

How much would the Kyoto Protocol cost to consumers?

Topic: Special WIOD-session 4: Environmental Aspects of International Trade 2

Author: Monica Serrano

Co-Authors: Erik Dietzenbacher

In recent decades there has been a growing interest in the consequences of globalization for environmental problems, especially for those generated by greenhouse gas emissions. This concern has been intensified in the last years since the five-year accounting period (2008-2012) of the Kyoto protocol is near to be accomplished. The numerous published papers related to this topic reveal that little attention has been paid to the macro-economic effects of this protocol. This paper starts from the assumption that industries incur extra costs per ton of emitted pollutants (e.g. CO₂ abatement costs, emission allowances in the EU Emissions Trading Scheme, environmental taxes, opportunity costs), which are necessary to reduce the present amount of pollution. It is further assumed that all producers fully pass these costs on to the buyers of their products. As a consequence, this will affect the value of consumption. This 'extra' cost to consumers can be viewed as a change in the consumption price index. The aim of this paper is to give some insights in the extra costs for consumers if annex-I countries had fulfilled the targets of the Kyoto protocol. Using the World Input-Output Tables of the WIOD project, this paper analyses different scenarios. The main results show that, in general, consumers might well be able to bear the economic costs of the Kyoto protocol.