Carbon Emissions Trading and Environmental Protection International Evidence

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We study how the implementation of emissions trading systems (ETS) impacts emissions reductions and the usage of renewable energy using a panel sample of the largest 100 countries worldwide. Exploiting the cross-country variations in ETS implementations, we show that ETS adoption materially reduced greenhouse gas (carbon dioxide) emissions by 12.1% (18.1%). Moreover, ETSs reduced overall emissions by cutting fossil fuel usage, such as coal, by 23.70% while boosting the usage of renewable energy by 61.59%, on average. In contrast, the introduction of carbon taxes has a less effective impact on emissions reduction and fails to boost the usage of renewable energy.

**Url:**<https://www.nber.org/papers/w30587>