

Reassessing the Green Paradox*

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Abstract

This paper deals with possible foreign reactions to domestic carbon demand reducing policies. It differentiates between demand side and supply side reactions as well as between an antedating and an expansion of the greenhouse gas emissions. Although there are several papers which make the latter distinction, there are only few papers which subdivide the non-abating countries into fossil fuel importing and exporting ones. Most of these papers assume that the quantity of the greenhouse gas emissions is exogenously given. In order to develop a model which also considers cumulative emission changes, increasing marginal extraction costs (in real terms) are integrated into the model of EICHNER/PETHIG (2011) in this paper.

Keywords: Natural Resources · Carbon Leakage · Green Paradox

JEL Classification: Q3 · Q5

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