



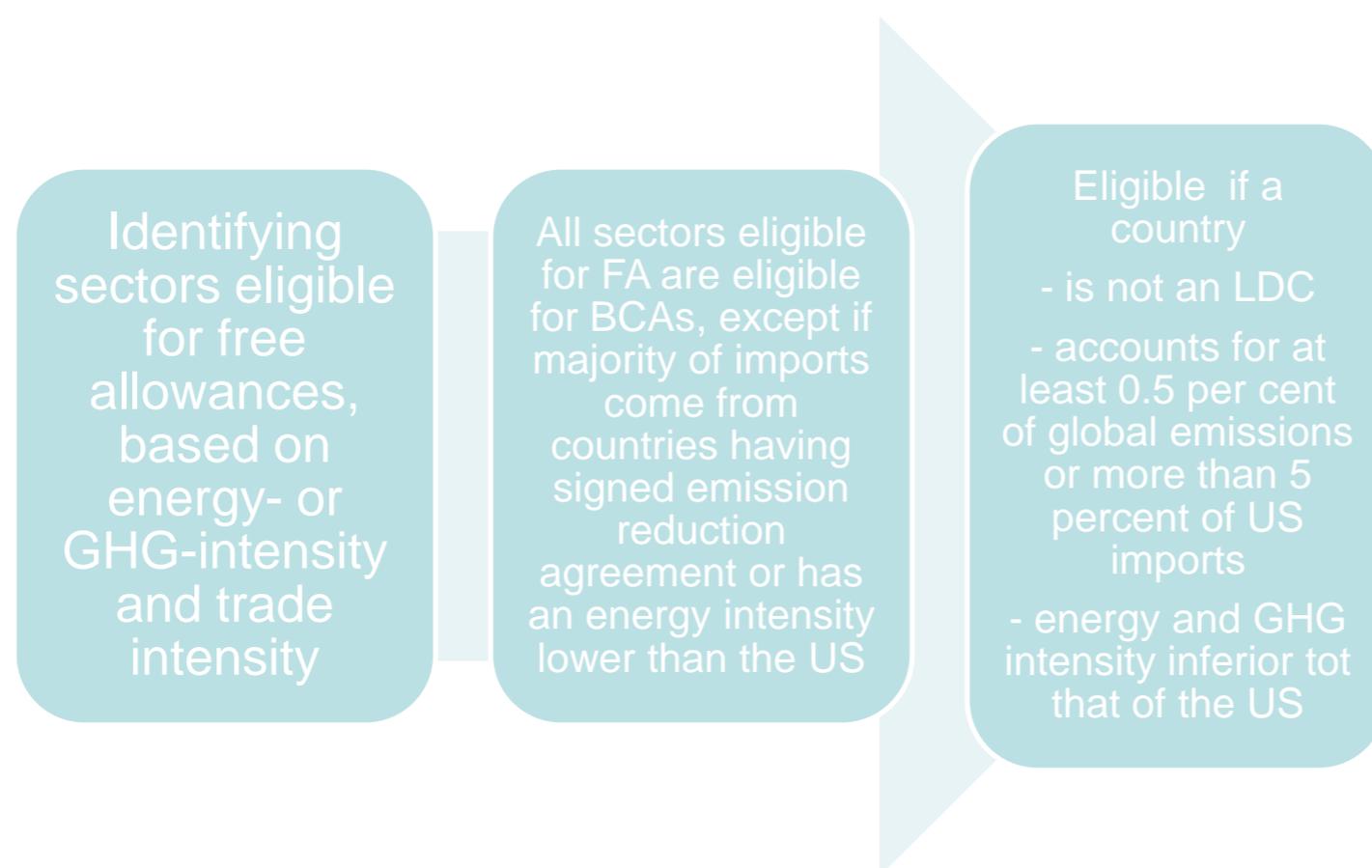
## **BORDER MEASURES AND FREE ALLOWANCES** **- IMPACT ON TRADE**

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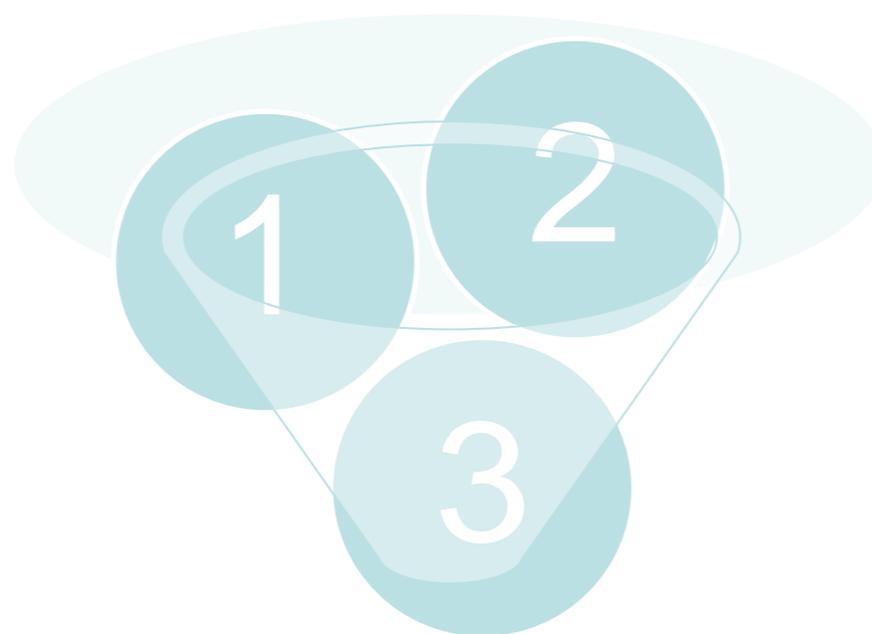
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## Identifying countries and sectors eligible for BCAs in draft US legislation



13 countries could be affected by BCAs put in place by the US



Argentina, the Bahamas, Bolivia, Brazil, Chile, Colombia, the Dominican Republic, the Netherlands Antilles, Mexico, Paraguay, Peru, Trinidad and Tobago, and Venezuela

## How much trade could be affected?

Country	Share of total exports to US that could face BCA	Average exports to the US as a % of total exports
Argentina	20.61%	7,39%
Brazil	21.27%	13,45%
Mexico	3.55%	81,06%
Venezuela	3.01%	19,45%

### How much trade could be affected- continued

Country	Share of total exports to the US that could face BCAs	Average exports to the US as a % of total exports
Bahamas	<b>19.24%</b>	<b>71,03%</b>
Bolivia	17.10%	7,65%
Chile	<b>27.38%</b>	12,11%
Colombia	1.52%	37,84%
Dominican Republic	0.01%	61,64%
Netherlands Antilles	0.07%	20,35%
Paraguay	0.04%	1,93%
Peru	21.4%	18,44%
Trinidad and Tobago	<b>20.4%</b>	<b>51,68%</b>

**EU list of sectors and sub-sectors sensitive to carbon leakage**

**Criteria for inclusion on the list of sectors sensitive to carbon leakage**

A substantial increase of production costs of at least 5 percent *and* the intensity of trade with third countries is above 10 percent

Particularly high increase of production costs, of at least 30 percent

Intensity of trade with third countries above 30 percent

## How much trade could be affected- LAC

Country	Share of total exports to EU that could face BCA	Average exports to the EU as a % of total exports
Brazil	<b>19,25%</b>	<b>23,66%</b>
Argentina	7,68%	18,32%
Mexico	12,29%	5,45%
Venezuela	42,34%	4,42%

## How much trade- ROW

Country	Share of total exports to EU that could face BCA	Average exports to the EU as a % of total exports
China	18,74%	20,11%
Egypt	<b>38,59%</b>	<b>32,97%</b>
India	<b>40,19%</b>	<b>21,19%</b>
Indonesia	27,31%	11,58%
Iran	7,10%	
Kazakhstan	15,29%	48,73%
Malaysia	6,89%	11,69%
Nigeria	2,59%	20,73%
Pakistan	41,49%	25,7%
Saudi Arabia	22,82%	7,05%
South Africa	<b>42,58%</b>	<b>30,75%</b>
South Korea	11,03%	13,94%
Taiwan	8,49%	
Thailand	11,17%	13,04%

## Elements of potential subsidies in free allocation

- Receiving allowances for free creates wealth
- Overcompensation
  - ✓ Over-allocation
  - ✓ Pass-through of costs
- New entrants
- Plant closures
- Sectoral bias

## Lessons for smoothening the transition to emissions trading schemes

- Trade is a driver of growth- distortions to trade not conducive to sustainable development
- Need for careful analysis of competitiveness concerns- look at evidence
- Identify with care sectors sensitive to carbon leakage
- Design of the measures crucial
- Using trade tools to protect competitiveness difficult with respect to trade rules