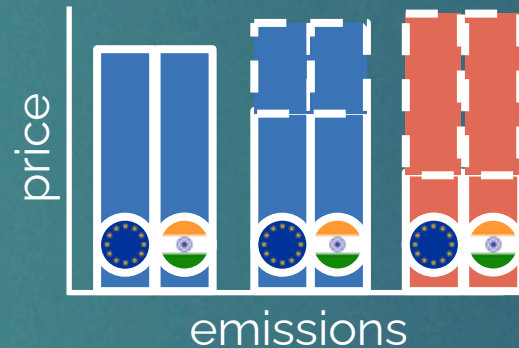
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Product standards

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EU with carbon border adjustment mechanism



NL embodied carbon building standards





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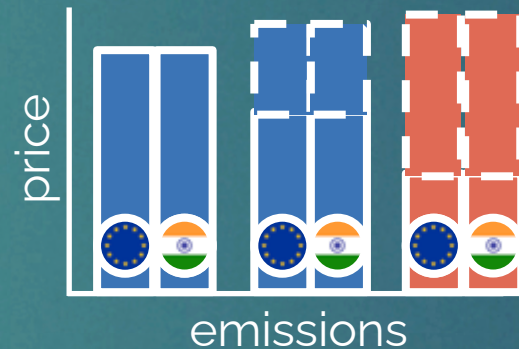
Make the low/zero carbon substitutes to high-carbon inputs cheaper

Subsidies

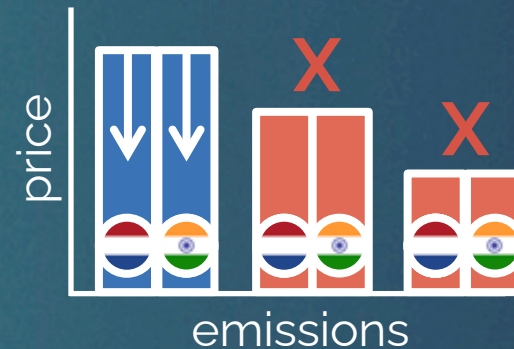
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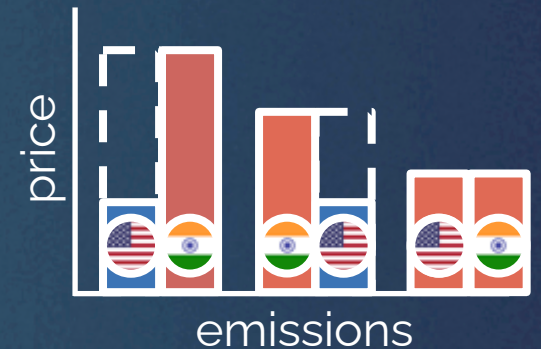
EU with carbon border adjustment mechanism



NL embodied carbon building standards



US with Inflation Reduction Act





# Political likelihood



# Political reasons for



- ✓ carbon pricing sends a clear long-term market signal to unlock private sector innovation to tackle climate change
- ✓ simplify a myriad of sector-specific regulations
- ✓ avoid the need for the public sector to pick green winners
- ✓ “level up” by ensuring that fledgling low-carbon industries in the north aren’t undercut by high-carbon imports



- ✓ adds further weight to stake in the ground for a “fairer greener Britain”
- ✓ a chance to demonstrate a more fiscally responsible climate action plan
- ✓ promoting green jobs



# What progress has been made in the UK

(2021, 2022) Climate Change Committee recommend consultation on CBAM

(2022) Environmental Audit Committee inquiry

(2022) HM Treasury Minister responds to inquiry announcing there will be a consultation later in the year

(2023) Consultation on CBAM and product standards, provisional timeline 2026



# An example



# CBAM, steel and the UK construction industry (1/2)

Every year the UK imports £500bn of products from around the world.

The £1.4bn of long steel that is imported for construction has been produced with varying amounts of carbon emissions. (Units shown are emissions (kgCO<sub>2</sub>e) per £ spent on steel. UK's emission intensity is 1.4 kgCO<sub>2</sub>e / £).

A carbon border adjustment mechanism (CBAM) extends the domestic carbon price to imports. Products pay a charge which depends on how polluting it is.





## CBAM, steel and the UK construction industry (2/2)

Of the £1.4bn of long steel imported annually by the construction industry, £525m would likely shift with a CBAM.

Segro, a major UK industrial property developer, could shift an estimated £10m of its steel imports for its UK pipeline.

A CBAM is an opportunity for the UK's fledgling low-carbon steel industry by allowing it compete on a level playing field with high-carbon imports.



It also incentivises supply chains around the world to decarbonise, and countries too - because those products from countries with the same level of carbon pricing don't have to pay it twice.

**A UK carbon border adjustment mechanism could boost construction industry orders of UK-made low-carbon steel by £500m annually, with Segro alone shifting an estimated £10m**



# Thanks

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# Appendix



# Why Segro?



Industrial property  
developer

UK pipeline of  
400,000+ m<sup>2</sup>

FTSE 100-listed

Approved Science  
Based Targets

CDP Score A

Reduce embodied carbon intensity  
of its new developments by 20% by  
2030 (vs. 2020 baseline)



# Baselining Barrier #1: Data access

Supplier specific emissions factors only represent 6% of baseline calculations

Method used to estimate scope 3 emissions, % of respondents, N=175

