

Preliminary Results of Sensitivity Analysis on Leakage with GEMINI-E3/*GemWTraP*

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The paper presents the macro-economic and sectoral results of sensitivity analysis on leakage performed with GEMINI-E3/*GemWTraP*. They show that, the bigger the substitutability of energy intensive goods in world markets, the bigger the “delocalisation” of E.I.S. from Annex I countries and the bigger the welfare cost of committing to the Kyoto Protocol for them. However, the efficiency of the world economy increases with higher substitutability –which can be understood as efficient allocation of production between firms or countries becomes easier with higher substitutability- but non-Annex I countries reap (and even more) the differential gain.

Keywords : Leakage, Carbon Tax, Welfare Cost, Terms of Trade, Deadweight Loss of Taxation