

## **Border Carbon Adjustment: An empirical investigation into the politics of climate change**

Topic: Computable General Equilibrium Modeling and Social Accounting Matrices (Chair: Mun S. Ho, Harvard University)

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Significant attention has been drawn by the United States Waxman Markey Bill of 2009. It proposes an attempt to tackle the competitiveness and carbon leakage concerns of the nation's energy intensive industries by prompting a measure like Border Carbon Adjustment. Using the Input-Output approach this study tries to assess the impact of a border carbon tax applied by the United States on India's export sector and the change that takes place in the value of production. Further, it finds out the impact on the resulting carbon emissions in India after a border carbon tax is imposed. The study empirically estimates whether the domestic emission reduction of the United States is partially or wholly counterbalanced by increased emissions in India. The results predict that carbon leakage takes place from U.S. to India due to difference in the technology of production. Imposition of a border tax of \$10 and \$25 per ton of carbon emission embodied in the exports leads to significant fall in the export of basic and heavy industries from India which have high carbon emission intensity per unit of output. India also witnesses a fall in the value of production as a result of fall in the exports. The resultant fall in the carbon emissions embodied in the exports is positive but modest.