

Policy options for designing a carbon border tax

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The following analysis focuses on carbon-motivated border tax adjustments (CBTA), which are tariffs applied by countries implementing carbon control policies imposed on products imported from abroad. In particular we focus on CBTAs policy design, since CBTAs can be computed considering emissions embodied in imports, or referring to emissions avoided through imports. Using the WIOD database, we simulate through a multi-region and multi-sector analysis what tariffs system should be applied to products imported in Europe to compensate an European CO₂ emissions taxation, considering embedded emissions or avoided emissions. To know for which countries and sectors the method used is critical can help to understand and to add information to the political debate on it. Furthermore, an important novelty of our analysis is that we estimate avoided emissions not only using the traditional “domestic technology assumption”, but also using a more appropriate approach that considers the physical quantities of imported goods.