
The effect of the EU ETS on firms' investments protecting the environment

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Résumé

This paper investigates the causal effect of the European Emissions Trading Scheme (EU ETS) on firms' investments mitigating pollution, using firm-level panel data on French manufacturing sectors from 2001 to 2016. This paper shows that the EU ETS entailed an increase of low-carbon investments in the third phase, suggesting that the EU ETS finally brings regulated firms towards a cleaner production path and is thus dynamically efficient. In addition, the EU ETS led to a decrease in investments dedicated to pollution not related to greenhouse gases, such as sewage or waste, indicating that EU ETS firms favor investments that mitigate air pollution compared to other environmental damages.

Mots-Clés: Environmental policy, EU ETS, cap and trade, low carbon investments, econometrics, panel data.

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