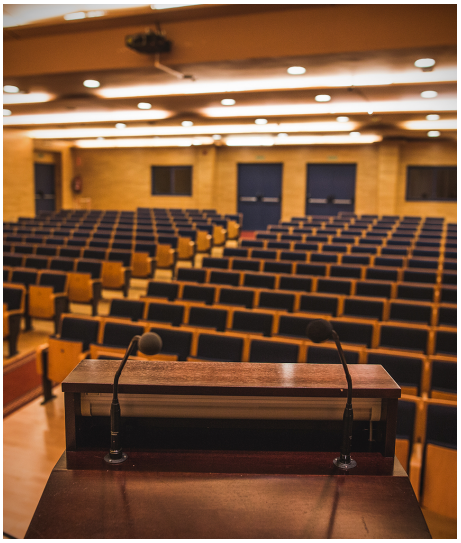
UNIVERSIDAD DE GRANADA

Departamento de
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Título: Environmental Policy Design for the Olive Oil Sector

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Abstract: In the olive oil sector firms are increasingly transforming themselves into environmentally-friendly firms. This transformation is marked by asymmetries in pollution intensities and high degrees of product differentiation. We study the role of this transformation in the design of environmental policy by comparing two environmental policy regimes: an emission tax and a relative binding standard. To make comparisons across policy regimes tractable, the welfare-maximizing policy within each regime is characterized as a function of the degree of product differentiation and pollution intensity. We characterize an equivalency scenario where policy adjustment is identical across regimes and hence show the existence of a degree of product differentiation where such equivalency holds. With these building blocks we argue that a laxer emission tax is welfare-enhancing in industries where firms are becoming increasingly more environmentally friendly, whereas a stricter relative binding standard yields an analogous result. A sufficient condition is derived where a laxer emission is welfare-enhancing. We extend the analysis by incorporating uncertainty into our modelling strategy and show inter alia that an emission tax and the production of environmentally-friendly products are complements.

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