

Biofuels >

Volume 2, 2011 - [Issue 2](#)

74 Views | 17 CrossRef citations to date | 0 Altmetric

Policy Update

Components of carbon leakage in the fuel market due to biofuel policies

Harry de Gorter & Dusan Drabik

Pages 119-121 | Published online: 09 Apr 2014

🗨️ Cite this article 🔗 <https://doi.org/10.4155/bfs.11.8>

Sample our
Engineering & Technology
Journals

>> **Sign in here** to start your access
to the latest two volumes for 14 days

📄 Full Article

🖼️ Figures & data

📖 References

🗨️ Citations

📊 Metrics

📄 Reprints & Permissions

Read this article

🔗 Share



Components of carbon leakage in the fuel market due to biofuel policies

“ Market leakage of the biofuel policies for the USA is in the order of 60–65%, that is, 1 gasoline-energy equivalent gallon of ethanol replaces only 0.35–0.40 gallons of gasoline and the rest (0.60 and 0.65 gallons, respectively) is displaced. ”

Harry de Gorter^{1*} & Dusan Drabik¹



The issue of carbon leakage – where emission reductions by an environmental policy are partially offset or more than offset because of market effects – is often raised as an issue that will undermine environmental policies. Leakage has been extensively studied in the cases of cap and trade policies, reduced deforestation and land degradation, and indirect land-use change (iLUC) generated from biofuels policies. In the case of biofuels, the issue has been whether or not biofuels fulfill a sustainable threshold (e.g., does US corn ethanol result in a 20% reduction in carbon emissions relative to the gasoline it is assumed to replace).

In a previous commentary, we provided an intuitive explanation of market leakage in the fuel market due to biofuels [1]. However, there was no corresponding explanation of what carbon leakage would be. In this article, we show how market leakage is a critical input for measuring carbon leakage, and that serious misunderstandings arise if market leakage is ignored; that is, when 1 gasoline-energy equivalent gallon of ethanol is assumed to replace a gallon of gasoline in a one-to-one ratio in regard to carbon emission.

Emission savings & market leakage effects: the almost perfect yin and yang of carbon leakage

Carbon leakage is an indicator of the ineffectiveness of an environmental policy. Let us define carbon leakage (LC):

$$L_C = \frac{\text{change in global carbon after a policy}}{\text{intended carbon reduction due to a policy}}$$

Equation 1

This definition recognizes the fact, omitted by the Intergovernmental Panel on Climate Change, that carbon leakage can occur not only outside the country (or a coalition of countries) that imposes an environmental policy (i.e., international leakage), but also within the country (i.e., domestic leakage), hence the importance of the word ‘global’ in the equation.

For any environmental policy that replaces a ‘dirty’ energy source with a clean energy source (e.g., replacing gasoline with ethanol) in order to save carbon emissions, our study [101] shows that Equation 1 translates into:

$$L_C = \frac{1}{\xi} L_M - 1$$

Equation 2

Equation 2 shows that carbon leakage is a result of two, typically counteracting, effects: the ‘emissions savings’ effect, ξ and the ‘market leakage’ effect, L_M (summarized in our previous Policy Update [1] and discussed in detail in our study [101]). The emissions savings effect measures the relative carbon emissions between ethanol and gasoline, for example, $\xi = 0.20$ means gasoline emits 20% more carbon relative to ethanol; or, alternatively, that 1 gasoline-energy equivalent gallon of ethanol emits 80% of the carbon emitted by a gallon of gasoline.

So why is there an ‘almost perfect’ yin and yang between the emissions savings effect and the market leakage effect? The reasoning is straightforward. When both effects are positive in value, they counteract – a stronger emissions savings effect reduces carbon leakage, while a stronger market leakage effect increases carbon

¹Charles H. Dyson School of Applied Economics & Management, Cornell University, Ithaca, NY 14853, USA

*Author for correspondence: Tel: +1 607 255 8076; E-mail: hd15@cornell.edu

Financial & competing interests disclosure

The authors have no relevant affiliations or financial involvement with any organization or entity with a financial interest in or financial conflict with the subject matter or materials discussed in the manuscript. This includes employment, consultancies, honoraria, stock ownership or options, expert testimony, grants or patents received or pending, or royalties.

No writing assistance was utilized in the production of this manuscript.

Log in via your institution

> [Access through your institution](#)

Log in to Taylor & Francis Online

> [Log in](#)

Restore content access

> [Restore content access for purchases made as guest](#)


Purchase options *

[Save for later](#)

PDF download + Online access

- 48 hours access to article PDF & online version
- Article PDF can be downloaded
- Article PDF can be printed


EUR 56.00

 Add to
cart

Issue Purchase

- 30 days online access to complete issue
- Article PDFs can be downloaded
- Article PDFs can be printed

EUR 316.00

 Add to
cart

* Local tax will be added as applicable



Related Research

People also read

Recommended articles

Cited by
17

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
Books

Keep up to date


Register to receive personalised research and resources by email

 Sign me up



Copyright © 2026 Informa UK Limited [Privacy policy](#)

[Cookies](#) [Terms & conditions](#) [Accessibility](#)

 Taylor and Francis
Group

Registered in England & Wales No. 01072954
5 Howick Place | London | SW1P 1WG