

Press **issues:** Trade
Climate

Newsweek: A Green Trade War?

Some details of the climate bills discussed in the US may have undesired repercussions for the international climate negotiations, argues Stefan Theil in an article in the Newsweek Magazine issue of 4 May 2009. Benjamin Görlach of Ecologic Institute was interviewed for and is quoted in the article. The analysis points out that fears about the competitiveness impacts of climate policy on domestic industries are exaggerated, and that the measures discussed to counter such threats may backfire in international negotiations.

At last, the United States are moving forward towards ambitious domestic climate legislation, with an emissions trading scheme as a central component of the US effort to reduce emissions. However, there is concern about the impacts that such a scheme may have on the competitiveness of US firms if their competitors are not subject to comparable regulation. To account for this threat, the proposed scheme provides for measures in order to shield domestic industries from unfair competition and the risk of “carbon leakage”. Such measures could include tariffs on energy-intensive imports from countries that lack comparable climate policies.

However, as Theil points out in his article, the fears about competitiveness impacts – and ensuing job losses – are mostly exaggerated. And even where the fears are substantiated, trade policy may not be the best instrument: while tariffs could be an effective remedy in principle, there is a high risk that such measures would be perceived as badly disguised “green protectionism”, directed mainly at China. Such a perception might jeopardize the negotiations on a future international climate agreement in Copenhagen in December.

Further Links:

- Ecologic Briefing Paper for the European Parliament on “[Legal issues and challenges in Trade and Competitiveness Post 2012](#) [1]”
- Ecologic Study on „[International trade policy in a world of different carbon prices](#) [2]”
- Lecture by Michael Mehling and Nils Meyer-Ohlendorf: “[Are Border Adjustment Measures only the Third-Best Option \(Out of Three\)](#) [3]?”
- Position Paper of the German Emissions Trading Authority, authored by Benjamin Görlach et al. “[Carbon Leakage – Relocation of Production and Emissions as a Challenge for Emissions Trading?](#) [4]” [German only]

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Links:

[1] <http://www.ecologic.eu/2444>

[2] <http://www.ecologic.eu/2552>

[3] <http://www.ecologic.eu/2487>

[4] http://www.dehst.de/cln_099/nn_717394/SharedDocs/Downloads/Publikationen/Papier__Carbon__Leakage,templateId=raw,property=publicationFile.pdf/Papier_Carbon_Leakage.pdf