

Abstract

This thesis examines the environmental effect of the European Union Emissions Trading Scheme (EU ETS) in the Czech Republic. Specifically, the impact of the EU ETS on CO₂ emissions, carbon-fuel intensity and carbon intensity of production (measured by revenues) is analysed on installation-level financial, environmental and energy data throughout all three phases of the EU ETS over 2005 - 2019. The difference-in-differences approach with propensity score matching is used to infer the causal effect of the regulation. We find no effect of the EU ETS on carbon emissions and carbon intensities in the Czech Republic. This finding holds for various model specifications and different approaches we utilised. In the end, we discuss possible reasons why the EU ETS might not lead to any significant effect in the Czech Republic.

JEL Classification O13, F18, Q54, Q58, H23, D22

Keywords EU ETS, environmental regulation, propensity score matching, difference-in-differences, the Czech Republic

Title The impact of the EU ETS in the Czech Republic