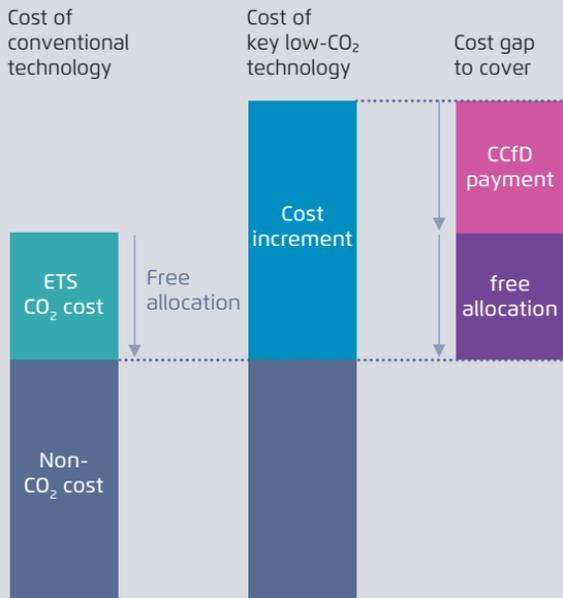
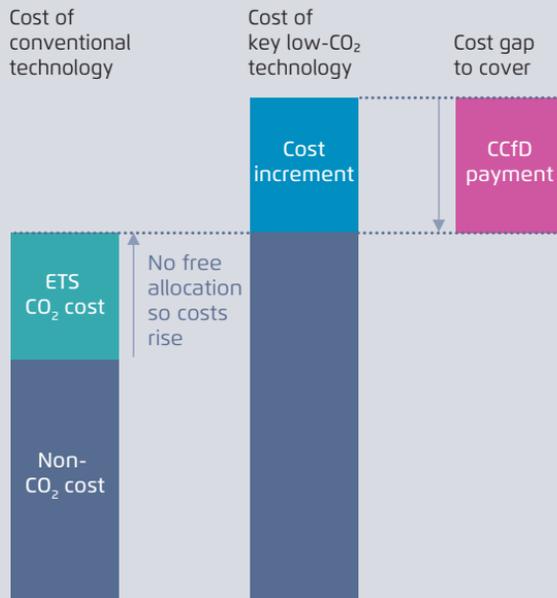


**Scenario 1: Sector subject to free allocation for conventional production installations**



**Scenario 2: Sector is subject to BCA (no free allocation)**



Agora Energiewende, 2020

Note: Under the current EU ETS anti leakage system, the EU's energy intensive industries with high trade exposure receive free EUA allocations to maintain the production cost at the level of international competitors with equally GHG intensive processes. This cost thus also represents the reference for the calculation of carbon specific cost differentials of key low-carbon technologies. This incremental cost can be covered with a combination of free allocations also for key low-carbon technologies and the payment of the CCfD. In case the system evolves towards a Carbon Border Adjustment without free allocations to energy intensive and trade exposed industries, the cost for producing or importing products produced from GHG intensive technologies would increase and the payment of the CCfD, without free allocations to key low-carbon technologies, will be sufficient to cover the cost gap. This illustrates, that a CCfD is compatible with a future border adjustment and increasing carbon prices but allows to mobilize urgent investments now.