



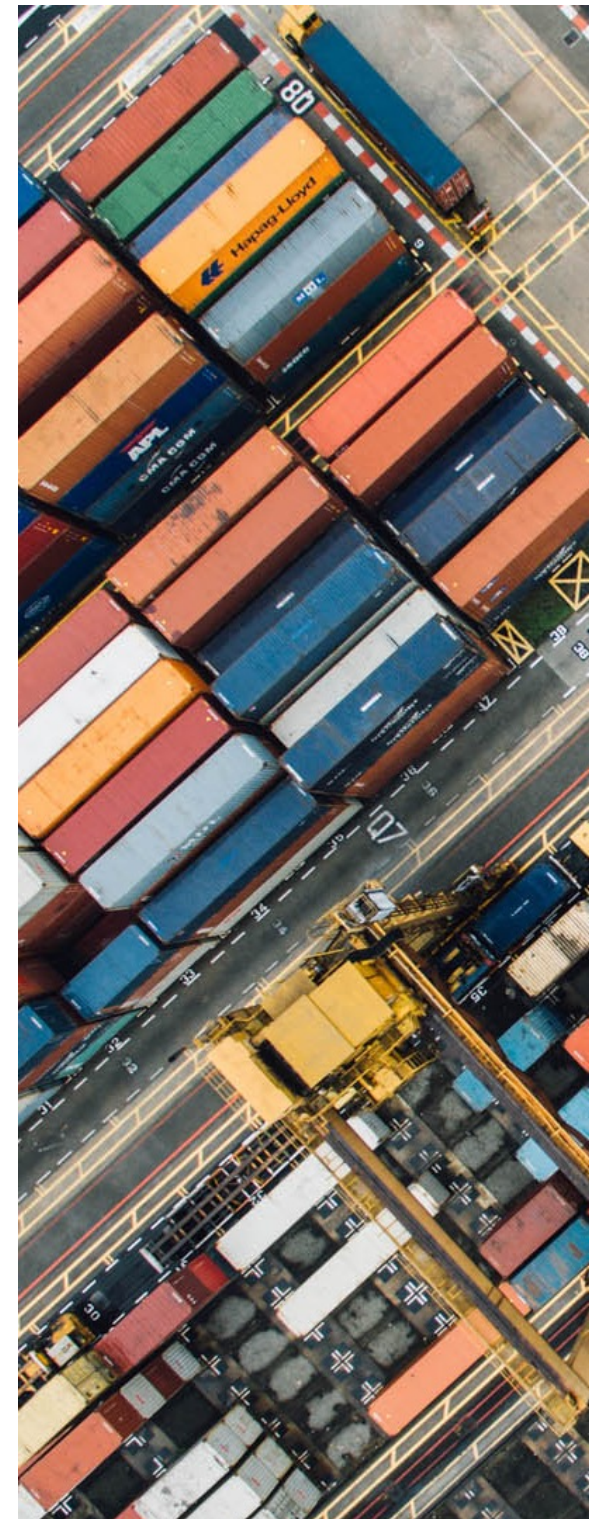
Border Carbon Adjustments (BCAs): Results from Empirical Research on Barriers in Practice

Stefan U. Pauer, PhD

EEPRN Annual Symposium
Ottawa, ON | 27 Feb 2020

What are Border Carbon Adjustments (BCAs)?

- Carbon pricing (carbon tax, or cap-and-trade) for traded goods
- Levy carbon price on imports (and/or rebate exports)
- Potentially significant benefits
 - Protect domestic industry, counter carbon leakage, incentivize others



TRADE

Quitting Paris? Pay a carbon tax, Macron says

Jean Chemnick, E&E News reporter • Published: Tuesday, December 4, 2018

Le Monde

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PLANÈTE

Dominique de Villepin propose une taxe sur le CO2 des produits importés

Il a proposé, lundi, au terme du comité interministériel pour le développement durable visant à actualiser le plan climat, une taxe sur le carbone des produits importés. Cette idée vise en premier lieu la Chine, qui devient la "manufacture" du monde dans des conditions environnementales déplorable.

Par Hervé Kempf • Publié le 13 novembre 2006 à 14h20 • Mis à jour le 13 novembre 2006 à 16h02

Europe should hit US with carbon tariffs for Paris withdrawal -Sarkozy

Published 17:26 on November 14, 2016 / Last updated at 01:43 on November 15, 2016 / Americas, Carbon Taxes, EMEA, EU ETS, US / No Comments

Europe should impose carbon tariffs on American imports if Donald Trump pulls the US out of the Paris Agreement, said Nicolas Sarkozy, former French President and candidate in the country's upcoming elections.

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AUGUST 5, 2015

No Return: Climate Change Are Already Here

of climate change are starting to happen — and much faster than climate

The New York Times Magazine

Building a Green Economy



Paul Krugman APRIL 7, 2010

A New Agenda for Global Warming

JOSEPH E. STIGLITZ

has made the world interdependent, and need to work to solve common problems. I point out in my book *Globalization Work*, it is our common global

important first step to curtail the greenhouse gas emissions that cause global warming. But in spite of Kyoto's achievements, the United States, the world's largest polluter, refuses to join in and continues to pollute more and more, while the developing countries, which in the not too distant future will be contributing 50% or more

from inflicting harm. It is, perhaps, predictable that the United States, the largest emitter, refused to recognize the problem. If the United States continues this way—keeping the carbon emissions on its own territory, w

EURACTIV

Italy joins French calls for EU carbon tariff

Apr 16, 2010 (updated: Apr 19, 2010)

THE WALL STREET JOURNAL.

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POLITICS AND POLICY

Energy Chief Says U.S. Is Open to Carbon Tariff

By Ian Talley and Tom Barkley

Updated March 18, 2009 12:01 a.m. ET

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GEOPOLITICS

E.U. carbon tariffs resurface as trade talks loom

Jean Chemnick, E&E News reporter • Climatewire: Monday, January 27, 2020

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**Carbon pricing initiatives
implemented or scheduled
for implementation**



**46 NATIONAL
28 SUBNATIONAL
jurisdictions**



**11 GtCO₂e = 20%
of GHG emissions covered**



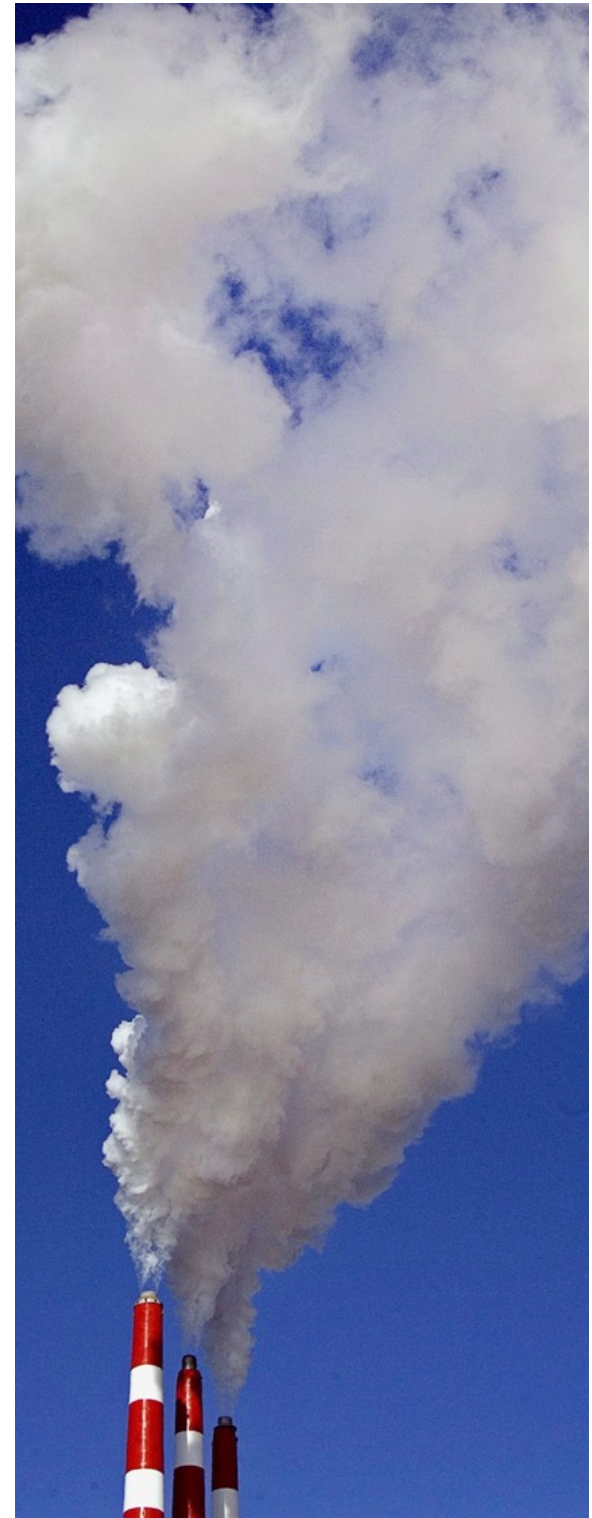
Methods

- Test 8 hypotheses empirically, using 4 case studies
- Qualitative data: documentary sources, 43 expert interviews
 - Government, industry, NGOs, academics, others
- Quantitative data: trade statistics, economic modelling

Results:

Why BCAs are so rare

- Opposition from domestic industries
- Alternative tools available
- Possible retaliation from foreign governments, risk of trade war





Legal or complexity concerns did not prevent BCAs

- Policy-makers aware that legally compliant design is possible
- Policy-makers convinced practically feasible, at least for basic products
- Opponents may have claimed these concerns to reinforce opposition

“The WTO is often used as an argument why you cannot do anything.”

(European Commission official)

Fears of trade war and retaliation may prevent BCAs

- Foreign opposition prevented BCAs for export-oriented economies
 - Exports are targeted by foreign governments in retaliation
- Export-oriented industries acted as domestic lobby for foreign interests

“The aviation debacle made it more obvious to people that the risk of retaliation is real.”

(European Commission official)





Industry prefers alternatives

- BCAs only viable if no alternatives available
- Only BCAs can extend carbon pricing to imports
- But alternatives exist to protect industry, reduce carbon leakage
 - Free allocation, output-based tax credits
- Overgenerous compensation with free allocation to “buy off” industry

“The common priority of every industry was to obtain as many free allowances as possible.”

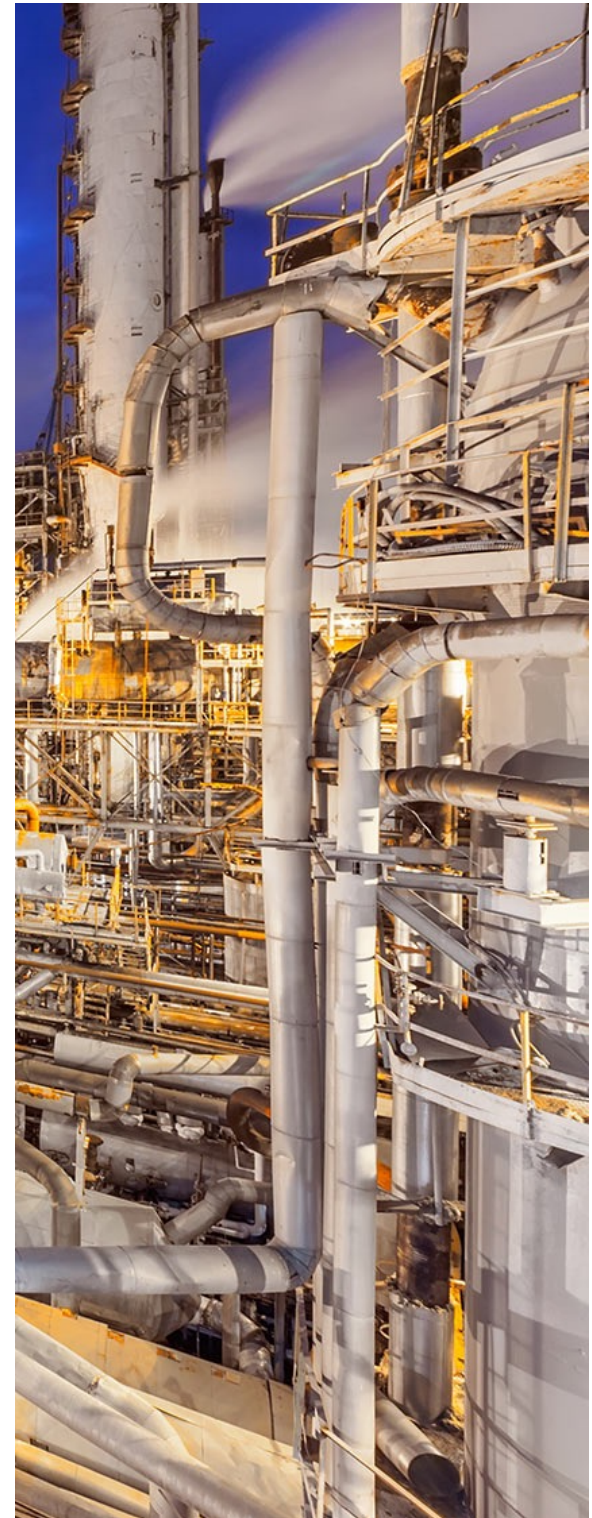
(Government official in California)

Domestic political opposition prevented BCAs

- Stakeholders overwhelmingly opposed – only scant support
- Reasons for opposition:
 - Increased exposure to carbon price
 - Preference for alternatives
 - Actual or potential retaliation

“Outside of a very small subset of parties, there was universal resistance.”

(Academic involved in policy-making in California)





Refocus research on BCAs

- Despite leaders' calls for BCAs, implementation has proven elusive
- Practitioners face several barriers
 - Domestic political opposition
 - Preference for alternatives
 - Opposition from foreign governments
- Need to refocus research efforts to advance on climate policy

Acknowledgements



Centre for International
Governance Innovation

Economics and Environmental
Policy Research Network (EEPRN)



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