

**Workshop**  
**Tackling Leakage in a World of Unequal Carbon Prices**

**4 February 2008**

CERI (Centre d'Études et de Recherches Internationales), Salle de conférence, 56 rue Jacob, 75006 Paris

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<b>9.30 – 9.45</b>	<b>Welcome and Introduction</b> <i>The CS Project and Aims of the Workshop, <b>Susanne Dröge, SWP</b></i> <i>The EU ETS Review and Leakage, <b>Karsten Neuhoff, Cambridge</b></i>
<b>9.45 – 10.45</b> <b>Session I</b>	<b>Leakage and Competitiveness: Evidence, Synergies and Trade-offs</b> (Chair: Karsten Neuhoff) <i>Macro-economic Leakage Effects, <b>Onno Kuik, IVM</b></i> <i>Ex-Post Evaluation of the EU ETS on the European Aluminium Industry, <b>Julia Reinaud, IEA</b></i> <i>Potential Feedbacks of Climate Policy on Leakage: the Building Sector, <b>Philippe Quirion, CIRED</b></i>
<b>10.45 – 11.00</b>	<i>Coffee Break</i>
<b>11.00 – 13.00</b> <b>Session II</b>	<b>Tackling Leakage Under the EU ETS</b> (Chair: Michel Colombier) <i>Potential Policy Tools - An Overview, <b>Karsten Neuhoff, Cambridge</b></i> <i>Two Policies to Address Leakage: Border Adjustments and Output-Based Allocation, <b>Philippe Quirion, CIRED</b></i> <i>Border Tax Adjustment to Address Leakage, <b>Olivier Godard, CNRS</b></i> <i>The Legal Framework: What are the Limitations to Border Taxes?, <b>Roland Ismer, University of Munich</b></i>
<b>13.00 – 14.00</b>	<i>Lunch Break</i>
<b>14.00 – 15.15</b> <b>Session III</b>	<b>Major EU Trade Partners' Policies to Address Leakage</b> (Chair: Michael Grubb) <i>US Climate Policy - Trade Policy Intersections: Current Status, Prospects and Implications for Carbon Leakage, <b>Thomas Brewer, Georgetown University</b></i> <i>The China Factor, <b>Bernice Lee, Chatham House</b></i> <i>Japanese and East Asian Perspectives, <b>Akiko Sato, Imperial College</b></i>
<b>15.15 – 15.30</b>	<i>Coffee Break</i>
<b>15.30 – 16.30</b> <b>Session IV</b>	<b>Trade and Climate Policy: Implications for the Post2012 Process</b> (Chair: Susanne Dröge) <i>Linking Trade and Climate Regimes? Analytical Needs, <b>John Whalley, University of Western Ontario</b></i> <i>Addressing Leakage in a Post-2012 World: Legal and Political Considerations, <b>Harro van Asselt, IVM</b></i> <i>Global Trade Perspectives And North-South Concerns, <b>Malena Sell, ICTSD</b></i>
<b>16.30 – 17.15</b>	<b>WS -Wrap Up and Project's Work Programme</b>  <i>End of Workshop</i>

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## **Project Background and Agenda Summary**

Under the current EU ETS the competitiveness and leakage effects of a unilateral climate policy for industry with trade exposure have been under discussion. While leakage is of major concern to climate policy makers, industry and industrial policy makers pronounce competitive disadvantages from carbon pricing. Leakage effects are becoming increasingly relevant for the EU ETS after 2013 and the next unilateral climate policy steps in a number of other countries (Australia, New Zealand, Canadian and US provinces). Different carbon pricing gives room for leakages, either by a shift of consumption of carbon-intensive goods towards cheaper import substitutes, entailing more CO<sub>2</sub>-intensive production in regions without carbon pricing, or by a (re)location of industrial production to areas without carbon pricing. In a world of unequal carbon prices more certainty for effective emission reduction is needed, especially when it comes to investment in sectors with carbon-intensive production. A commitment to a longer term ETS and other national measures which are undertaken to meet binding mitigation targets thus needs to consider remedies against leakage as long as international climate policies do not lead to a level playing field, i.e. an integrated carbon market. At the same time, any measure taken by large countries to reduce leakage will have an impact on other countries, be it in economic, legal or political terms. The Climate Strategies Project on “Tackling Leakage in A World of Unequal Carbon Prices” addresses four areas: 1. Illustrating leakage and competitiveness effects from unilateral climate policies; 2. Free allocation to address leakage and competitiveness; 3. Border adjustment policy; 4. Implications for international climate policy.

This workshop is part of the project schedule and convenes experts and stakeholders in order to discuss the leakage potential created by the EU climate policy, specifically by the ETS. In four sessions we will discuss a number, but not all points which are relevant for the debate about the future design of the EU ETS. Session I will start to sort out the synergies and trade-offs between the EU carbon pricing on competitiveness and on leakage. Session II introduces potential measures to offset leakage with a focus on border adjustments and addresses technicalities of the compensation options. In Session III the approaches by major EU trade partners towards leakage and their view on the potential EU measures are discussed. Session IV opens the debate for the implications of measures against leakage for the post2012 negotiation process and the regime which is evolving. The aim is to induce an in-depths exchange between stakeholders from governments, industry and civil society and to identify as well as feed back the research needs in the fields mentioned.

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