

## bp response to HMG Consultation on addressing carbon leakage risk to support decarbonisation

### Summary and key points

bp is a strong supporter of well-designed economy wide carbon pricing as the most efficient and comprehensive policy for reducing carbon emissions and achieving the Paris goals – and supports all countries to introduce or scale up carbon pricing.

bp supports the UK ETS as a cost-effective way of driving decarbonisation and mitigate carbon leakage. This should remain a key pillar of the UK's climate policies for ensuring the UK reaches its ambitious climate targets.

Yet as we move toward Net Zero, and where variations exist between markets' implementation of carbon pricing policies, bp recognises the increased risks from carbon-leakage and the need for policy measures to prevent this.

As such bp welcomes the UK Government's consultation. In summary:

- bp supports the introduction of a CBAM as a complement to UK ETS to manage the risks of carbon leakage on domestic industry.
- A UK CBAM design should align, where possible, to the EU CBAM to minimise trade disruptions.
- CBAM design should take into account the risk of disruptions to global supply chains, both in terms of increased cost and the delays that may result in the import of raw and semi-processed materials, through the use of a phased introduction to mitigate such risks.
- CBAM should only be introduced on products when a methodology has been developed to assess and resolve complex embodied emissions.
- CBAM monitoring and reporting should be sufficiently granular to reflect the purchasing decisions of specific importers.
- Where data cannot be provided by an importer, the Government can consider a tiered approach. First, referencing the average grid emission factor for a third-country, before looking to the UK's or EU's worst-performing emitters and utilise data to set a default value.

bp supports the introduction of MPS and DSM to enable low carbon products to attract green premiums and drive market demand.