



EU-Thailand Newsletter

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CBAM on the way: risks and opportunities

The EU's Carbon Border Adjustment Mechanism (CBAM), designed to **discourage the offshoring of EU polluting industries for countries** with less vigorous climate rules, should be ratified by the European Parliament on 10 May. The measure will complement and attempt to fix the external consequences brought about by the EU Emissions Trading System (ETS), which regulates the European carbon market. It will oblige importers of **iron, steel, cement, aluminium, fertilisers, electricity, and hydrogen** to pay the same carbon price for emissions during production as that paid by EU domestic industry. The mechanism is **expected to be phased in between 2026 to 2034**.

Many see the mechanism as both protectionist and discriminatory by **driving EU importers away from business with countries with lower environmental standards** – frequently developing countries. **Complaints to the World Trade Organisation (WTO) are seemingly inevitable**.

The **initial impact for ASEAN will be relatively limited** with 86% of the bloc's exports to the EU falling outside the named categories. This, however, **could change as new categories of goods are added**. For Thailand, this would be of concern should any new category incorporating **electrical appliances and electronics** be listed. Even then, because of Thailand's early efforts to mitigate climate change **in comparison to other Mekong countries, this will play to its advantage¹**.

Nevertheless, **any revised CBAM directly affecting Thai exports might prejudice the full benefits from a Free Trade Agreement**. The positive is the first revision is not expected before the mechanism's – at least initial – implementation. Such a revision would have to go through the full legislative process, giving a long lead time between **the Commission setting the process in motion and its final adoption**, and therefore plenty of opportunity for stakeholders to influence and shape the final decision.

The Commission steps up its fight against corporate greenwashing

The Commission revealed (22 March) its Green Claims Directive to address corporate 'greenwashing'. The proposal sets **rules on the type of environmental claims** companies can legitimately make – these must have **independently verified scientific backing** – and proposes an EU-wide mandatory environmental labelling system. In addition, there are requirements on recyclability and repairability. **This will apply to the parts industry**. Member States will be responsible for setting up a **system of verification and introducing penalties** on

¹ <https://www.kas.de/documents/265079/265128/EU+Carbon+Border+Adjustment+Mechanism.pdf/>



offenders. **Enterprises with less than 10 employees or a sales volume of less than €2 million per year will be exempt**, although they may decide to follow the directive voluntarily. **The**

measure will apply in full to imports from non-EU countries. Labelling schemes established by third countries will require pre-approval from the Commission.

Establishment of the Hydrogen Bank: prospects of enhanced EU-ASEAN cooperation

The Commission has set out plans to **stimulate and support investment in sustainable hydrogen production** through the creation of a European Hydrogen Bank (EHB) by the end of 2023. The EHB is designed to overcome the **financial challenges facing the creation of an EU hydrogen market underpinned by international imports** of up to 10 million tonnes by 2030. The EHB is intended to have an international dimension to **support EU partners with appropriate green transition and renewable energy investments**. Details of funding are yet to be announced and still under discussion. The private sector will have a key role.

Lead candidates for EU support include the **African Union** – who already have cooperative projects under Horizon Europe targeting research and innovation. **ASEAN is also well positioned to become a key partner.** During the EU-ASEAN Summit in Brussels (14 December 2022,) it was agreed to set up the **EU-ASEAN Energy Dialogue**. This will provide opportunities for ASEAN countries to demonstrate their **potential for decarbonising their power production with solar, wind and other renewable energies** and, thus, for developing a powerful green hydrogen industry that would warrant EU support.

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