ITI Response to European Commission Impact Assessment on a Carbon Border Adjustment Mechanism

28 October 2020

The Information Technology Industry Council (ITI) welcomes the opportunity to respond to the European Commission’s impact assessment for a carbon border adjustment mechanism. ITI represents over 70 of the world’s leading information and communications technology (ICT) companies. Our membership comprises companies from all corners of the technology sector, including hardware, software, digital services, semiconductor, network equipment, and internet, as well as technology-enabled companies that rely on ICT to drive their businesses. With a broad membership across Europe, Asia, and North America, we engage with governments and other stakeholders around the globe to share information and advance best practices in technology policy.

The technology industry strongly supports the European Union’s (EU) climate and environment ambitions, including those put forward under the auspices of the European Green Deal, and urges industry-led, collaborative policies as a means of achieving these important objectives in the most direct and efficient manner possible. The environmental, economic, and social challenges resulting from climate change warrant a coordinated and timely response from governments and the private sector. In its pursuit of a European Green Deal, ITI encourages the EU to place ICT- and innovation-promoting policies at the heart of its strategy. Achieving these ambitious goals will require catalysing efforts across public and private sectors as well as collaborating through public-private partnerships to make the most of each sector’s respective strengths. The technology sector is uniquely positioned to enable such efforts.

We will first illustrate the role that technology is playing in the realisation of a carbon neutral future before outlining some policy considerations aimed at ensuring a carbon border adjustment mechanism (CBAM) would not result in market distortions that inhibit the development and widespread adoption of technologies that contribute to the success of the European Green Deal.

The role for technology in the European Green Deal

There is no doubt that technology will play a critical role in achieving the objectives of the European Green Deal. As importantly, ITI member companies have demonstrated their individual commitments to embodying the climate and sustainability objectives articulated by the EU. Our members have taken significant steps to reduce the carbon footprint of both tech sector operations and products and help enable transformational innovation via intelligent efficiency. Indeed, many of our members have made among the most ambitious carbon reduction and neutrality commitments of any sector. ITI regularly engages with the Commission and Member State governments to share best practices for establishing a policy environment that fosters innovation and inclusive growth in addition to directly facilitating progress towards climate and environment goals.

ITI particularly welcomes the Commission’s objective to explore measures ensuring that evolving technologies such as artificial intelligence (AI), 5G, cloud and edge computing, and Internet of Things
(IoT) help accelerate and amplify the impact of European Green Deal policies. Such data-driven technologies can help build innovative tools, capabilities and services, and significantly accelerate the necessary shift towards a low-carbon economy by supporting European governments, local authorities and businesses in this transition, as well helping policy officials make informed environmental and investment decisions.

**Data centres**

We will take this opportunity to share one area in particular where ITI shares the Commission’s determination to ensure technology fully realises its outsized potential to contribute to the goals of the European Green Deal—data centres. Because of the critical importance of data centres to the world’s transition to a low carbon economy, ITI recently acquired The Green Grid (TGG)—the world’s premier industry consortium dedicated to energy and resource efficient data centres. TGG is the global leader in tool creation and technical expertise for the optimization of data centres. In fact, TGG created the internationally approved Power Usage Effectiveness metric to measure the efficiency of data centers, which was ultimately adopted as an ISO standard.

Data centres are critical because they enable government, agencies, academics and non-governmental organisations, large and small companies and individuals around the world to store their data and compute it to execute and deliver services without needing to purchase, own, or manage their own hardware. Tremendous energy efficiency gains have been made by the transition from local data processing and storage within companies to outsourcing these activities to trusted providers, which enables higher utilization rates and significant energy efficiencies. A whole new industry has emerged from this need of the technology industry in the past decades. Because of constant innovation and market forces that encourage cost savings, data centres are working hard to meet growing demands for processing capacity and storage space while using state-of-the-art technology to support energy-efficient handling of data for the benefit of the environment and to meet technical and economic considerations. To this end, the European Commission has implemented ambitious mandatory standards for server energy efficiency (Commission Regulation 2019/424), which became effective on 1 March 2020. TGG has been providing expert technical input to this regulation for years and looks forward to continuing to collaborate on the work ahead to ensure this Regulation most effectively achieves its goals.

**Supporting a Just Transition**

We also recognise a role for technology in supporting a Just Transition that leaves no one behind. Technology and data offer new tools to address poverty, reduce or eliminate barriers to participating in the global economy, generate new industries, and create jobs; all of which foster growth and can ultimately contribute to the achievement of climate ambitions. The private sector stands ready to support technical assistance and capacity building efforts that will unleash the possibilities of an inclusive transition. To that end, we recommend that, as part of the European Green Deal, the Commission consider specifying what Member States understand to be capacity constraints to developing, adopting, and implementing the range of policies.

Data-driven technologies can also help to identify trends and gaps that can contribute to better policymaking for an inclusive transition. Whether better understanding how certain populations or territories may be impacted by policy changes or surveying affected workers to ascertain opportunities for new employment, these tools support the development of more effective and targeted policy outcomes. Technology can often provide “first point of access” to populations living...
in remote areas who may not have access to locally available government resources such as healthcare and education. Through telemedicine and distance learning, what were previously inaccessible public goods can improve the lives of affected populations through data-based connectivity. As climate disasters strike, agencies can apply artificial intelligence (AI) and machine learning algorithms to satellite images and cross-reference national weather data to more effectively deploy resources for humanitarian relief efforts. Mobilising the breadth of these opportunities made available through technological development is critical to ensuring a cohesive and coherent approach, particularly as governments around the world continue to respond to the public health and economic impacts of the COVID-19 pandemic.

Once policymakers have decided upon an approach and moved forward with implementation, the Commission, Member State governments, multilateral institutions, and non-profit organizations can simultaneously implement rigorous monitoring and evaluation (M&E) plans in order to assess the project’s outcomes using qualitative and quantitative means, and to ensure that future endeavors can benefit from lessons learned. M&E increases accountability and transparency between organizers and participants, promotes better resource allocation, and improves real-time decision-making, all of which contribute to improved outcomes. All told, the effective deployment of technology and data can complement and strengthen the ability of policymakers to implement successful programming. As the Commission further narrows design considerations for a CBAM, we encourage an approach that fully takes into account the enabling role technology in achieving sustainability and other policy objectives, as well as the significant public benefits of widespread access to ICT goods and services.

**Policy considerations**

The impact assessment identifies multiple policy approaches under consideration for a CBAM. Rather than address the specifics of each proposal, we will instead present several objectives to bear in mind as the Commission continues its work to implement the European Green Deal, including through consideration of a CBAM.

**Preventing market distortions**

Regardless of where they are headquartered, all of our member companies are deeply engaged in the EU market, both in terms of doing business in the EU as well as with the EU Institutions and member state governments. In considering design options for a CBAM, ITI strongly encourages an approach emblematic of the EU’s long-standing commitments to open markets and multilateralism. We welcome Commission statements acknowledging the need to avoid design features that might erect trade barriers, disrupt global supply chains, or introduce market distortions. The global nature of climate and environmental issues demands the need to ensure that any policies do not unintentionally conflict with multilateral commitments in other policy areas, or open the door to fragmented and potentially conflicting approaches to carbon leakage across economies. Furthermore, companies have invested millions into developing global supply chains and R&D networks over years and decades. It is critical that a future policy proposal acknowledge the complexity of modern supply chains and not inadvertently disrupt the development of technologies that will accelerate a European transition to a cleaner future.

**Committing to future climate innovations**

The Commission should ensure that policies intended to address carbon leakage do not hamper innovative efforts to achieve climate and environmental goals or have a detrimental impact on global
supply chains and research ecosystems that facilitate and drive the development of green technologies. As described above, such data-driven technologies can help build innovative tools, capabilities and services, and significantly accelerate the necessary shift towards a low-carbon economy by supporting European governments, local authorities and businesses in this transition, as well helping policy officials make better environmental and investments decisions. Accordingly, the Commission should ensure that policies intended to address carbon leakage are targeted and do not unduly limit access to the ICT goods and services that play a pivotal role in driving the green transition.

Respecting and strengthening multilateral commitments

The World Trade Organisation (WTO), and the rules-based international order it reflects, is central to European innovation, economic growth, and international leadership in a modern, global economy. We urge the Commission to ensure compliance of a proposed CBAM with rules negotiated at the WTO. We applaud the Commission’s commitment to the delivery of global solutions to global challenges, whether at the WTO or in other multilateral fora. It is in this spirit that we reiterate the importance of ensuring that any CBAM proposal respect the multilateral framework of the global trading system. We are also conscious of ongoing work through the United Nations Framework Convention on Climate Change (UNFCCC) to reduce greenhouse gas emissions. The global nature of climate and environmental issues demands the need to ensure that any policies do not unintentionally render these processes less efficient or conflict with multilateral commitments in other policy areas.

Process considerations

In line with its Better Regulation principles, the Commission has opened this public consultation so that stakeholders can share their opinions as well as potential impacts with policymakers. Taking deliberate steps to exchange views with stakeholders – especially on taxation measures – helps governments to achieve their policy objectives, ensures adherence to international best practices, and strengthens trust and accountability between the government and all impacted parties. Of particular importance, consultation throughout policy development and implementation periods, including after a legislative proposal has been introduced, can help to minimize the inevitable impacts to local consumers and the businesses – especially small and medium-sized businesses – that depend on domestic access to productivity-enhancing technologies. The Commission should also consult with industry to determine an adequate transition period to implement any forthcoming policy in order to reduce the likelihood of supply chain disruptions or inability to comply.

We strongly encourage that any forthcoming policy introduced under the auspices of the European Green Deal emphasize transparency, administrability, and specificity. Even more so in these exceptionally challenging times, ambiguity surrounding the implementation of a carbon border adjustment mechanism may discourage companies from proceeding with investments. The Commission should be cognisant that some of the proposals under consideration would require companies to disclose sensitive or confidential information about their supply chains. This further drives a question of feasibility when considering the diverse and thriving global supply chains that yield the productivity-enhancing goods and services we use every day.

Conclusion

We appreciate the opportunity to provide input to this impact assessment and both ITI and TGG stand ready to work with policymakers in the European Institutions and Member State governments
to further the Commission’s objectives of advancing ambitious initiatives for a sustainable and inclusive economy while continuing to work with partners around the world to deliver global solutions to global challenges.