

INCLUSIVE FORUM ON  
CARBON MITIGATION APPROACHES

# Better understanding the cross-border spillover effects of climate change mitigation

Rob Dellink  
OECD Environment Directorate  
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# Context

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- **International spillovers are increasingly central to current climate policy debates, reflecting:**
  - **Concerns about carbon leakage** undermining the effectiveness of more stringent policies to deliver on new NDCs
  - **Concerns over competitiveness** in emission-intensive trade-exposed (EITE) industries and emerging low-carbon industries
  - Emergence of different **trade-related climate measures**
  - Potential opportunities from **green technology diffusion**
- **COP30 outcomes calls for enhanced international co-operation on spillovers related to the trade and climate nexus**



# Inclusive Forum on Carbon Mitigation Approaches

The IFCMA's aims to provide a better understanding of different mitigation approaches and their domestic and cross-border impacts through:

[IFCMA Climate Policy Database](#)

Modelling emissions and economic impacts of policies

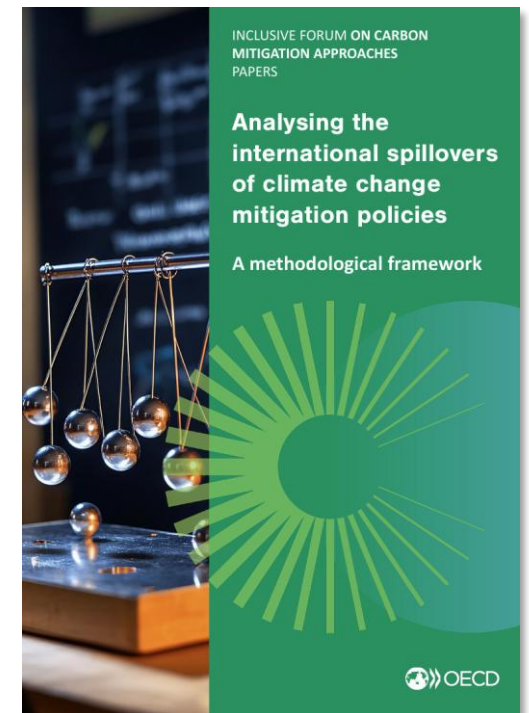
Analysing carbon accounting methodologies

- **Brings together a wide range of countries in a member-driven forum** (60+ members), with equal footing participation and consensus decision-making
- **Combines expertise from climate, economic, and tax policy communities**
- **Builds on technical work to support open dialogue in non-negotiation setting**
- **Supports and builds on existing processes and initiatives**

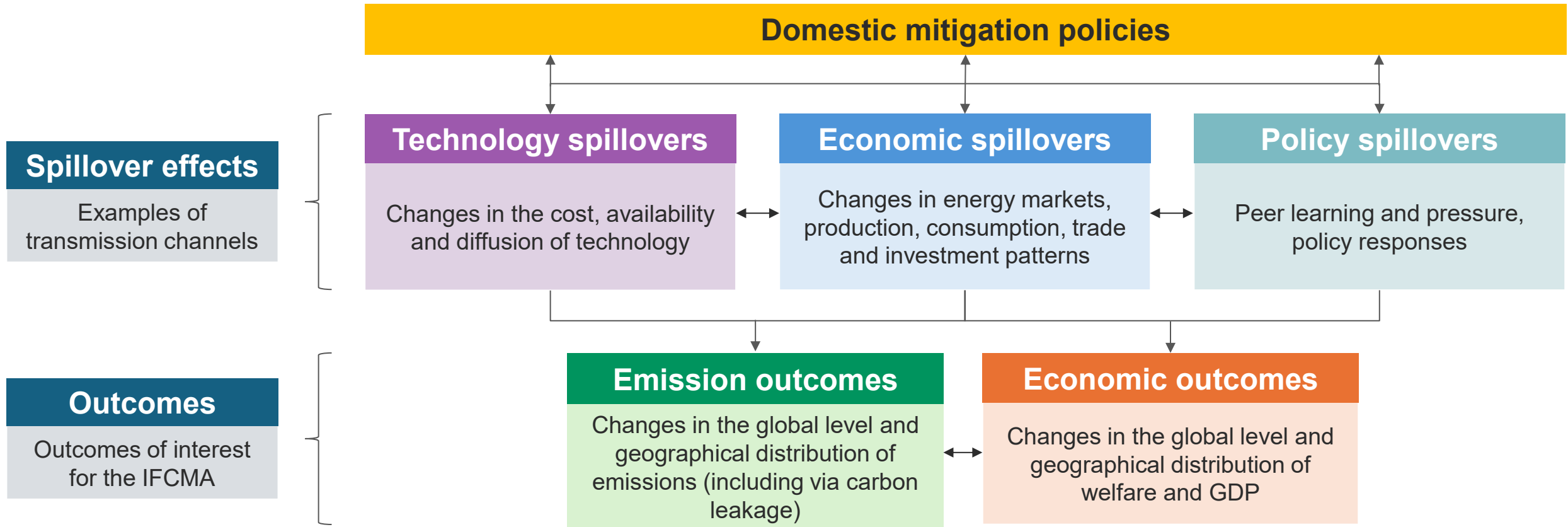


# Framework for analysing international spillovers

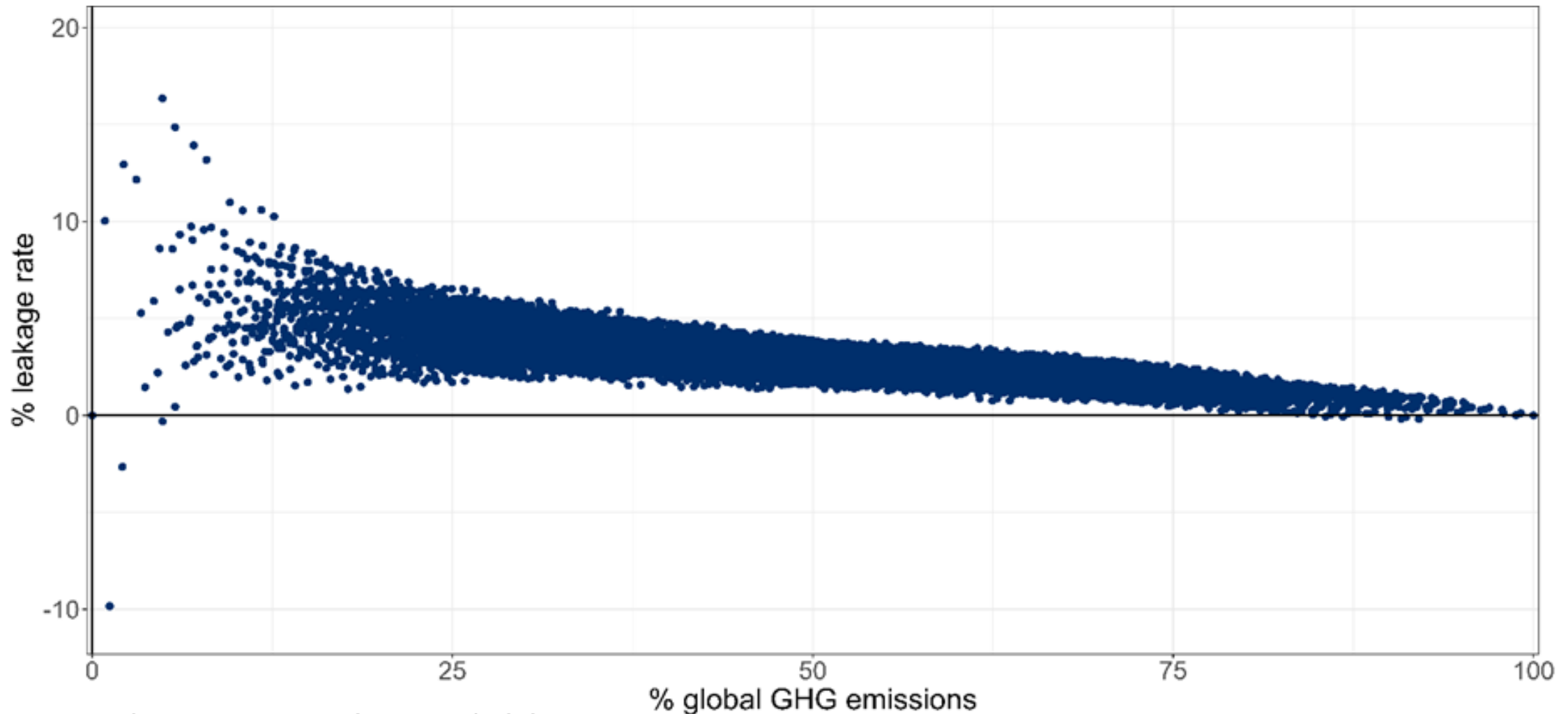
- Designing globally effective and inclusive mitigation strategies requires stronger evidence on technology, economic and policy spillovers.
- [IFCMA methodological framework](#) (January 2026) provides a structured synthesis of existing evidence and identifies key knowledge gaps.
- **Framework finds that:**
  - Evidence base is growing, but remains fragmented and largely focused on carbon leakage, where divergent results prevail;
  - Research concentrates mainly on Europe and specific instruments, notably the EU ETS;
  - Effects of technology and policy spillovers remain underexplored, even though case studies suggest impacts can be significant;
  - Further analysis is needed particularly as industrial policies and trade-related climate measures become more prominent.
- **Ongoing IFCMA analytical work is helping to address these gaps.**



# Typology of international spillovers

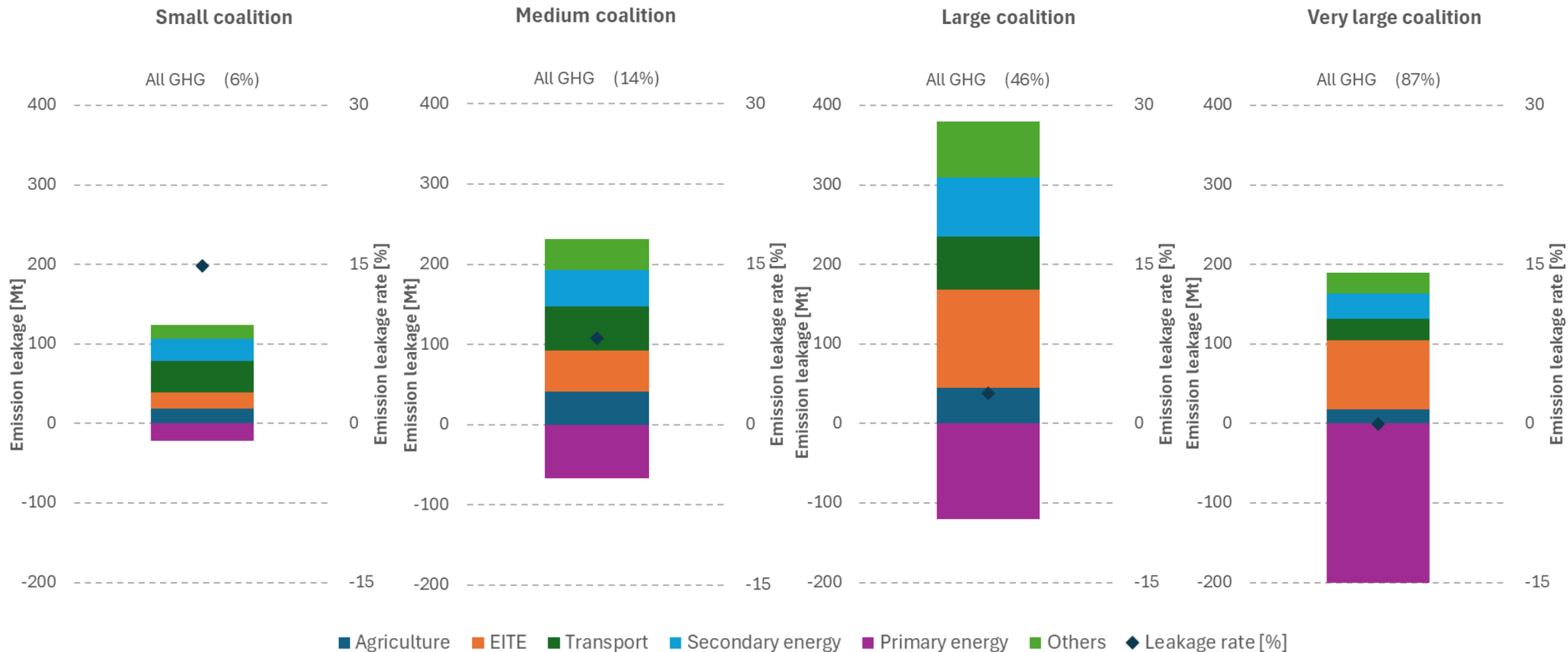


# Economy-wide carbon leakage declines rapidly as a larger share of global emissions are covered



Results for a stylised USD 100 / tCO<sub>2</sub>e carbon tax implemented in selected countries by 2040

# Leakage is concentrated in industrial sectors, and negative leakage in fuel production



Results for a stylised USD 100 / tCO<sub>2</sub>e carbon tax implemented in selected countries by 2040

# Preliminary insights from quantitative analysis

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- 1. International co-operation significantly reduces economy-wide carbon leakage:** once a coalition covers roughly  $\frac{1}{4}$  of global emissions leakage decreases to 2% to 6.5%
- 2. Leakage risks differ significantly across regions:** regions with lower emission intensity and higher current carbon prices are more exposed when acting in small coalitions
- 3. Most leakage occurs in EITE and transport sectors regardless of coalition size:** these sectors account for between 46% and 70% of economy-wide leakage
- 4. Trade dynamics, energy markets and technology spillovers are all important drivers of carbon leakage:** energy market effects are most direct, technology spillovers hardest to quantify
- 5. Economic spillover impacts vary in sign and magnitude:** when larger coalitions act, economic effects on other regions range widely (positive or negative)  
- cost of action should be compared to cost of inaction



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# Thank you

For more information

✉ [IFCMA@oecd.org](mailto:IFCMA@oecd.org)  
[rob.dellink@oecd.org](mailto:rob.dellink@oecd.org)

