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Conclusions: Europe's Lessons from Carbon-Energy Taxation

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10.1 Introduction

In this chapter we provide an overview and interpretation of findings presented in this volume, while placing them in the context of the wider climate policy debate. We return to our point of departure: the idea that properly designed carbon-energy taxes, in addition to lowering emissions, may allow for a second dividend by way of improved employment and economic performance. First, we summarize the serious challenge facing the world today of the need to stabilize atmospheric greenhouse gas emissions and we examine some of the cost estimates available for mitigation of global warming. Secondly, we revisit the competitiveness issue and consider the findings presented in this book within the framework of the Porter hypothesis and Leibenstein's concept of X-efficiency, both of which have been quoted in support of more vigorous energy and climate policy. In so doing, we pay particular attention to energy-intensive industries, such as basic metals, cement, aluminium, and chemicals, and discuss our findings in view of other recent studies that have addressed the potential for improved energy productivity and fuel shifts. Carbon leakage, which refers to the displacement of emissions to non-carbon tax countries and regions, is a prominent concern in relation to these industrial sectors and we examine the leakage rates identified here against the broader patterns

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