

This paper documents a new fact, then analyzes its causes and consequences: in most countries and years, import tariffs and non-tariff barriers are substantially lower on dirty than clean industries, where an industry's "dirtiness" is defined as its carbon dioxide (CO<sub>2</sub>) emissions per dollar of output. This difference in trade policy creates a global implicit subsidy to CO<sub>2</sub> emissions in internationally traded goods, and so contributes to climate change. The greater protection of downstream industries, which are relatively clean, substantially accounts for this implicit subsidy. The downstream pattern can be explained by a model where industries lobby for low tariffs on their inputs but final consumers are poorly organized.