



New Bruegel Policy Brief

'Why Europe is not carbon competitive'

By: Juan Delgado

The policy brief '*Why Europe is not carbon competitive*' published today by Bruegel deals with the costs of tackling climate change. When the world's leaders gather in Bali to discuss climate change next week, the EU will push for a comprehensive global climate change regime to cut carbon emissions. Contrary to what is generally pictured, this policy brief shows that when considering the export mix, Europe is more vulnerable to such carbon pricing schemes than other countries and regions.

Europe specialises more than its main global competitors in industries with relatively high carbon emissions, such as minerals and chemicals, rather than in high-tech industries and services. This would have a real effect on Europe's competitiveness in a world regulated by carbon pricing schemes such as the EU's Emissions Trading Scheme – even if other blocs apply them as the EU does. Furthermore, in the absence of fair and undistorting carbon pricing schemes worldwide, there is a real risk that business will resort to regulatory arbitrage which will imply a shift in where emissions take place – but no reduction in global emissions. In any case, the issue of which economies are 'carbon competitive' will gradually become a much bigger part of the global trade conversation.

The policy brief gives three recommendations that need to be considered for the policy development in the area of cutting carbon emissions.

1. Ensure that policies allow emissions to be cut at the lowest cost
2. Reduce competitive distortions by pushing for widespread use of carbon pricing schemes
3. Avoid trade-skewing sectoral 'carve-outs' from such schemes at national level.

The full report can be downloaded by clicking on [this link](#).

A short Q&A media memo about the report can be downloaded in [English](#), [French](#), [German](#) or [Spanish](#).

Media Contact: Helena Markstedt, +32 2 227 42 90 or +32 480 484 353 helena.markstedt@bruegel.org

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