



# Climate-linked trade barriers and subsidies: some initial thoughts

**Axel Michaelowa**

**Center for Comparative and International Studies (CIS),  
University of Zürich and ETH Zürich**

***axel.michaelowa@pw.uzh.ch***

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# Subsidies and trade barriers in current climate policy



Universität  
Zürich<sup>UZH</sup>



- There is a **plethora** of mitigation- and adaptation related **subsidies**
  - Exemption of industries from Danish carbon tax since 1996
  - Dutch CERUPT programme since 1998
  - UK “auction” of emissions allowances 2003
  - Support of CCS projects through auctioning of EU allowances
  - Japanese feasibility studies for mitigation in developing countries since 1998 (**discrimination** against non-Japanese!)
  - Japanese bilateral mechanism projects since 2010
- There is a **significant number** of mitigation-related **trade barriers**
  - EU import ban of Certified Emission Reductions (CERs) from non-LDCs from 2013
  - EU import ban of CERs from industrial gas projects from 2013



# The gorilla in the room...

- **No one has dared to raise a dispute on either the subsidies or the trade barriers**
  - Fear of **jeopardizing the climate policy regime**
  - Feeling that **subsidy level / degree of trade barrier** did not justify transaction costs of dispute settlement
    - **Mostly a few tens of million €**
- **This is likely to change in the fragmented post-2012 climate policy world**
  - There will probably **not be any centralized regime** that could be brought down by a dispute
  - The stakes in the disputes increase
    - Import ban of CERs could **lead to losses of several billion €**
  - Introduction of **border tax adjustments** could pull the trigger