



*Doctoral Programme in Law and Economics  
XX Cycle*

*Thesis*

*“Environmental regulation and  
competitiveness: costs and benefits of  
European Union Emissions Trading Scheme”*

*Abstract*

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### *Abstract*

The work aims to investigating the potential tension between environmental regulation and industrial competitiveness, with regard to European Union Emissions Trading Scheme (EU-ETS).

There is a strong debate over the topic, especially after the Kyoto Agreement of 1997, the issuing of European Directive 2003/87/CE and the evidence of climate change. Some argue that there is a relationship between environmental regulation and competitiveness and others that there is no proof about it. As soon as quantitative models have not given an unambiguous answer yet, it is useful to look at the problem from a qualitative perspective.

There are two moments relevant to assess the cost and benefit dimensions of an environmental strategy: the policy instrument choice and its implementation. The first three chapters of the work looks at those two steps in order to understand if tradable emissions permits were the most adequate option for European countries to reach Kyoto Protocol goals. It has been found that from a theoretical point of view EU-ETS is effective and efficient compared to other tools such as environmental taxes and command and control. However, there was not a comprehensive implementation; the instrument has not been successful in achieving CO<sub>2</sub> reduction goals. European Governments encounters several problems in implementing the tool. The EU-ETS does not seem to work properly because of several reasons: information asymmetries, interests groups' activities, ambitious and short term CO<sub>2</sub> reduction goals, weak international cooperation for example. Those malfunctions impose additional costs and risks to industrial competitiveness.

In the last two chapters of the work, it has been figured out which are the variables that influence the EU-ETS costs and benefits. Finally, it has been made a comparison between Italian and European pulp and paper industry, based on specific economic indicators. From the analysis it clears that there is some evidence that Italian pulp and paper industry could be damaged from EU-ETS.