ECORE lunch seminar

Thierry BRECHET
CORE and Chair Lhoist Berghmans

Monday, December 3, 2007 at 12h30

The race for polluting permits

Abstract

The paper deals with the interplay between international markets for tradable emission permits and national fiscal policies. An example of such a coexistence is the EU Emission trading scheme on carbon dioxide emissions. We model that interaction in a framework of perfectly competitive international market for tradable permits among heterogeneous firms. National governments set energy taxes non-cooperatively so as to maximize fiscal revenue from energy and profit taxes. We identify the driving forces behind Nash equilibrium taxes. We show how they depend on the total amount of permits in the market, on firms’ endowment and on the number of participating countries. We also show how energy taxation is reshaped after the implementation of the market. Finally, we highlight the fact that the market for tradable permits is not cost efficiency, despite it is perfectly competitive.

(This is joint work with S. Peralta.)

Paper available as ECORE discussion paper 2007/27.

☞ We will offer sandwiches and drinks to everybody AFTER the talk.
☞ The seminars will be held at the Université Libre de Bruxelles, room S12.227, 44 avenue Jeanne (12th floor of the building S).