Taxing International Emissions Trading

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Sintesi della relazione:

Most of the tradable permits regimes have ignored the role of emission allowances taxation, while recent attention by OECD and the EU has emphasized its importance. The aim of our paper is to take a first step towards the investigation of the effects of taxation on permits market. The paper is divided in two parts. The former illustrates a simple theoretical model featuring *I* representative competitive firms/countries. Firms take emission permits taxation as well as permits endowments as given and choose emissions and permits selling or buying behaviour. In the latter, we supplement our theoretical model using a modified version of the GTAP-E model, which includes permits taxation and allows us to conduct our analysis in a more realistic setting. Both theoretical and simulation results show that taxing revenues from (and rebating costs of) permits trading imply an upward shift in the equilibrium permits price, a negative (positive) relation between the tax rate in one country and the abatement decision of that country (of all other countries), and an overall distortion in the permits market. Our simulations provide also a quantification of these effects which depend in a complex way on both the tax rate levels and the structural features of each country. Finally, a preliminary tax incidence and welfare analysis shows how net seller countries would gain from the introduction of a homogeneous tax/rebate regime on permits trading while the opposite would occur for net buyers.