Competitiveness Issues

Chapter 20

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Outline of the presentation

• Background
• Previous analysis in Europe and the US
• Scenarios
• Model results
• Conclusions
Overview of the Chapter

- The macroeconomic models suggest that climate policy will have only a small impact on GDP and other indicators
- But the models are not able to go down to a very detailed sectoral level – maybe there is carbon leakage that we are missing
Overview of the Chapter (cont)

• The chapter is split into two parts:
  – an assessment of the results from Chapter 10, if one East Asian country has a carbon tax, what happens in the others (i.e. is there carbon leakage?)
  – a detailed assessment of key energy-intensive traded sectors
Carbon Leakage at Macro Level

• The analysis is still ongoing but the E3ME results are likely to show very limited impacts (as pointed out by Prof Park)
• This suggests that any carbon leakage will only take place at the detailed sectoral level
Carbon Leakage at Sectoral Level

- Focus sectors:
  - cement
  - steel
  - aluminium
  - paper/pulp

- At ‘4-digit’ level take estimates of energy consumption per unit of production

- Multiply by the increase in cost of energy from Chapter 10 to get increase in unit costs
Carbon Leakage at Sectoral Level

- Gather data for trade in these commodities
- In a more qualitative manner, assess the potential for import substitution
- Draw conclusions from the gathered data

- It is anticipated that this will lead into the possible policy responses (e.g. BTAs) in the next chapter