

Copenhagen  
Economics

CE

**AN AFFORDABLE  
GREEN TRANSITION:  
THE ROLE OF  
HIGH-QUALITY  
INTERNATIONAL  
CREDITS**



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# INTERNATIONAL COOPERATION FOR AFFORDABLE CLIMATE ACTION

Broader international cooperation has the potential to lower the cost of climate action and accelerate the energy transition.

TODAY'S POLICIES ARE  
OFTEN SHAPED BY DOMESTIC  
CONCERNS, DELAYING PROGRESS.

Political efforts to safeguard local jobs and industries can lead to trade protectionism, which may constrain the level of ambition, particularly in sectors such as steel and cement.

# WE PROPOSE A NEW APPROACH **PUTTING BURDEN-SHARING AT THE HEART OF GLOBAL CLIMATE POLICY**

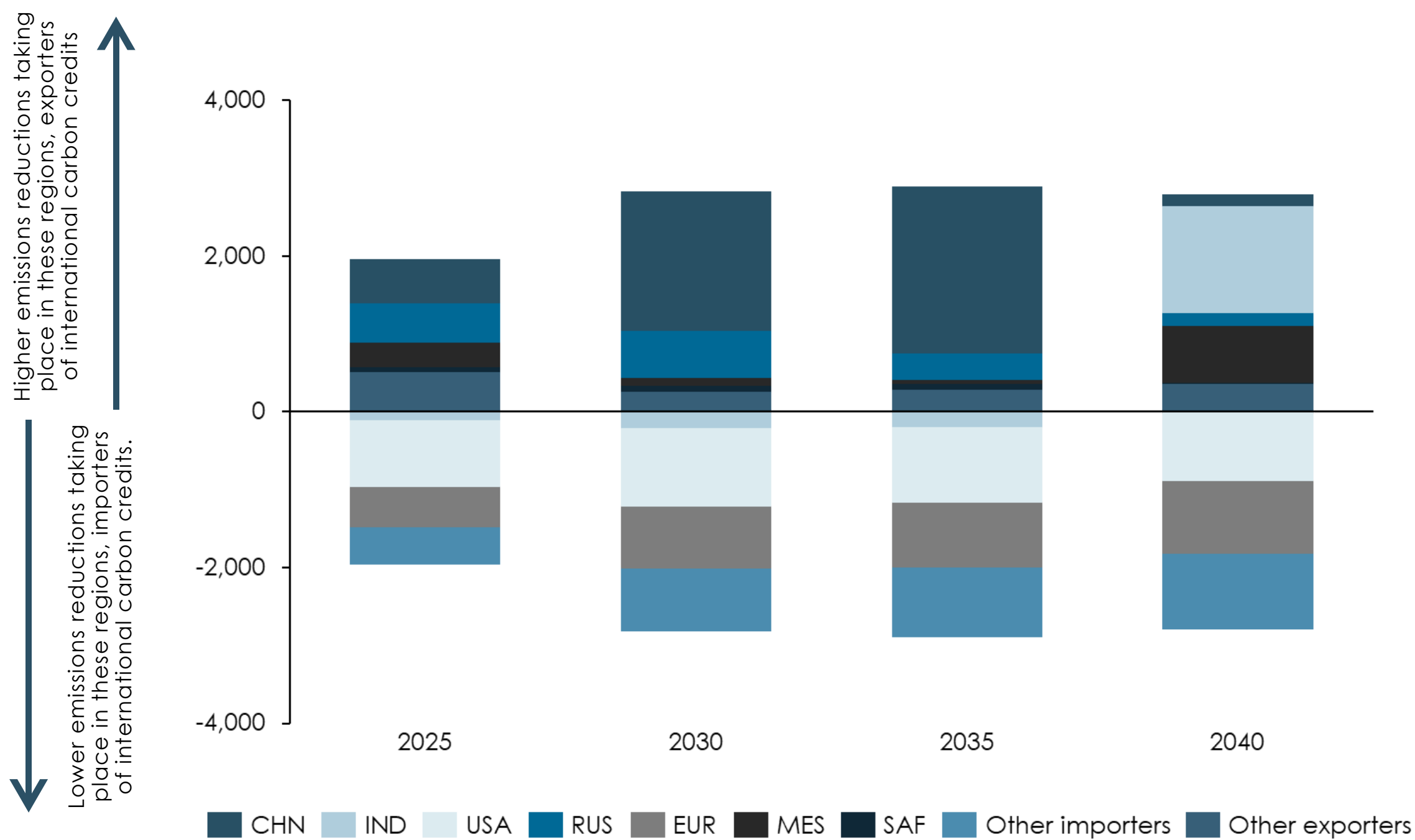
This implies that high-income countries adopt the most ambitious reduction targets, while the actual emission reductions occur in regions where they are most cost-effective.

**This strategy maximises global impact while minimising expenses.**

To demonstrate the possibilities of this initiative, the figure below presents an estimation of the outcomes under a global carbon trading system, assuming participation from all regions, using our in-house climate-economic model, **Intersect**.

The potential impact of this mechanism is substantial: our model forecasts that the total potential could reach **12%** of global gross emissions by **2030** and **31%** by **2040**.

**Global volumes of carbon trading by origin and destination | Net Zero Emissions Scenario**  
Annual net export of emission allowances, Mt CO<sub>2</sub>





# SEEING THE BIGGER PICTURE

ALIGNING EFFORTS TO POWER THE GREEN TRANSITION



Market  
design



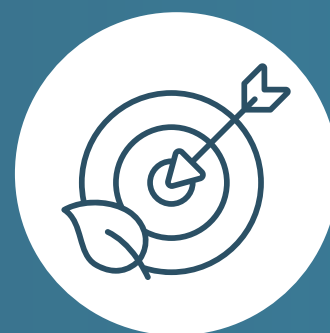
Economic  
opportunities



European  
self-sufficiency



Improving  
competitiveness



Climate  
goals

HOW CAN THE EU GREEN  
TRANSITION BE BOTH  
AFFORDABLE AND  
COMPETITIVE?

# INTERSECT

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INTERSECT<sup>SM</sup> is a dynamic Computable General Equilibrium (CGE) model integrating economic theory with real-world data. Covering 30 sectors and 18 regions, this innovative model enables simulations up to 2050, meticulously tracking flows, technology development, and investments. Notably, it incorporates carbon emissions at its core, offering detailed insights into decarbonisation paths.

With a market-leading approach, INTERSECT<sup>SM</sup> combines top-down and bottom-up methodologies, ensuring a global, consistent, and comprehensive perspective on economic activities, investments, and responses to climate and energy dynamics in various scenarios.

The INTERSECT<sup>SM</sup> model was co-developed by **Copenhagen Economics** and **Bain & Company**.

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