

International Conference on Ex-Post Evaluation of Emission Trading

Tuesday, 20 June 2023

10:35-12:55 | Session “Competitiveness and Carbon Leakage”

Presenter: ALIÉNOR CAMERON (Université Paris-Nanterre & EconomiX-CNRS)

Title: Is industrial decarbonization at odds with competitiveness? An assessment of competition dynamics in two EU heavy industries

Abstract:

Defining a fair and transparent measure of carbon leakage risk is primordial to effectively tackle carbon leakage without undercutting the impact of climate policies. An essential factor to achieve this is understanding the market structure of the sectors that are evaluated. This paper proposes a new approach to analyze this market structure, and applies it to the EU’s steel and cement industries. The micro-founded hypothetical monopolist test (or SSNIP) is applied at a country-product level to delineate the relevant market for both industries. A gravity model is used to estimate technical substitution elasticities at the product level, from which own- and cross-price elasticities are derived. The latter are then used as inputs in the hypothetical monopolist test. The results from this analysis point to steel markets being delimited at a strictly national level, while the relevant market for cement seems to include several countries, including some outside of the EU for clinker.

Webpage and programme [here](#).