Home ▶ All Journals ▶ Climate Policy ▶ List of Issues ▶ Volume 11, Issue 5 A border adjustment for the EU ETS: reco

Climate Policy >

Volume 11, 2011 - Issue 5: Consuming and producing carbon: what is the role for border measures?

1.525 51 Views CrossRef citations to date Altmetric

RESEARCH

A border adjustment for the EU ETS: reconciling WTO rules and capacity to tackle carbon leakage

Stéphanie Monjon 🔀 & Philippe Quirion

Pages 1212-1225 | Published online: 24 Aug 2011

A https://doi.org/10.1080/14693062.2011.601907 **66** Cite this article

> Sample our Environment & Agriculture >> Sign in here to start your access to the latest two volumes for 14 days

Full Article

Figures & data

References

66 Citations

Metrics

➡ Reprints & Permissions

Read this article

Abstract

This article compares several configurations of a border adjustment (BA) to the EU Emissions Trading Scheme (EU ETS) that are designed to maximize their World Trade Organisation (WTO) compatibility, either with the GATT general regime or with Article XX (its environmental exception rule). The different BAs are assessed quantitatively

About Cookies On This Site the EU E the inclu

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click "Settings". For further information about the data we collect from you, please see our Privacy Policy

popular view that a parcontinuites to porti carpon leakage

cluded in dicate that Accept All an the Essential Onlcompatible orld Settings e precisely nt would ced. The

inclusion with on the r only be

using the

production preservation is discussed, and it is argued on the contrary that although a BA would efficiently limit leakage, a decrease in European production of GHG-intensive products is to be expected. Industries that consume cement, aluminium and steel would pay more for these goods with a BA. Consequently, the price signal should be preserved and diffused in downstream sectors, an expected key result of climate policy. On the contrary, free allocation efficiently preserves domestic production, but does not preserve and diffuse the price signal and is less efficient in limiting leakage.

Cet article compare plusieurs configurations d'ajustements aux frontières (AF) appliqués au système communautaire d'échange de quotas d'émissions (SCEQE) conçus pour maximiser leur compatibilité avec les règles de l'OMC, que ce soit en fonction du régime général du GATT ou de son article XX (exceptions pour motifs environnementaux). Les différents AF sont évalués quantitativement avec le modèle d'équilibre partiel CASE II, qui représente quatre secteurs inclus dans le SCEQE (ciment, aluminium, acier et électricité). Les principaux résultats indiquent que l'inclusion des importations et des exportations conduirait à une plus grande réduction des émissions mondiales que l'inclusion des importations seules, qu'une obligation d'acheter des quotas européens est plus compatible avec les règles de l'OMC qu'une taxe et qu'elle serait plus favorable à la réduction des émissions mondiales. Par ailleurs, si l'AF est basé sur les meilleures technologies disponibles, plus précisément les benchmarks européens récemment définis, alors les fuites de carbone seraient considérablement réduites, bien que l'ajustement ne soit alors que partiel. Nous discutons l'opinion populaire selon laquelle les AF contribuent à la fois à la limitation des fuites de carbone et à la protection de la production domestique et concluons au contraire que les AF seraient efficaces pour limiter les fuites, mais qu'une baisse de la production européenne de produits intensifs en gaz à effet de serre est à prévoir. Les industries qui consomment du ciment, de l'aluminium et de l'acier paieraient plus pour ces matériaux atières Par conséquent avec un aiust

About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click "Settings". For further information about the data we collect from you, please see our Privacy Policy.

Accept All on Essential Onlee en ce qui

Settings

Q Keywor

diffusé d

contraire

domesti

conc

World Trac

Q Mots cle

Acknowledgements

The authors thank the three anonymous Climate Policy referees for their very helpful comments, which helped to improve the article considerably. The authors also thank Patrick Criqui and Sivana Mima for the data on marginal abatement cost curves from POLES.

Notes

know pr

A third argument is to create further incentives for countries to join an international climate agreement (Cosbey, <u>2008</u>).

Free allocation still requires business to bear costs that may be significant. Genasci (2008) gives some simple examples of the difficulties with respect to WTO rules and free allocation.

Owing to the framework of the EU ETS as a multi-period scheme with a series of direct and indirect updating provisions, free allowance allocation distorts the carbon price signal for efficient investment, operation and consumption choices.

These benchmarks are set at the average specific emissions of the 10% of the EU installations with the lowest specific emissions (cf. EC, 2010).

This last point may be important for the legality of the BA. Nevertheless, serious doubts still exist about the implementation of a carbon constraint on CO_2 -intensive industry in

the US o may lead to About Cookies On This Site a mix of Accept All ustries. We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised Whatev how much **Essential Onl** features, measure the effectiveness of our services, and off, 2009). carbo tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can Settings choose to accept all of these cookies or only essential te, because An adi cookies. To learn more or manage your preferences, click "Settings". For further information about the data we collect most no us do not from you, please see our Privacy Policy

information on the carbon content of the products they want to import in the EU, but it

de certified

is difficult to oblige importers to do so as for a small importer the administrative burden could be high in proportion to its sales. Another option is to use the average emissions per tonne in the exporting country for every product covered by the BA, but this value could be difficult to compute, especially if the country is reluctant to participate.

Consequently, the practical feasibility of this scenario is not certain.

Conversely, if Article XX is not used, it is not possible to exempt a group of countries because, for instance, they are engaged in an international climate agreement, or are the least developed countries, due to the GATT most favoured nation principle (cf. previous section).

Because the model aggregates all foreign countries into one RoW region, a BA based on country-of-origin specific allowance obligations cannot be assessed, which could reduce leakage further.

Over 2008–2020, the limit of credits from the CDM and JI in the EU ETS is set at 1.68 Gt CO_2e , hence 6% of the cap (Turner, 2010). It is assumed that this limit will be binding and that credits will be used homogenously over the period.

In the EU ETS, a firm must emit more than a minimum threshold to receive its allocation (EC, 2010). In the model, all the firms of the same sector are symmetric and then produce the same quantity, which is higher than these thresholds in all scenarios.

The pricing behaviour of the firms is different in the EU markets and in foreign markets. Indeed, in foreign markets, the competition increases less because EU firms have only a small market share.

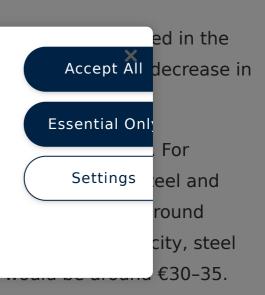
The variations are calculated between a scenario with the climate policy and a scenario without, and include emissions from the power sector.

The mod rest of th cement How exam aluminiu EU€20 is

and alur

About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click "Settings". For further information about the data we collect from you, please see our Privacy Policy



Related research 1



People also read

Recommended articles

Cited by

Information for

Authors

R&D professionals

Editors

Librarians

Societies

Opportunities

Reprints and e-prints

Advertising solutions

Accelerated publication

Corporate access solutions

Open access

Overview

Open journals

Open Select

Dove Medical Press

F1000Research

Help and information

Help and contact

Newsroom

All journals

Keep up to date

Register to receive personalised research and resources by email



Sign me up















5 Howick F

About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click "Settings". For further information about the data we collect from you, please see our Privacy Policy

Accept All

Essential Onlor & Francis Group

Settings