

OSTROM WORKSHOP COLLOQUIUM SERIES

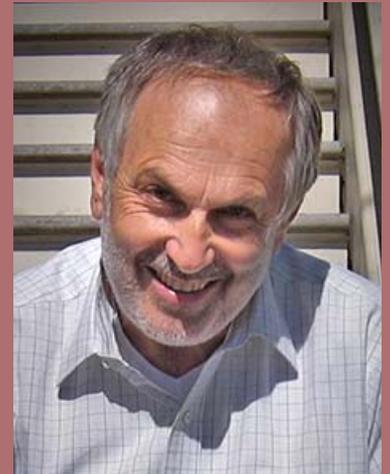
Charles Kolstad

*Institute for Economic Policy Research
Stanford University*

“Regulating Carbon in a Small Open Economy”

Monday, December 5, 2016

12:00 – 1:00 p.m. • Ostrom Workshop, 513 N. Park



California has embarked on a bold experiment in trying to reduce carbon emissions without causing undue harm to the state’s economy. The goal is made more difficult by the State’s inability to erect protective tariffs to restrict imports from states and countries without costly carbon regulations. Without coordinated international action to reduce greenhouse gas emissions, this is the same problem faced by many countries, even the United States: how to balance the dual goals of carbon reduction and industrial competitiveness.

After reviewing the literature on this issue, this paper sets up a simple theoretical model and examines how carbon taxes or tradeable permit systems should be modified to account for the surplus loss from regulation due to carbon leakage. Several cases are considered, including a single instrument (carbon tax or permits), an emission regulation coupled with an output subsidy (as in output-based rebating), and the case where leakage also generates damage from increased carbon emissions outside the jurisdiction.



Professor Charles Kolstad of Stanford University is an internationally known environmental economist with a focus on industrial organization and public economics. His research interests are in information, uncertainty, and regulation, with much of his applied work in the area of climate change and energy markets. He has been a convening lead author for the Intergovernmental Panel on Climate Change (co-recipient of the 2007 Nobel Peace Prize), is a founding co-editor of the OUP journal *Review of Environmental Economics & Policy*, and serves as an advisor to the State of California on their greenhouse gas cap and trade program. He is a former president of the Association of Environmental and Resource Economists (AERE) ([website](#)).

Presentations are open to the public and are live streamed (see our website for URL and papers). You are welcome to bring your lunch. For questions, contact Allison Sturgeon (sturgeon@iu.edu; 812/855-3151).