

# CO<sub>2</sub> reduction policies in Spain strengthen the services sector

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If technology evolves following the current trend, the best option is to reduce CO<sub>2</sub> emissions as soon as possible. Credit: SINC

A study by the Basque Center for Climate Change (BC3) has analysed the expected economic impact in Spain of the reduction of greenhouse gases (GHGs) set by the Kyoto Protocol for the period 2008-2012 and for the phase afterwards or post-Kyoto phase. In addition, the services sector will come out on top in comparison to sectors such as industrial or energy sectors.

"CO<sub>2</sub> restriction policies in Spain have an impact on the [economy](#), in other words, making it lean more towards an economy of services. The weight of the industry and energy sectors is reduced, and this is due to the fact that there is a change in production and consumption patterns resulting from CO<sub>2</sub> which will come at a price", Mikel González-Eguino,

author of the study and researcher for BC3 explains to SINC .

The study, which is published in the journal *Investigación Económica* also indicates that these policies encourage a minor change in consumption patterns. "The creation of a tax on CO<sub>2</sub> may cause emissions to reduce, and change the habits related to large-scale energy consumption", states the expert.

The investigation follows an economic analysis model called "general equilibrium", which makes it possible to analyse the effects of global policies such as those for reducing CO<sub>2</sub>. The research data come from the National Institute of Statistics (INE in Spanish) and from the energy balances of the European Union (EU) statistics agency EUROSTAT.

What are the costs of the emission of GHGs?

The methodology responds to questions such as: What are the general costs of reducing emissions of [greenhouse gases](#) (GHGs) for different degrees of reduction of emissions and different speeds of reduction?

"We analyse the targeting (emission reduction objective) and the timing, in other words, the extent to which this objective progresses or is delayed in time", points out the investigator. In this sense, the impact of the timing of CO<sub>2</sub> reduction is determined by technological evolution.

"The conclusion is that if technology evolves following the current trend the best option is above all to reduce emissions rather than postpone it in time because the difference in costs is relatively insignificant. However, if technology evolves in a more radical way and in the short-term, for example, with new batteries to produce electric cars that are much cheaper than the current ones or substantial advances arise in renewable energy to replace other technology, it would be more profitable to delay the reduction of emissions.

## Policies for reducing emissions in Spain

In the [Kyoto Protocol](#) Spain committed to increase its emissions by no more than 15% compared to the levels in 1990. This objective was extended through the National Allocation Plan (2008-2012) to 24% through by counting carbon sinks (2%) and the purchase of credits in the market of rights (7%).

In 2007 emissions exceeded 50% and positioned Spain as one of the European countries furthest from meeting its objectives. Even though this trend started to reverse in 2006 (the economy grew by 4% and emissions fell by 4%), it was the economic crisis (2008-2009) which forced a reduction in emissions.

**More information:** Mikel González-Eguino, "Economic impact of Post-Kyoto scenarios in Spain" INVESTIGACION ECONOMICA 69 (271): 139 January/March 2010.

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