

FSR Climate Annual Conference 2022 – 8th edition

Friday 2 December

10:00-12:15 | Session – Emissions trading

Presenter: Misato SATO (London School of Economics)

Title: *Carbon Leakage, Consumption, and Trade*

Abstract:

We review the state of knowledge concerning international CO₂ emission transfers associated particularly with trade in energy-intensive goods and concerns about carbon leakage arising from climate policies such as ETS. The historical increase in aggregate emission transfers from developing to developed countries peaked around 2006 and declined since. Studies find no evidence that climate policies lead to carbon leakage, but this is partly due to shielding of key industrial sectors, which is incompatible with deep decarbonization. Alternative or complementary consumption-based approaches are needed. Private sector initiatives to trace and address carbon emissions throughout supply chains have grown substantially but cannot compensate for inadequate policy. Three main price-based approaches to tackling carbon leakage are potentially compatible with international trade rules: border adjustments on imports carbon consumption charges and climate excise contributions combined with emissions trading. We also consider standards and public procurement options to tackle embodied emissions and discuss proposals for carbon clubs involving cooperation among a limited set of countries.

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Webpage and programme [here](#)