Abstract

Global efforts to prevent climate change has been a catalyst for the emergence of many innovative ideas to mitigate this phenomenon. One of them was an introduction of emission markets where polluters share aggregate quantity of so-called pollution permits, e.g., the European Union emission trading system. This work analyses the behaviour of firms and a relation between the European Union Allowances quantity and their price on the Czech market. Furthermore, possible consequences of the EU emission trading system policy on the Czech emission and energy market are analyzed. To do so, we develop equilibrium model which uses an innovative concept of the Cournot-Nash-Walras equilibrium. The model estimates 25 and 14 percent increase in emission allowances price between years 2014-2015, and 2014-2020, respectively. We also find that non-innovating firm can lose significant market share.