

1 **Assessment of China's virtual air pollution transport**
2 **embodied in trade by using a consumption-based emission**
3 **inventory**

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5 **H. Y. Zhao¹, Q. Zhang¹, D.B. Guan^{1,3}, S. J. Davis², Z. Liu⁴, H. Huo⁵, J. T. Lin⁶, W. D.**
6 **Liu⁷, and K. B. He^{8,9}**

7
8 [1] {Ministry of Education Key Laboratory for Earth System Modeling, Center for Earth
9 System Science, Tsinghua University, Beijing, China}

10 [2] {Department of Earth System Science, University of California, Irvine, Irvine, CA, USA}

11 [3] {Center for Climate Change Economics and Policy, School of Earth and Environment,
12 University of Leeds, Leeds LS2 9JT, UK}

13 [4] {Sustainability Science Program and Energy Technology Innovation Policy Project,
14 Kennedy School of Government, Harvard University, Cambridge, MA, USA}

15 [5] {Institute of Energy, Environment and Economy, Tsinghua University, Beijing, China}

16 [6] {Laboratory for Climate and Ocean-Atmosphere Studies, Department of Atmospheric and
17 Oceanic Sciences, School of Physics, Peking University, Beijing, China}

18 [7] {Institute of Geographic Sciences and Natural Resources Research, Chinese Academy of
19 Sciences, Beijing China}

20 [8] {State Key Joint Laboratory of Environment Simulation and Pollution Control, School of
21 Environment, Tsinghua University, Beijing, China}

22 [9] {State Environmental Protection Key Laboratory of Sources and Control of Air Pollution
23 Complex, Beijing, China}

24
25
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29 Correspondence to: Q. Zhang (qiangzhang@tsinghua.edu.cn)

30 **Abstract**

31 High anthropogenic emissions from China have resulted in serious air pollution, and it has
32 attracted considerable academic and public concern. The physical transport of air pollutants in
33 the atmosphere has been extensively investigated, however, understanding the mechanisms
34 how the pollutants were transferred through economic and trade activities remains challenge.
35 **For the first time, we quantified and tracked China's air pollutant emission flows embodied in**
36 **interprovincial trade, using a multiregional input-output (MRIO) model framework. Trade**
37 **relative emissions for four key air pollutants (primary PM_{2.5}, sulfur dioxide (SO₂), nitrogen**
38 **oxides (NO_x) and non-methane volatile organic compounds (NMVOC)) were assessed for**
39 **2007 for each province in China.** We found that emissions were significantly redistributed
40 among provinces due to interprovincial trade. Large amount of the emissions were embodied
41 in the imports of east regions from northern and central regions; these were determined by
42 differences in the regional economic status and environmental policies. It is suggested that
43 measures should be introduced to reduce air pollution by integrating cross-regional consumers
44 and producers in national agreements to encourage efficiency improvement in the supply chain
45 and optimizing consumption structure internationally. The consumption-based air pollutant
46 emission inventory developed in this work can be further used to attribute pollution to
47 different economic activities and final demand types with the aid of air quality models.

48

49 **1 Introduction**

50 China's rapid industrialization since 2000 has been accompanied by large increases in
51 emissions of air pollutants, such as sulfur dioxide (SO₂), nitrogen oxides (NO_x), carbon
52 monoxide (CO), non-methane volatile organic compounds (NMVOC) and black carbon (BC)
53 (Ohara et al., 2007; Lin et al., 2010; Zhang et al., 2009). In turn, the visible degradation of air
54 quality in China has made environmental and health issues a major focus of policy (Yang et al.,
55 2013; Boldo et al., 2006; Bell et al., 2007). The ambient particulate matter is considered as the
56 most substantial health risks in China, having contributed to 1.2 million premature deaths and
57 removing 25 million healthy years of life in 2010 alone (Yang et al., 2013). The related
58 economic costs are also enormous: the human health impacts of PM₁₀ in urban areas of China
59 were estimated to be almost 74 billion dollars in 2010 (Yu et al., 2013) — nearly 1.3% of
60 China's gross domestic product for that year. In response, China's government announced its
61 Action Plan for Air Pollution Control in September 2013 with the purpose of supporting efforts
62 to reduce air pollution. In this plan, air quality and economic development are of equal
63 importance in assessing the performance of government officials at local, provincial and
64 national levels.

65 Pollution abatement has to begin with an understanding of pollution sources. Previous
66 researches have therefore focused on bottom-up inventories of pollutant emissions over China,
67 based on energy statistics and datasets of technology in use (e.g., Zhang et al., 2007; Zhang et
68 al., 2009; Streets et al., 2003; Lei et al., 2011). These inventories assign emissions to where
69 pollutants are physically produced, which results in production-based pollution accounting.
70 The bottom-up inventories have been extensively used in Chemical transport models to
71 predict and interpret air pollutions, or used to guide the implementation of emission control
72 measures.

73 As part of efforts to improve air quality, the Chinese government has imposed strict
74 regulations on pollutant emissions in mega-cities. However, if the response is to shift industry
75 out of these cities without changing consumption patterns, the result of the regulations may be
76 an increase in the total amount of pollutant emissions, since there will be an increase in

77 emissions through transportation along the geographically extended supply chains and also
78 because that the general low efficient production in less regulated areas. **The redistribution in**
79 **emissions could have potential significant effects on regional air quality.** For example, roughly
80 one-third of the electricity consumed in Beijing is generated in Inner Mongolia (Liu et al.,
81 2012a). Stricter regulations of the power sector in Beijing will tend to increase the import of
82 electricity if similar actions are not taken in Inner Mongolia. Given this connection, the most
83 cost-effective means of reducing emissions from the power sector in Inner Mongolia might not
84 only be deploying new generation technologies there, but also conserving energy in
85 Beijing—as well as facilitating technological cooperation between these two regions (Liu et al.,
86 2013; Lindner et al., 2013). In this regard, effective and cost-effective management of air
87 quality may therefore require policies that cover the entire supply chain, which in turn will
88 depend upon quantitative understanding of the transport of emissions between producers and
89 consumers.

90 Indeed, this dynamic consequence has already been demonstrated in the case of CO₂
91 emissions: high levels of consumption in China's developed coastal regions are driving CO₂
92 emissions in interior provinces, where CO₂ emission intensity is much greater (Feng et al.,
93 2013). As a result, large quantities of emissions are embodied in the goods traded among
94 provinces, and the less developed regions bear a disproportionate share of the costs for both the
95 pollution and its mitigation. Recent work has demonstrated that the effectiveness of efforts to
96 decrease pollution depend on understanding not only where pollutants are produced, but also
97 where the goods and services related to the pollution are ultimately consumed (Davis and
98 Caldeira, 2010; Davis et al., 2011; Feng et al., 2013; López et al., 2013; Guan et al., 2014a). **Lin**
99 **et al. (2014) demonstrated that China's international trade has significant impact on global air**
100 **quality by linking the Input-Output model with emission inventory and air quality model.**
101 **However, the transport of air pollutant emissions through economic and trade activities among**
102 **different regions in China are not well established yet.**

103 In this study, we developed a consumption-based air pollutant emission inventory
104 framework **at provincial scale** to explore the emission flows embodied in supply chains in
105 China. With this framework, we estimated emissions of four air pollutants (primary PM_{2.5} and

106 its key precursors SO₂, NO_x and NMVOC) embodied in goods and services traded **among 30**
107 **provinces or municipalities** in China for 2007. We used a multiregional input-output (MRIO)
108 model to reallocate emissions from the provinces where they were produced to the provinces
109 where the related products were ultimately consumed. Given China's substantial international
110 trade, a sizable proportion of pollution is related to goods that are ultimately consumed in other
111 countries. We allocated such emissions to a single "out-of-China" region. To better assess
112 consumption patterns, we also assessed the contribution of four different categories of
113 consumption: urban household, rural household, government and capital formation. The
114 consumption-based air pollutant emission inventory developed in this work can then be used
115 to attribute pollution to different economic sectors and final demand types with the aid of air
116 quality models. It should be noted that our consumption-based accounting procedure should
117 not be interpreted as assigning all economic or ethical responsibility for pollution to consumers
118 (Wiedmann, 2009; Davis and Caldeira, 2010; Guan et al., 2014a); it represents a critical source
119 of information for consideration by decision makers, who design public policy accordingly.

120 This paper is organized as follows: In Section 2, we describe key principles of
121 consumption-based accounting and details of our MRIO model, including the sources and
122 treatment of raw economic data. **Section 3 presents consumption-based emissions at provincial**
123 **level and pollutant emissions embodied in traded products.** Sections 4 discuss the possible
124 impacts of current policies according to our finding and related policy implication.

125 **2 Methodology and data**

126 **2.1 MRIO analysis**

127 Since developed by Leontief (1970), environmental extended input-output analysis has
128 been widely used to analyze the drivers and causes of global and regional environmental
129 changes in many different contexts (Wiedmann et al., 2007; Hertwich and Peters, 2009; Minx
130 et al., 2009; Suh, 2009; **Guan and Barker 2012**). In the past several years, environmental
131 extended MRIO models have been developed to quantify global CO₂ emissions embodied in
132 international trade, initially for a specific year (Davis and Caldeira, 2010 ; **Feng et al., 2012**),

133 and later over multiple years (Peters et al., 2011). More recently, sectoral resolution of an
 134 input-output table has been improved to allow MRIO analysis among 187 countries and 15909
 135 sectors (Lenzen et al., 2012, 2013). Liu et al. (2012) developed a MRIO model that consist of
 136 30 sectors and 30 provinces in China, and have been widely used to assessing CO₂ emissions
 137 embodied in trade flows among China and internationally in 2007 (Feng et al., 2013). Here,
 138 we apply this Chinese MRIO in 2007 to quantify non-CO₂ air pollutants embodied in goods
 139 and service traded among China's provinces and internationally. We summarize the model
 140 and data sources bellow.

141 The Chinese MRIO framework begins with the accounting balance of monetary flows:

$$142 \quad \mathbf{x}^r = \mathbf{A}^{rr} \mathbf{x}^r + \mathbf{y}^{rr} + \sum_{s \neq r} \mathbf{A}^{rs} \mathbf{x}^s + \sum_{s \neq r} \mathbf{y}^{rs} + \mathbf{y}^{re} \quad (1)$$

143 Here, r and s indicate province r (producer) and s (consumer); \mathbf{x}^r and \mathbf{x}^s are, respectively, the
 144 vectors for sectoral total outputs in province r and s ; $\mathbf{A}^{rr} \mathbf{x}^r$ represents the industry
 145 requirements to produce its regional final products and \mathbf{A}^{rr} is a matrix with its columns
 146 representing specific sectors' local inputs required to produce one unit output; $\mathbf{A}^{rs} \mathbf{x}^s$ and \mathbf{A}^{rs}
 147 represents the cross-regional industry requirement import from province r to province s and its
 148 coefficients to produce one unit output; \mathbf{y}^{rr} is a vector with its elements representing final
 149 consumption (urban and rural household, government and capital formation) produced in
 150 province r ; \mathbf{y}^{rs} is the cross-regional final products supply from province r to s ; and \mathbf{y}^{re} is a vector
 151 indicating region r 's sectoral products for international export. Evaluating the equation for all
 152 sectors and all provinces, we construct a matrix that represents the entire Chinese domestic
 153 economy, including its export:

$$154 \quad \begin{pmatrix} \mathbf{x}^1 \\ \mathbf{x}^2 \\ \vdots \\ \mathbf{x}^m \end{pmatrix} = \begin{pmatrix} \mathbf{A}^{11} & \mathbf{A}^{12} & \cdots & \mathbf{A}^{1m} \\ \mathbf{A}^{21} & \mathbf{A}^{22} & \cdots & \mathbf{A}^{2m} \\ \vdots & \vdots & \ddots & \vdots \\ \mathbf{A}^{m1} & \mathbf{A}^{m2} & \cdots & \mathbf{A}^{mm} \end{pmatrix} \begin{pmatrix} \mathbf{x}^1 \\ \mathbf{x}^2 \\ \vdots \\ \mathbf{x}^m \end{pmatrix} + \begin{pmatrix} \sum_r \mathbf{y}^{1r} + \mathbf{y}^{1e} \\ \sum_r \mathbf{y}^{2r} + \mathbf{y}^{2e} \\ \vdots \\ \sum_r \mathbf{y}^{mr} + \mathbf{y}^{me} \end{pmatrix} \quad (2)$$

155 Here m indicate the total region's number, and $m=30$ in this research.

156 When solved from the total output, Eq. (2) can yield the following:

157
$$\mathbf{x} = (\mathbf{I} - \mathbf{A})^{-1} \mathbf{y} \quad (3)$$

158 The **bolded uppercase and lowercase** letters in equation 3 represent the **corresponding matrixes**
 159 **and vectors** in Eq. (2), respectively. $(\mathbf{I} - \mathbf{A})^{-1}$ is the Leontief inverse matrix.

160 Pollutant emissions (here refers to primary PM_{2.5}, SO₂, NO_x and NMVOC, see section 2.4
 161 below) are then calculated by incorporating a vector of emission intensity:

162
$$\mathbf{e} = \hat{\mathbf{f}}(\mathbf{I} - \mathbf{A})\mathbf{y} \quad (4)$$

163 where $\hat{\mathbf{f}}$ means a diagonal matrix with the elements of vector \mathbf{f} on its main diagonal and all
 164 other entries equal to zero; component f_i^r in \mathbf{f} is the direct emission intensity vector calculated
 165 by sector i 's total emissions divided by its total output in a given region r (Hubacek and Sun,
 166 2005; Lin et al., 2014; Guan et al., 2014b).

167 **2.2 Emissions embodied in interprovincial and international trade flows**

168 Using the pollutant emissions calculated by the Chinese MRIO, we quantify the emissions
 169 embodied in trade flows among China's provinces and in trade between those provinces and
 170 other countries. By disaggregating the final demand of each province in Eq.(4), we could
 171 quantify emissions of each pollutant embodied in the goods and services consumed in each
 172 province as well as where the emissions were produced. For example, the final demand of
 173 province r is $\mathbf{y}_c^r = (\mathbf{y}^{1r} \quad \mathbf{y}^{2r} \quad \dots \quad \mathbf{y}^{rr} \quad \dots \quad \mathbf{y}^{mr})'$, and it includes products produced in province
 174 r (\mathbf{y}^{rr}) as well as final products imported from other regions ($\sum_{s \neq r} \mathbf{y}^{sr}$). Using this vector as \mathbf{Y} in
 175 Eq. (4) gives the emissions embodied in the final consumption of province r :

176
$$e_c^r = \sum_{s=1} e_c^{sr} = \sum_{s=1} \mathbf{f}^s (\mathbf{I} - \mathbf{A})^{-1} \mathbf{y}_c^r \quad (5)$$

177 where \mathbf{f}^s is a vector of the corresponding sectoral pollution intensities for region s but zeros
 178 for all others'; e_c^r represents total pollutant emissions embodied in region r 's consumption
 179 that were produced within China; it excludes emissions embodied in any interprovincial
 180 exports, and includes imports (e_c^{sr} , $r \neq s$). The solution is region and sector specific.

181 Pollutants embodied in international exports can be calculated by isolating the demand \mathbf{Y}
 182 for exports, \mathbf{y}^e :

$$183 \quad e^e = \sum_{r=1} e^{re} = \sum_{r=1} \mathbf{f}^r (\mathbf{I} - \mathbf{A})^{-1} \mathbf{y}^e \quad (6)$$

184 here e^{re} indicates province r 's emission embodied in international exports.

185 We also attempt to estimate the emissions embodied in international imports. We begin
 186 with a simplifying assumption that imported products were produced under the same
 187 industrial structure and technology in China (Tang et al., 2012). This gives emissions avoided
 188 by import (EAI):

$$189 \quad e_{EAI} = \sum_{r=1} e_{EAI}^r = \mathbf{f} (\mathbf{I} - \mathbf{A})^{-1} \mathbf{y}^{lm} \quad (7)$$

190 To obtain the pollution embodied in each province's imports, we assume that China's total
 191 import from nation i was proportionally distributed to each province; then we adjusted the e_{EAI}
 192 of each province by a coefficient, μ_r , which reflects the producing nations' average pollution
 193 intensity (Lin et al., 2014):

$$194 \quad \mu_r = \sum_i \frac{NI_i}{PI_r} \times \frac{N_i^{\text{exp}}}{C^{im}} \quad (8)$$

195 NI_i indicates nation i 's pollutant intensity; PI_r signifies province r 's pollutant intensity; N_i^{exp}
 196 indicates nation i 's total export to China; C^{im} signifies China's total import. Thus, the
 197 emission embodied in international imports to province r is $\mu_r e_{EAI}^r$.

198 As in the study by Liu et al. (2012b), the data required for Chinese MRIO were derived
 199 from provincial input-output tables (National Bureau of Statistics, 2011). The trade data
 200 between China and the other countries used in this section for China's international trade were
 201 aggregated from the China Foreign Economic Statistical Yearbook (National Bureau of
 202 Statistics, 2008a) and the China Trade and Economic Statistical Yearbook (National Bureau of
 203 Statistics, 2008b). Provincial input-output tables (National Bureau of Statistics, 2011) were
 204 used to supplement and modify the international import data.

205 **2.3 Consumption-based emissions by province**

206 Consumption-based emissions represent the quantities of pollution related to all the goods
207 and services consumed by a given province (Peters, 2008; Peters and Hertwich, 2008; Davis
208 and Caldeira, 2010; Lin et al., 2014; Lindner and Guan 2014). The gross flows of emissions
209 embodied in trade can thus be used to quantify consumption-based emissions—by adding
210 emissions embodied in imports to and subtracting emissions embodied in exports from the
211 emissions physically produced in each province:

$$212 \quad CE = PE - INE - IPE + INI + IPI \quad (9)$$

213 CE and PE indicate regional pollution inventories under the consumption and production
214 perspectives, respectively; INE and INI signify the emissions embodied in international
215 exports and imports, respectively; IPE and IPI indicate emissions embodied in interprovincial
216 exports and imports.

217 **2.4 Production-based inventory data**

218 The vector of pollution intensity, \mathbf{f} , in equation 4 and 7 is derived from the multi-resolution
219 emission inventory for China (MEIC: <http://www.meicmodel.org>) compiled by Tsinghua
220 University. The MEIC is a production-based inventory, updated from the widely used
221 INTEX-B dataset (Zhang et al., 2009). The inventory covers 31 provinces or autonomous
222 regions, 10 pollutants (e.g., SO₂, NO_x, CO, NMVOC, BC, PM_{2.5}, PM₁₀, Ammonia (NH₃),
223 organic carbon (OC), and CO₂) and ~700 emitting sources categories. In this study, we used the
224 energy balance table of each province from the China Energy Statistical Yearbook (National
225 Bureau of Statistics, 2008c) and the revised sectoral energy consumption from China Economic
226 Census Yearbook (National Bureau of Statistics, 2010) to map the MEIC emission data onto the
227 sectors in our Chinese MRIO (Guan et al., 2014c). The sector classification appears in
228 Appendix A1 (the total 30 sectors had been aggregated into 27 sectors allowing for the
229 consistency between MRIO and emission sectors). Global emissions were taken from EDGAR
230 v.4.2 (<http://edgar.jrc.ec.europa.eu/>) to calculate aggregated pollution intensities of other
231 countries (see equation 8).

232 3 Results

233 3.1 Production-based emissions by consumption types

234 Production-based air pollutant emissions can be divided into three categories according to
235 their service destinations: local consumption, other regions' consumption within China
236 through interprovincial export, and other countries' consumption through international export.
237 On average, we found that emissions from local consumptions contributed 62%, 46%, 46%,
238 and 56% of national total emissions for primary PM_{2.5}, SO₂, NO_x, and NMVOC respectively,
239 with large variations among different provinces. Higher contributions for primary PM_{2.5} and
240 NMVOC could be attributed to emissions from direct energy consumption in residential
241 sector. Regionally, contributions from each category vary by provinces as their different trade
242 patterns and regional attributes. Fig. 1 uses SO₂ as example to demonstrate production-based
243 emissions of 30 provinces in China and the contribution of each category. Highest
244 contribution from local consumption occurred in Sichuan (69%) and Jiangxi (68%), indicating
245 high self-sufficiency in these regions. While lowest contribution from local consumption
246 occurred in east coast regions such as Tianjin (24%) and Shanghai (27%).

247 3.2 Consumption-based emissions by province

248 Table 1 compares the production-based and consumption-based pollutant emissions in
249 2007 for all 30 provinces in mainland China. For the provinces where service industries and
250 light industries are highly developed, consumption-based emissions were greater than
251 production-based emissions since they are highly dependent on products or energy imported
252 from other provinces. For example, Beijing's consumption-based emissions are 2.6-, 3-, 1.6-
253 and 1.5-fold its consumption-based emissions for primary PM_{2.5}, SO₂, NO_x and NMVOC,
254 respectively; about 74-83% of its consumption-based emission were imported. In provinces
255 whose economy is dependent on energy generation, heavy industry, or materials
256 manufacturing, production-based emissions were much greater than consumption-based
257 emissions. For example, in Hebei, 63% of primary PM_{2.5}, 67% of SO₂, 68% of NO_x and 56%
258 of NMVOC emissions were related to products consumed outside Hebei. Similarly,

259 consumption-based emissions in Shanxi and Inner Mongolia were 26-62% lower than
260 production-based emissions. This difference indicates that over 50% of their total pollutants
261 emissions were embodied in producing interprovincially or internationally exported products.
262 For Anhui, Sichuan and Guangxi, they had similar emissions for these two accounting
263 methods, as substantial proportions of the goods produced in these provinces were consumed
264 locally. In these provinces, emissions were largely related to residential direct energy
265 consumption (accounted for here as the emission service for regional consumption).

266 According to the input-output analysis, regional final consumptions can be divided into
267 four categories: urban households consumption, rural households consumption, government
268 consumption and capital formation. For the emissions caused by domestic rural and urban
269 residential direct consumption, they were listed as independent final categories as they are
270 irrelevant to economic production system, and named as rural_direct and urban_direct in this
271 research.

272 Figure 2 presents pollutant emissions caused by each final consumption category among
273 the 30 provinces. Capital formation and urban residential consumption dominated the
274 consumption-based emission of SO₂ and NO_x in all the provinces, reflecting large-scale
275 nationwide expansion of infrastructure. Among the 30 regions, the capital formation of
276 Shandong contributed most to national consumption-based SO₂ (5% of national total) and
277 NO_x (3% of total) emissions; this was followed by Jiangsu, Zhejiang, and Guangdong. For
278 primary PM_{2.5} and NMVOC, capital formation and direct rural residential energy consumption
279 dominated the total consumption-based emissions in almost all provinces. In Beijing, Jiangsu,
280 Shanghai, Zhejiang and Guangdong, biomass combustion is not used as a significant energy
281 source; thus, capital formation and urban residential consumption activities dominated those
282 regions' total consumption-based emissions. For less developed regions, such as Guangxi,
283 Guizhou, Anhui and Sichuan, biofuel is still be an important energy source, so the related
284 combustion emission accounts for over 50% of regional consumption-based emissions for
285 primary PM_{2.5} and NMVOC.

286 3.3 Emissions embodied in interprovincial trade flows

287 Figure 3 shows the balance of air pollutants embodied in products traded among the 30
288 provinces in 2007. Nationally, 3.1 Tg of primary $PM_{2.5}$ (23% of total Chinese
289 production-based emission), 10.5 Tg of SO_2 (33% of total), 7.6 Tg of NO_x (31% of total) and
290 4.7 Tg of NMVOC (23% of total) were emitted during the production of products or service
291 that were ultimately consumed in other provinces or regions in China. Economically advanced
292 regions, such as Beijing, Tianjin, Shanghai, Jiangsu, Zhejiang and Guangdong were net
293 importers of emissions, whereas, areas of heavy industry or manufacturing bases, such as
294 Hebei, Shanxi, Henan, Inner Mongolia and Shannxi were net exporters of emissions.

295 Pollutants embodied in intermediate products make up a large portion of the pollutants
296 embodied in interprovincial trade. This indicates that most of the goods being traded had supply
297 chains that covered multiple provinces, with relatively few products being entirely
298 manufactured in one province for consumption in local region. This indicates a strengthened
299 interregional cooperation in manufacturing pattern. For emissions embodied in interprovincial
300 exports, the ratio between finished goods and intermediate goods varies from 1:1 to 1:12 across
301 the provinces. The lowest ratio is 1:12 for Shanxi, which exported large amounts of energy to
302 Beijing, Tianjin and some other regions in southern China. The finished-to-intermediate ratio
303 of emissions embodied in imports was similarly variable, ranging from 1:1 to 1:13. The lowest
304 ratio amounted to 1:13 for Zhejiang, which imported large volumes of intermediate products
305 from the Central, North and Northwest regions to support its local industries.

306 Figure 4 presents the largest net flows of embodied pollutants among the eight regions
307 (listed in Table A2 in Appendix A). From the perspective of technology development, there
308 was an increasing trend in pollutant intensity from southeast to northwest China for all the
309 four pollutants. The Northeast had the highest emission intensities for SO_2 (223 Mg/100
310 million CNY⁻¹), NO_x (145 Mg/100 million CNY⁻¹) and NMVOC (74 Mg/100 million CNY⁻¹);
311 and **Central had the highest emission intensity for primary $PM_{2.5}$** (50 Mg/100 million CNY⁻¹).
312 In contrast, **the lowest emission intensity occurred in the South Coast** (39 Mg/100 million
313 CNY⁻¹ for SO_2 (49 Mg/100 million CNY⁻¹ for NO_x) **and Beijing-Tianjin** (13 Mg/100 million

314 CNY⁻¹ for PM_{2.5} and 41 Mg/100 million CNY⁻¹ for NMVOC). In terms of pollution transfer,
315 affluent areas, such as the Beijing-Tianjin, East Coast and South Coast regions, were net
316 pollution importers owing to their relatively advanced economic development and modernized
317 production technologies (and thus lower pollution intensity). For example, primary PM_{2.5}
318 emissions embodied in imports to the East Coast region are four times higher much than those
319 embodied in exports; the figures for SO₂, NO_x and NMVOC are 3-, 2- and 1.5-fold,
320 respectively. About 80% of the emissions embodied in East Coast's imports occur in the North,
321 Central and Northeast regions. In Beijing-Tianjin, the pollutants embodied in imports
322 exceeded those embodied in exports by factors of 4.5, 4, 3 and 2 for primary PM_{2.5}, SO₂, NO_x
323 and NMVOC, respectively. Further, 46% of the primary PM_{2.5}, 27% of SO₂, 28% of NO_x and
324 24% of NMVOC embodied in Beijing-Tianjin's imports derived from the North region
325 (including Hebei and Shandong). In contrast, less economically developed areas in the North,
326 Central, Northwest and Southwest regions were net exporters, with large quantities of
327 emissions outsourced by East and South Coast regions.

328 **3.4 Emissions embodied in international trade flows**

329 Figure 5 presents the emissions embodied in internationally traded products at the
330 provincial level. In keeping with China's role as the world's largest exporter, most provinces
331 have a trade deficit in embodied emissions. Shandong was the largest exporter with 260 Gg of
332 primary PM_{2.5}, 833 Gg of SO₂, 687 Gg of NO_x and 470 Gg of NMVOC embodied in
333 international exports, accounting for 11-13% of the total emissions embodied in China's
334 international exports, followed by Guangdong, Hebei, Zhejiang and Jiangsu. Simultaneously,
335 the coastal regions also had high imported emissions. Guangdong had the largest pollutant
336 imports (77 Gg primary PM_{2.5}, 345 Gg SO₂, 230 Gg NO_x and 531 Gg NMVOC), those
337 accounted for 16, 18, 16 and 21% of China's total imports of primary PM_{2.5}, SO₂, NO_x and
338 NMVOC, respectively, followed by Shanghai, Jiangsu, Zhejiang and Beijing.

339 A province may make a final product for international export, but it can also make an
340 intermediate product for another province's international export. The former process leads to
341 emissions embodied in direct international export, whereas the latter leads to emissions

342 associated with other regions' international export. The international exports from the coastal
343 areas (Guandong, Fujian, Shanghai, Zhejiang, Jiangsu, Tianjin and Shandong) account for 82%
344 of all Chinese exports. However, the associated embodied emissions were only 43, 41, 52 and
345 60 % of China's total export-embodied emissions for primary PM_{2.5}, SO₂, NO_x, and NMVOC,
346 respectively. Figure 6 presents the largest cross-regional flows of emissions embodied in
347 intermediate products caused by international exports production, which can explain the
348 differences. We found that, in coastal regions, approximately 50% of emissions embodied in
349 international trade were transferred to Central, Northwest and Southwest regions through
350 intermediate products.

351 We estimated that 2.0 Tg of primary PM_{2.5} (15% of total Chinese production-based
352 emission), 7.0 Tg of SO₂ (21%), 5.7 Tg of NO_x (23%) and 4.3 Tg of NMVOC (21%) are
353 embodied in goods or services exported internationally, which are lower than the estimates in
354 Lin et al. (2014). The differences between Lin et al. (2014) and this work are mainly due to
355 differences in methodologies. Lin et al. (2014) used a Single-Region Input-Output (SRIO)
356 model, while we used a Multi-Region Input-Output (MRIO) model framework. SRIO used
357 national average emission intensity when calculating export embodied emissions, which will
358 overestimate emissions in coastal provinces where emission intensities are lower than national
359 average. In MRIO framework, embodied emissions were calculated for each province using
360 its own emission intensity. Estimates in Lin et al. (2014) would be then higher than ours, as
361 export embodied emissions are dominant by coastal provinces.

362

363 **4 Policy Implications**

364 **4.1 Impact from infrastructure construction**

365 Emissions related to construction-dominated capital formation accounted for 50% of all
366 China's consumption-based emissions of air pollutants, corresponding to the increased
367 urbanization rate from 26% in 1990 to 53% in 2013 in China (National Bureau of Statistics,
368 2014). The rapid urbanization has created a boom in the demand for materials and
369 infrastructure; it has greatly accelerated industrial production and infrastructure

370 construction—and therefore also the related pollutant emissions (Heinonen and Junnila, 2011).
371 Recently, the implementation of the “New Socialist Countryside” which is aimed to improve
372 living condition in countryside by unify planning and constructing, would result in a wave on
373 construction in rural areas nationwide. This rapid construction will drive the exploration and
374 production of natural resources as well as related pollution emissions. In addition, the average
375 life span of building in China is 35 years—much less than the 74 years of the United States
376 and 132 years of the United Kingdom (China Economic Review, 2013). Rapid increasing in
377 construction will aggravate this phenomenon.

378 Recent studies have shown that China’s current technology improvements will be barely
379 able to offset the pollution emissions associated with increasing consumption (Liang et al.,
380 2014; Guan et al., 2014b). However, China’s government has to continue to promote the
381 economic growth to improve livelihoods and defeat environmental problem. Thus, to achieve
382 pollution reduction targets, the government needs to focus on key source sectors and
383 technologies; however, it also need to pay greater attention to control and management
384 strategies with respect to consumption. Our study indicates that, the key regulatory policies
385 should focus on construction sector, such as promoting the use of energy-saving building
386 materials, increasing the life span of building, thus decrease the related upstream emissions
387 along the supply chains. Simultaneously, advocating saving behaviors in daily life is also
388 essential.

389 **4.2 Importance of interprovincial and international transfer in pollutants**

390 Interprovincial trade in China is accompanied by substantial pollutant transfer. As shown in
391 Fig. 3, 23, 33, 31 and 23% (3.1 Tg ,10.5 Tg, 7.6 Tg and 4.7 Tg), respectively, of China’s
392 primary PM_{2.5}, SO₂, NO_x and NMVOC are related to goods or services that are ultimately
393 consumed outside of the provinces where they were produced. Most of this pollutants transfer
394 occurs between developing central and western regions and the affluent east coastal regions.

395 Recently, China’s central government has launched nationwide acts to reduce the CO₂
396 emission (Liu et al., 2012b) and atmospheric pollutants (The State Council of the PRC, 2013),

397 with stricter measures being implemented for eastern than western provinces. This disparity in
398 mitigation targets is likely to accelerate the relocation of heavy industries to central and west
399 regions, thereby worsening the atmospheric environment in those less developed regions. As
400 evident in Fig. 4, the production-related pollutant intensities of the eight regions showed a
401 gradually increasing trend from the developed southeast to less developed northwest regions.
402 This means that more pollutants were emitted to make one product unit in central and west
403 regions. Relocating industries will thus redistribute the environmental problem rather than
404 eliminate it—aka the 'beggar-thy-neighbor' effect. Increasing interprovincial trade will also
405 drive traffic flows, which have been a key contributor to atmosphere pollutants emissions
406 (Cheng et al., 2013). Thus this kind of industrial shift may ultimately increase total national
407 pollutant emissions to some extent.

408 Since air pollutants can be transported over a great distance in the atmosphere (Lin et al.,
409 2014), outsourced emissions in developing provinces may blow back to the developed
410 provinces under favorite metrological conditions (Ying et al., 2014). Hence, an effective
411 regional pollution control strategy would target a reduction in total emissions rather than
412 simply relocating emissions. Technology transfer between developed and developing regions
413 should play a leading role in joint actions for regional or interregional air pollution control.
414 For developed regions, industrial transfer should be accompanied by technology transfer; for
415 less developing regions, higher emission standard should be established for new installations
416 that exceed a fixed benchmarking, thus reducing the increment of emissions.

417 Economic mechanisms could also provide alternative ways by involving both producers
418 and consumers in emissions mitigation. The pilot phase of China's Emissions Trading
419 Scheme (ETS) on CO₂, SO₂, and NO_x has proven its effectiveness in emission reductions,
420 expanding the ETS system across China can be used to mitigate air pollutant emissions. Taxes
421 can be used to transfer environmental impacts to consumers, thus reduce the consumption
422 volume and related emissions. Economic stimulus or penalty instigated by leading companies
423 can help reduce the emissions of its suppliers more effectively as companies are the agents
424 that decide to outsource their production chains (O'Rourke, 2014), thus can exerting a
425 cleaning effect on its upstream supply chains more easily (Skelton, 2013). Eco-Labeling

426 system could achieve efficiency gains by producers which can be monitored by regulative
427 bodies. Consumer choices in eco-labelling can be a great incentive for companies to adopt
428 such scheme in order to promote market competitiveness (Grundey and Zaharia, 2008).
429 Although China has achieved great progress in technology improvements and pollution
430 intensity reduction, total emissions are still on the rise as improvements in technology
431 efficiency were offset by increasing consumptions (Liang et al., 2014; Guan et al., 2014). Taxes
432 can be used to transfer environmental impacts to consumers, thus reduce the consumption
433 volume and related emissions.

434 The results also indicated that substantial leakage of emissions from foreign countries to
435 China via international trade. The pollution embodied in international trade accounted for
436 15-23% of total pollutants emission produced in China. Furthermore, 41-60% of the embodied
437 emissions occurred in Tianjin, Shandong, Jiangsu, Shanghai, Zhejiang, Fujian and Guangdong,
438 all of which are located in the China's three biggest industrial bases (Jing-Jin-Ji, Yangtze River
439 delta and Pearl River delta) and where air pollutions is severe. Thus, reduction policies related
440 to export adjustment should tend to focus on these key export-oriented regions, as well as the
441 exported products that involve multi-sector and multi-regional supply chains but with low add
442 value (Skelton et al., 2011 Skelton, 2013). An economic stimulus or penalty instigated by an
443 export-oriented company can help reduce the emissions of its suppliers, thereby exerting a
444 cleaning effect on its upstream supply chains (Skelton, 2013).

445 **5 Concluding Remarks**

446 In this work, we used a MRIO framework to estimate consumption-based air pollutant
447 emissions for China for the year 2007 at provincial level. This is the first time that the virtual
448 air pollutant emission transport embodied in interprovincial trade was quantified and tracked.
449 We found that coastal provinces outsourced large quantities of emissions to inland provinces
450 through import of goods. Emissions have been significantly redistributed due to
451 interprovincial trade. Future work can link our provincial level consumption-based inventory
452 and the pollution flows with chemical transport models, to investigate the impacts of trade
453 activities on regional and global air quality.

454 Our MRIO analysis traced pollutant sources related to consumption activities. It clearly
455 illustrates the extent and structure of externalization of pollutants, and it presents a reasonable
456 approach to facilitating collaboration between producers and consumers. This approach
457 appears to present an effective way to optimize air quality management decisions toward
458 environmentally sustainable economic growth. Although the results derived from this work
459 could help the policy makers to better understand the responsibility of pollution from
460 consumption perspective, it should be noted that splitting the share of responsibility between
461 producers and consumers is more complicated as producers also gain economic benefit when
462 emitting pollutants (Barrett et al., 2013). Application of shared responsibility criterion (e.g.,
463 Gallego and Lenzen, 2005; Lenzen, et al., 2007; Cadarso et al., 2012; Hoekstra and Wiedmann,
464 2014) which involves both producers and consumers in emission reduction could help
465 developing provinces in China to assume the increase of costs derived from mitigation policies
466 and contribute to a better solution of the problem.

467

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472 Innovation Center for Regional Environmental Quality.

473 **Appendix A**474 **Table A1** Sectors classification for MRIO Table

Sector number	Sector Name
1	Agriculture
2	Coal mining and processing
3	Crude petroleum and natural gas products
4	Metal ore mining
5	Non-ferrous mineral mining
6	Manufacture of food products and tobacco processing
7	Textile goods
8	Wearing apparel, leather, furs, down and related products
9	Sawmills and furniture
10	Paper and products, printing and record medium reproduction
11	Petroleum processing and coking
12	Chemicals
13	Nonmetal mineral products
14	Metals smelting and pressing
15	Metal products
16	Machinery and equipment
17	Transport equipment
18	Electric equipment and machinery
19	Electronic and telecommunication equipment
20	Instruments, meters, cultural and office machinery
21	Handicrafts and other Manufacturing
22	Electricity, steam and hot water production and supply
23	Gas and water production and supply
24	Construction
25	Transport and warehousing, Post and telecommunication
26	Wholesale and retail and catering accommodation
27	Others

476 **Table A2.** Region divisions

Region	Provinces/municipalities that included in each region
Beijing-Tianjin	Beijing and Tianjin
North	Hebei and Shandong
Northeast	Liaoning, Jilin and Heilongjiang
East Coast	Jiangsu, Shanghai and Zhejiang
Central	Shanxi, Henan, Anhui, Hunan, Hubei and Jiangxi
South Coast	Fujian, Guangdong and Hainan
Southwest	Sichuan, Chongqing, Guizhou, Yunnan, Guangxi (and Tibet)
Northwest	Shannxi, Gansu, Qinghai, Ningxia ,Xinjiang and Inner Mongolia

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Table1. Comparison of regional pollutant emissions from production and consumption-based emissions (Gg/year)

Pollutant	Primary PM _{2.5}		SO ₂		NO _x		NMVOC	
	Pro	Con	Pro	Con	Pro	Con	Pro	Con
Beijing	111	285	261	775	385	629	372	571
Tianjin	127	183	429	548	361	445	286	326
Hebei	974	513	2347	1387	1780	1036	1199	842
Shandong	1276	933	3105	2375	2582	1940	1948	1554
Liaoning	587	416	1189	826	1250	850	900	668
Jilin	316	338	513	735	650	723	512	493
Heilongjiang	370	363	367	475	786	640	705	589
Shanghai	142	338	726	1112	591	838	557	836
Jiangsu	680	689	1544	1375	1777	1356	1571	1339
Zhejiang	368	548	957	1371	1231	1291	1113	1008
Shanxi	755	435	2483	1241	1148	593	653	486
Henan	1015	667	1532	1157	1685	1108	1176	1032
Anhui	555	515	718	667	871	674	812	759
Hubei	542	481	1674	1248	862	695	768	751
Hunan	544	441	1353	1045	730	646	595	556
Jiangxi	286	286	701	906	455	589	348	378
Fujian	261	221	586	516	525	453	430	422
Guangdong	629	669	963	1642	1494	1361	1541	1487
Hainan	34	37	91	82	84	75	100	78
Guangxi	484	439	970	674	467	406	706	643
Chongqing	249	270	1307	1037	367	388	317	353
Sichuan	771	764	1560	1415	747	747	1112	1093
Guizhou	424	318	1841	812	545	302	346	313
Yunnan	383	322	837	628	551	410	462	461
Shaanxi	352	281	1680	858	555	450	521	423
Gansu	218	197	414	352	370	274	329	287
Qinghai	58	48	77	101	92	103	68	70
Ningxia	83	74	519	303	242	167	95	104
Xinjiang	214	206	473	447	479	405	445	307
Inner Mongolia	436	282	1386	570	1182	448	541	384

Pro = production-based emissions; Con = consumption-based emissions

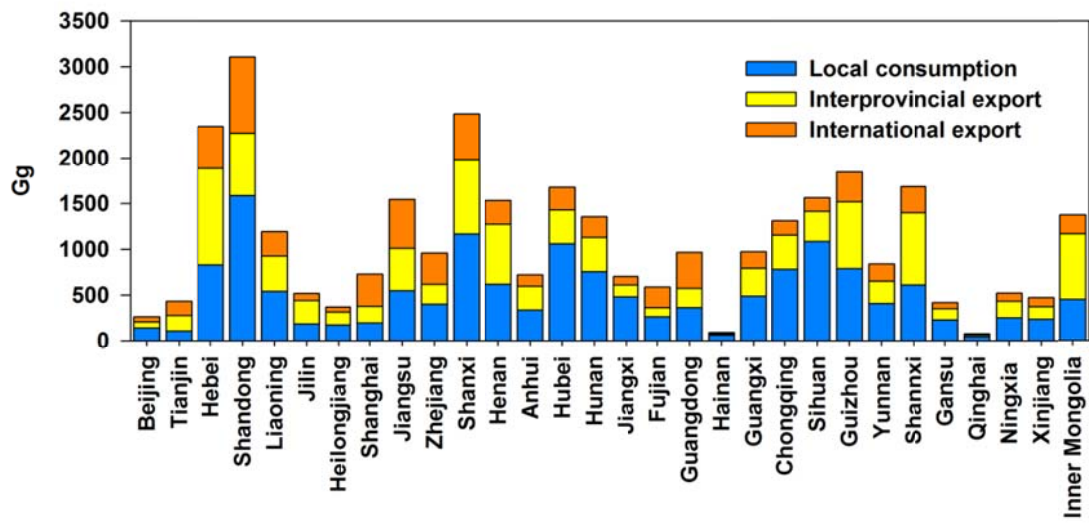


Fig. 1. Production-based SO₂ emissions in 2007 by provinces and consumption locations

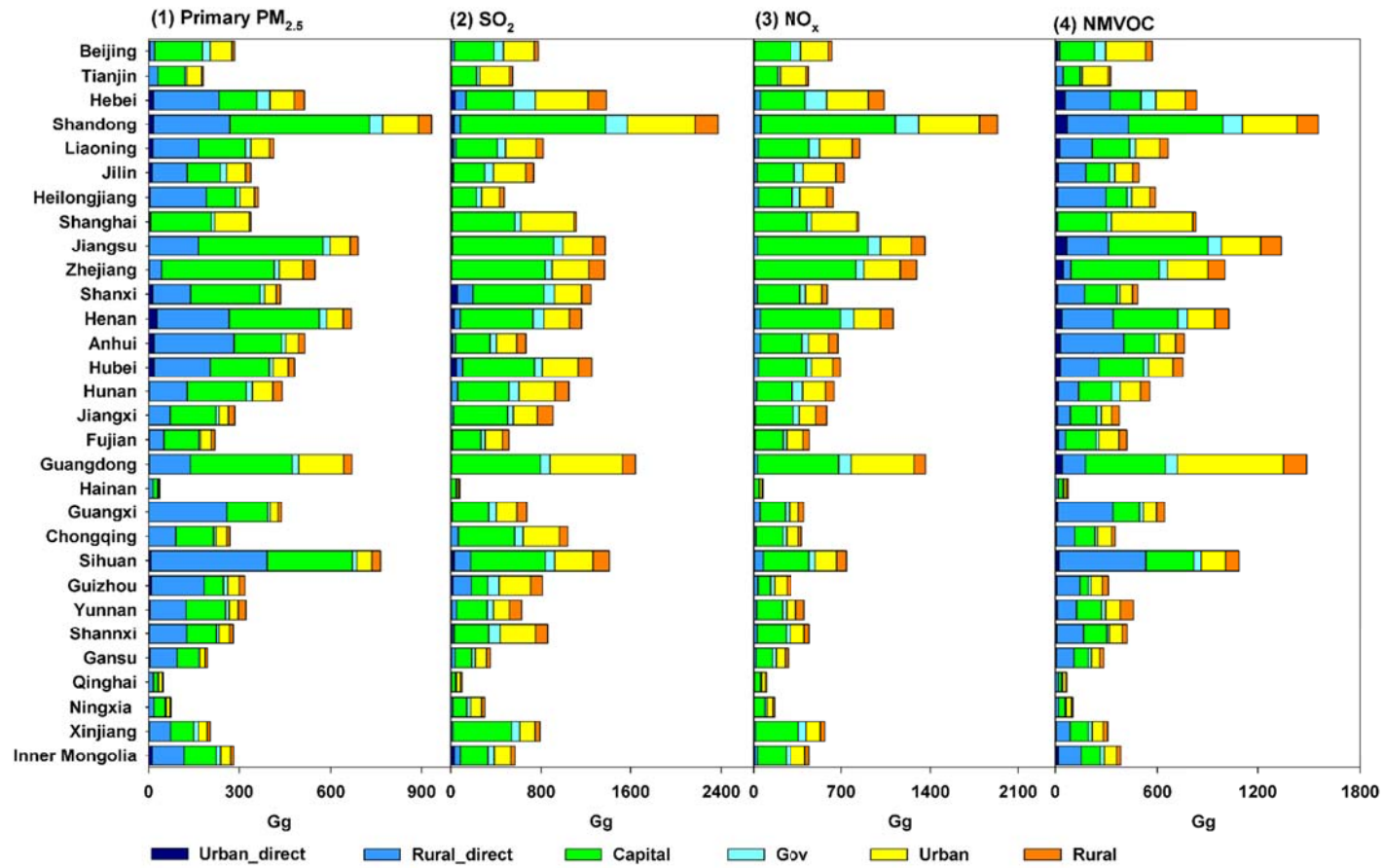


Fig. 2. Consumption-based emissions in 2007 by provinces and final demand categories

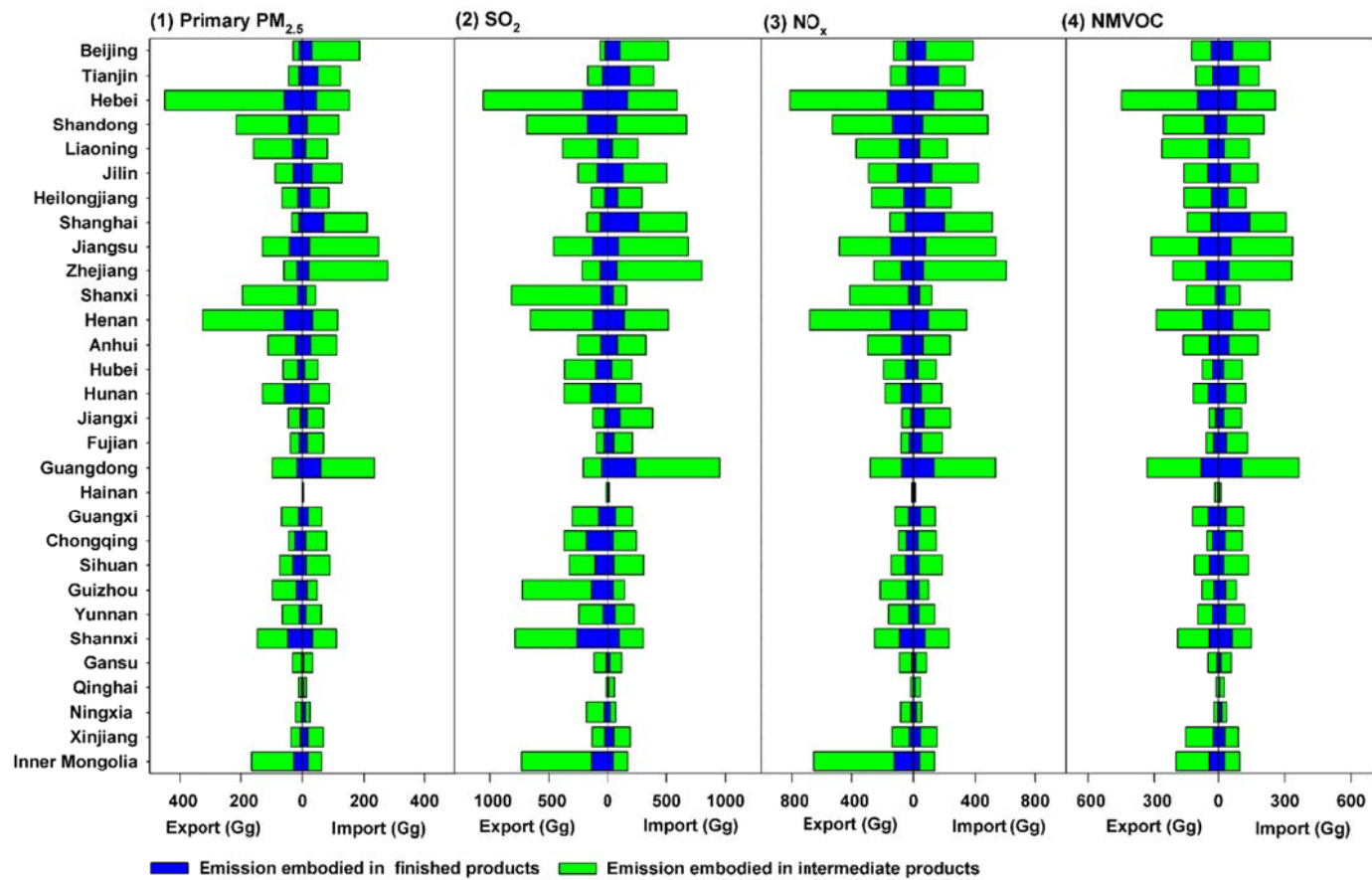


Fig. 3. Balance of air pollutant emissions embodied in each province's interprovincial trade

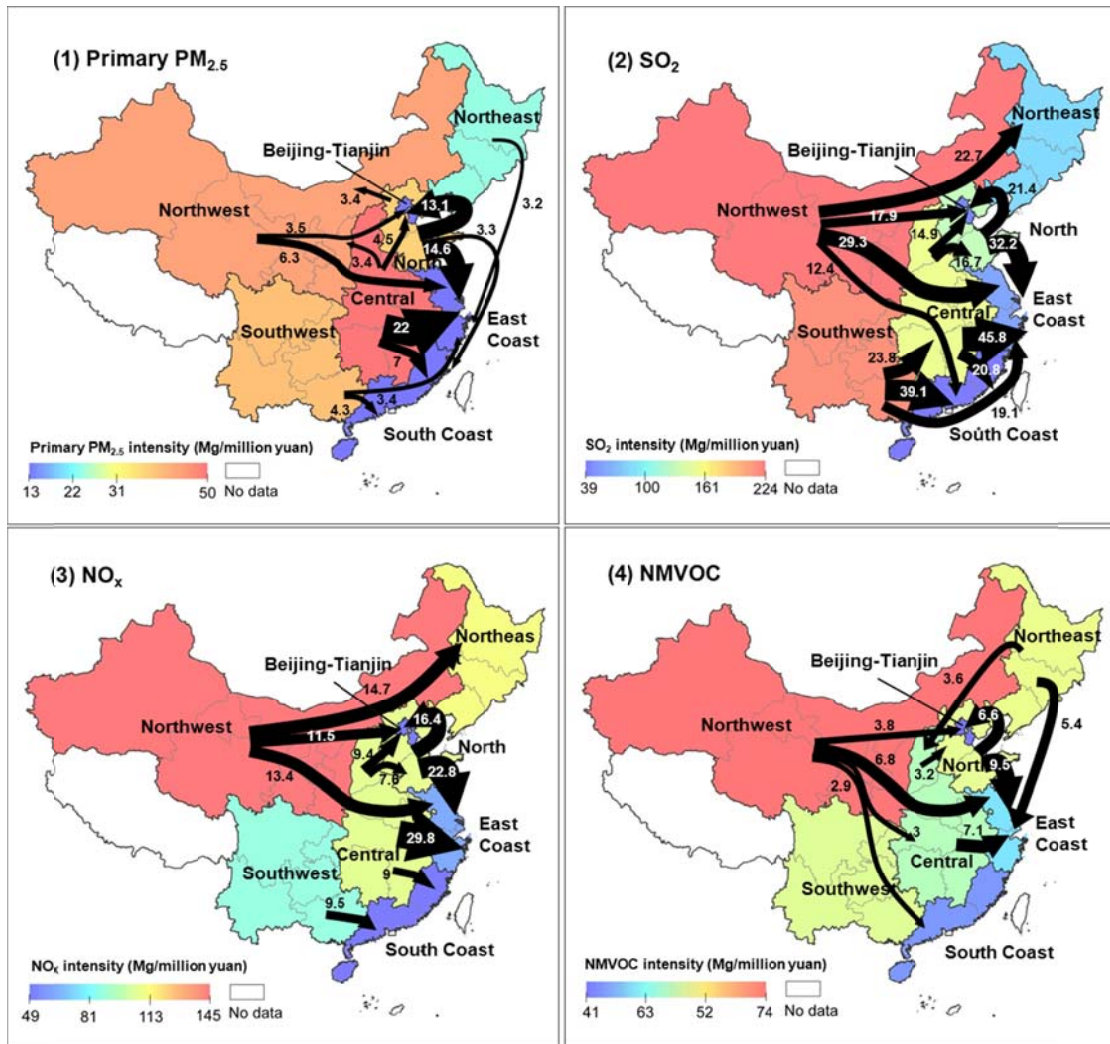


Fig. 4. Largest net flows of primary PM_{2.5}, SO₂, NO_x, and NMVOC emissions embodied in interprovincial trade in 2007 (unit of flow: Gg). The shading in each region indicates the related production emission intensity.

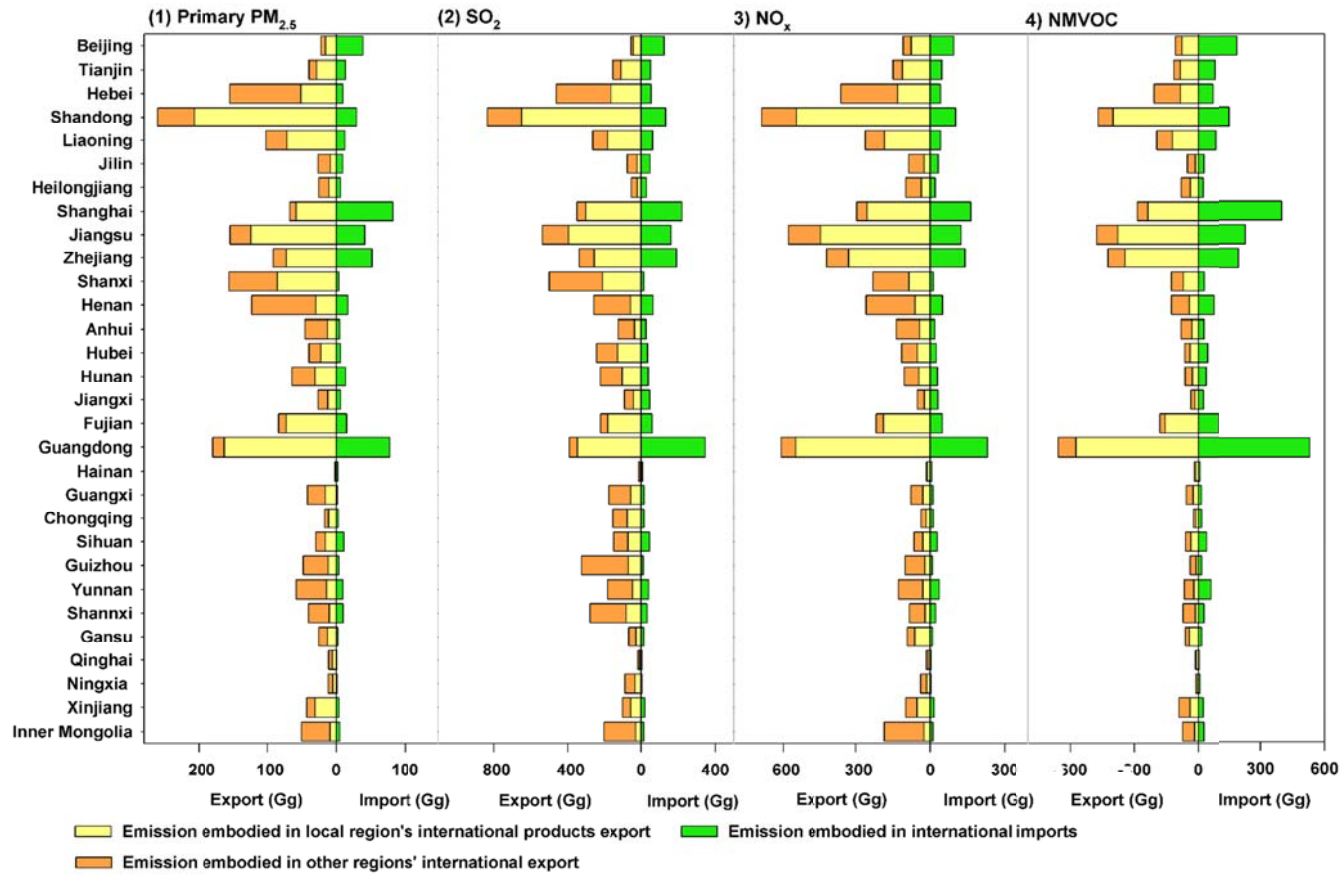


Fig. 5. Balance of pollutant emissions embodied in each province's international trade

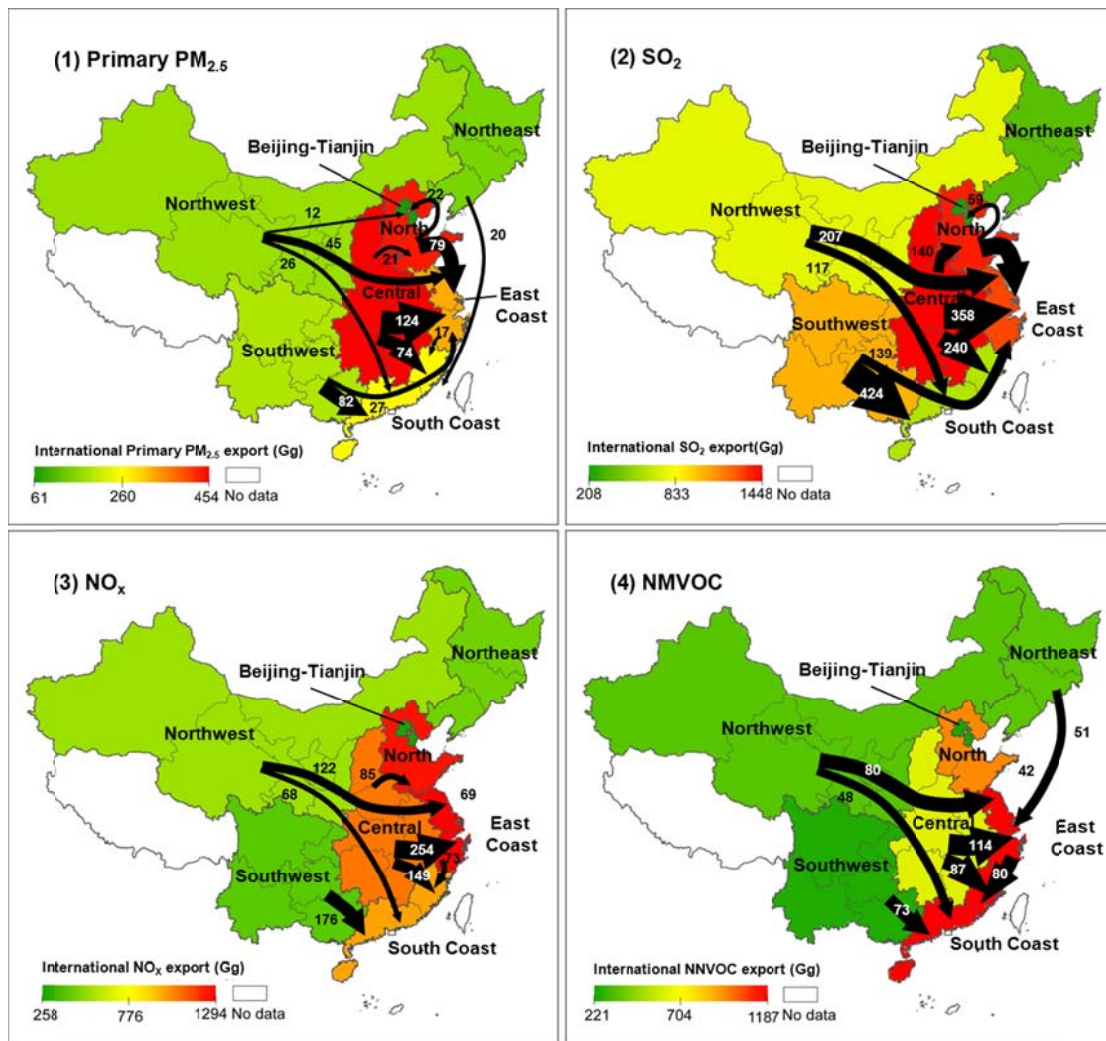


Fig. 6. Regional pollutant emissions due to production of intermediate products to support other regions' international exports (unit of flow: Gg). The shading from green to red indicates each region's total international pollutant exports.