

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