

## **The Impact of Carbon Prices on Trade via Global Value Chains**

Topic: Input-Output Analysis: Sustainable Production and Consumption Policies - XI

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This paper investigates the effects of the differences in carbon prices between source sectors domestically and abroad to study whether higher carbon prices in domestic sources have shifted demand to sources abroad. Using carbon pricing data, input-output database, and by applying the structural gravity model, we find evidence of carbon leakage in the country of final demand. The novelty of this analysis is the employment of a dataset that covers fuel excise taxes, carbon taxes, and emission trading systems. The dataset also considers the exemptions given to various sectors to prevent carbon leakage. Emission trading schemes (ETS) and carbon taxes contribute to a small share of total carbon prices. The share becomes even smaller after accounting for ETS-related exemptions. The previous works have missed the significant contribution of fuel excise taxes to carbon prices.