

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. Zhao<sup>1</sup>, Q. Zhang<sup>1</sup>, D.B. Guan<sup>1,3</sup>, S. J. Davis<sup>2</sup>, Z. Liu<sup>4</sup>, H. Huo<sup>5</sup>, J. T. Lin<sup>6</sup>, W. D.**  
6 **Liu<sup>7</sup>, and K. B. He<sup>8,9</sup>**

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  
26  
27  
28  
29 Correspondence to: Q. Zhang (qiangzhang@tsinghua.edu.cn)

## 30 **Abstract**

31 Substantial anthropogenic emissions from China have resulted in serious air pollution, and this  
32 has generated considerable academic and public concern. The physical transport of air  
33 pollutant in the atmosphere has been extensively investigated, however, understanding the  
34 mechanisms how the pollutant was transferred through economic and trade activities remains  
35 a challenge. For the first time, we quantified and tracked China's air pollutant emission flows  
36 embodied in interprovincial trade, using a multiregional input-output (MRIO) model  
37 framework. Trade relative emissions for four key air pollutants (primary fine particle matter  
38 ( $PM_{2.5}$ ) sulfur dioxide ( $SO_2$ ), nitrogen oxides ( $NO_x$ ) and non-methane volatile organic  
39 compounds (NMVOC)) were assessed for 2007 in each Chinese province. We found that  
40 emissions were significantly redistributed among provinces owing to interprovincial trade.  
41 Large amounts of emissions were embodied in the imports of eastern regions from northern  
42 and central regions, and these were determined by differences in regional economic status and  
43 environmental policy. It is suggested that measures should be introduced to reduce air  
44 pollution by integrating cross-regional consumers and producers within national agreements to  
45 encourage efficiency improvement in the supply chain and optimize consumption structure  
46 internationally. The consumption-based air pollutant emission inventory developed in this  
47 work can be further used to attribute pollution to various economic activities and final  
48 demand types with the aid of air quality models.

## 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 ( $SO_2$ ), 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 the country has made environmental and health issues a major focus of policy (Yang  
55 et al., 2013; Boldo et al., 2006; Bell et al., 2007). Ambient particulate matter is considered the  
56 most substantial health risk in China, having contributed to 1.2 million premature deaths and  
57 removing 25 million healthy life-years 2010 alone (Yang et al., 2013). Related economic costs

58 are also enormous: the human health impacts of PM<sub>10</sub> in urban areas of China were estimated at  
59 almost 74 billion dollars in 2010 (Yu et al., 2013), nearly 1.3% of the national gross domestic  
60 product for that year. In response, China's government announced its Action Plan for Air  
61 Pollution Control in September 2013 with the purpose of supporting efforts to reduce air  
62 pollution. In this plan, air quality and economic development are of equal importance in  
63 assessing the performance of government officials at local, provincial and national levels.

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

71 As part of efforts to improve air quality, the Chinese government has imposed strict  
72 regulations on pollutant emissions in mega-cities or developed regions. However, if the  
73 response is to shift industry out of these regions without changing consumption patterns, the  
74 result of the regulations may be an increase in total pollutant emission. This is because there  
75 will be an increase of such emissions through transport along geographically extended supply  
76 chains and because of generally inefficient production in less regulated areas. The  
77 redistribution of emissions could have potentially significant effects on regional air quality. For  
78 example, roughly a third of electricity consumed in Beijing is generated in Inner Mongolia (Liu  
79 et al., 2012a). Stricter regulations of the Beijing power sector will tend to increase the import of  
80 electricity if similar actions are not taken in Inner Mongolia. Given this connection, the most  
81 cost-effective means of reducing emissions from the Inner Mongolia power sector might not  
82 only be deploying new generation technologies there but also energy conservation in Beijing,  
83 as well as facilitating technological cooperation between the two regions (Liu et al., 2013;  
84 Lindner et al., 2013). In this regard, effective and cost-effective management of air quality may  
85 therefore require policies that cover the entire supply chain, which in turn will depend upon  
86 quantitative understanding of emission transport between producers and consumers.

87        Indeed, this dynamic consequence has already been demonstrated for CO<sub>2</sub> emissions. High  
88 levels of consumption in China's developed coastal regions are driving these emissions in  
89 interior provinces, where CO<sub>2</sub> emission intensity is much greater (Feng et al., 2013). As a result,  
90 substantial emissions are embodied in goods traded between provinces, and less developed  
91 regions bear a disproportionate share of the costs for both pollution and its mitigation. Recent  
92 work has demonstrated that the effectiveness of efforts to reduce pollution depend on  
93 understanding not only where pollutant is produced, but also where goods and services related  
94 to the pollution are ultimately consumed (Davis and Caldeira, 2010; Davis et al., 2011; Feng et  
95 al., 2013; López et al., 2013; Guan et al., 2014a). Lin et al. (2014) demonstrated that China's  
96 international trade has a significant impact on global air quality by linking the input-output  
97 model with the emission inventory and air quality model. However, the transport of air  
98 pollutant emissions through economic and trade activities among various regions of the  
99 country are not well established.

100        In this study, we developed a consumption-based air pollutant emission inventory  
101 framework at provincial scale to explore emission flows embodied in supply chains of China.  
102 With this framework, we estimated emissions of four air pollutants (primary fine particular  
103 matters (PM<sub>2.5</sub>) and its key precursors SO<sub>2</sub>, NO<sub>x</sub> and NMVOC) embodied in goods and services  
104 traded between 30 provinces or municipalities in China for 2007. We used a multiregional  
105 input-output (MRIO) model to reallocate emissions from producing provinces to provinces  
106 where the related products were ultimately consumed. Given China's substantial international  
107 trade, a sizable proportion of pollutant is related to goods ultimately consumed in other  
108 countries. We allocated such emissions to a single "out-of-China" region. To better assess  
109 consumption patterns, we also examined contribution of four consumption categories: urban  
110 household, rural household, government and capital formation. The consumption-based air  
111 pollutant emission inventory developed herein can be used to attribute pollution to various  
112 economic sectors and final demand types with the aid of air quality models. It should be noted  
113 that our consumption-based accounting procedure should not be interpreted as assigning all  
114 economic or ethical responsibility for pollution to consumers (Wiedmann, 2009; Davis and

115 Caldeira, 2010; Guan et al., 2014a); it represents a critical source of information for  
116 consideration by decision makers, who would design public policy accordingly.

117 This paper is organized as follows. In Section 2, we describe key principles of  
118 consumption-based accounting and details of our MRIO model, including sources and  
119 treatment of raw economic data. Section 3 presents consumption-based emissions at provincial  
120 level and pollutant emissions embodied in traded products. Section 4 address possible impacts  
121 of current policies, according to our findings and related policy implication.

## 122 **2 Methodology and data**

### 123 **2.1 MRIO analysis**

124 Since its development by Leontief (1970), environmental extended input-output analysis  
125 has been widely used to analyze drivers and causes of global and regional environmental  
126 change in many different contexts (Wiedmann et al., 2007; Hertwich and Peters, 2009; Minx  
127 et al., 2009; Suh, 2009; Guan and Barker 2012). In the past several years, environmental  
128 extended MRIO models have been developed to quantify global CO<sub>2</sub> emissions embodied in  
129 international trade, initially for a specific year (Davis and Caldeira, 2010 ; Feng et al., 2012),  
130 and later for multiple years (Peters et al., 2011). More recently, sectoral resolution of an  
131 input-output table was improved to facilitate MRIO analysis among 187 countries and 15909  
132 sectors (Lenzen et al., 2012, 2013). Liu et al. (2012) developed an MRIO model consisting of  
133 30 sectors and 30 provinces in China, which has been widely used to assess CO<sub>2</sub> emissions  
134 embodied in trade flows within China and internationally in 2007 (Feng et al., 2013). Here, we  
135 apply this Chinese MRIO in 2007 to quantify non-CO<sub>2</sub> air pollutants embodied in goods and  
136 service traded among the country's provinces and internationally. We summarize the model  
137 and data sources bellow.

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

$$139 \quad \mathbf{x}^r = \mathbf{A}^{rr} \mathbf{x}^r + \mathbf{y}^{rr} + \sum_{s \neq r} \mathbf{A}^{rs} \mathbf{x}^s + \sum_{s \neq r} \mathbf{y}^{rs} + \mathbf{y}^{re} \quad (1)$$

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

$$150 \begin{pmatrix} \mathbf{x}^1 \\ \mathbf{x}^2 \\ \vdots \\ \mathbf{x}^m \end{pmatrix} = \begin{pmatrix} \mathbf{A}^{11} & \mathbf{A}^{12} & \dots & \mathbf{A}^{1m} \\ \mathbf{A}^{21} & \mathbf{A}^{22} & \dots & \mathbf{A}^{2m} \\ \vdots & \vdots & \ddots & \vdots \\ \mathbf{A}^{m1} & \mathbf{A}^{m2} & \dots & \mathbf{A}^{mm} \end{pmatrix} \begin{pmatrix} \mathbf{x}^1 \\ \mathbf{x}^2 \\ \vdots \\ \mathbf{x}^m \end{pmatrix} + \begin{pmatrix} \sum_r \mathbf{y}^{1r} + \mathbf{y}^{1e} \\ \sum_r \mathbf{y}^{2r} + \mathbf{y}^{2e} \\ \vdots \\ \sum_r \mathbf{y}^{mr} + \mathbf{y}^{me} \end{pmatrix} \quad (2)$$

151 Here  $m$  indicate the total number of regions, which was 30 in this research.

152 When solved from total output, Eq.2 can yield:

$$153 \quad \mathbf{x} = (\mathbf{I} - \mathbf{A})^{-1} \mathbf{y} \quad (3)$$

154 The bold uppercase and lowercase letters in this equation represent corresponding matrixes  
 155 and vectors in Eq.2.  $(\mathbf{I} - \mathbf{A})^{-1}$  is the Leontief inverse matrix.

156 Pollutant emissions (referring here to primary PM<sub>2.5</sub>, SO<sub>2</sub>, NO<sub>x</sub> and NMVOC; see Section  
 157 2.4 below) are then calculated by incorporating a vector of emission intensity:

$$158 \quad \mathbf{e} = \hat{\mathbf{f}}(\mathbf{I} - \mathbf{A})\mathbf{y} \quad (4)$$

159 Here,  $\hat{\mathbf{f}}$  indicates a diagonal matrix with the elements of vector  $\mathbf{f}$  on its main diagonal and all  
 160 other entries equal to zero; component  $f_i^r$  in  $\mathbf{f}$  is the direct emission intensity vector calculated  
 161 by sector  $i$ 's total emissions divided by its total output in a given region  $r$  (Hubacek and Sun,  
 162 2005; Lin et al., 2014; Guan et al., 2014b).

163 **2.2 Emissions embodied in interprovincial and international trade flows**

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

172 
$$e_c^r = \sum_{s=1} e_c^{sr} = \sum_{s=1} \mathbf{f}^s (\mathbf{I} - \mathbf{A})^{-1} \mathbf{y}_c^r \quad (5)$$

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

178 Pollutant embodied in international exports are calculated by isolating the demand  $\mathbf{Y}$  for  
 179 exports,  $\mathbf{y}^e$ :

180 
$$e^e = \sum_{r=1} e^{re} = \sum_{r=1} \mathbf{f}^r (\mathbf{I} - \mathbf{A})^{-1} \mathbf{y}^e \quad (6)$$

181 Here,  $e^{re}$  indicates province  $r$ 's emission embodied in international exports.

182 This research also estimated emissions embodied in international imports. We began with  
 183 a simplifying assumption that imported products were produced under the same industrial  
 184 structure and technology in China (Tang et al., 2012). This gives emissions avoided by import  
 185 (EAI):

186 
$$e_{EAI} = \sum_{r=1} e_{EAI}^r = \mathbf{f} (\mathbf{I} - \mathbf{A})^{-1} \mathbf{y}^{lm} \quad (7)$$

187 To obtain the pollutant emissions embodied in each province's imports, we assume that  
 188 China's total import from nation  $i$  was proportionally distributed to each province. Then we  
 189 adjusted the  $e_{EM}$  of each province by a coefficient  $\mu_r$ , that reflects the producing nation's  
 190 average pollution intensity (Lin et al., 2014):

$$191 \quad \mu_r = \sum_i \frac{NI_i}{PI_r} \times \frac{N_i^{\text{exp}}}{C^{\text{im}}} \quad (8)$$

192  $NI_i$  indicates nation  $i$ 's pollution intensity;  $PI_r$  signifies province  $r$ 's pollution intensity;  $N_i^{\text{exp}}$   
 193 indicates nation  $i$ 's total export to China;  $C^{\text{im}}$  represents China's total import. Thus, the  
 194 emissions embodied in international imports to province  $r$  is  $\mu_r e_{EM}^r$ .

195 Apart from MRIO table, additional database were used in this study. Trade data between  
 196 China and other countries used in this section for China's international trade were aggregated  
 197 from the China Foreign Economic Statistical Yearbook (National Bureau of Statistics, 2008a)  
 198 and the China Trade and Economic Statistical Yearbook (National Bureau of Statistics, 2008b).  
 199 Provincial input-output tables (National Bureau of Statistics, 2011) were used to supplement  
 200 and modify the international import, which is more aggregated in the MRIO table.

### 201 **2.3 Consumption-based emissions by province**

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

$$208 \quad CE = PE - INE - IPE + INI + IPI \quad (9)$$

209 CE and PE indicate regional pollutant inventories from the consumption and production  
 210 perspectives, respectively; INE and INI signify emissions embodied in international exports



211 and imports, respectively; IPE and IPI represent emissions embodied in interprovincial  
212 exports and imports.

## 213 **2.4 Production-based inventory data**

214 The pollution intensity vector  $\mathbf{f}$  in Eqs. 4 and 7 is derived from the multi-resolution emission  
215 inventory for China (MEIC: <http://www.meicmodel.org>) compiled by Tsinghua University.  
216 The MEIC is a production-based inventory, updated from the widely used INTEX-B dataset  
217 (Zhang et al., 2009). The inventory covers 31 provinces or autonomous regions, 10 pollutants  
218 (e.g., SO<sub>2</sub>, NO<sub>x</sub>, CO, NMVOC, BC, PM<sub>2.5</sub>, PM<sub>10</sub>, ammonia (NH<sub>3</sub>), organic carbon (OC), and  
219 CO<sub>2</sub>), and ~700 emission source categories. In this study, we used the energy balance table of  
220 each province from the China Energy Statistical Yearbook (National Bureau of Statistics,  
221 2008c) and revised sectoral energy consumption from the China Economic Census Yearbook  
222 (National Bureau of Statistics, 2010) to map MEIC emission data onto the sectors in our  
223 Chinese MRIO (Guan et al., 2014c). The sector classification appears in Table A1 of Appendix  
224 A (all 30 sectors were aggregated into 27, making for consistency between MRIO and emission  
225 sectors). Global emissions were taken from EDGAR v.4.2 (<http://edgar.jrc.ec.europa.eu/>) to  
226 calculate aggregated pollution intensities for other countries (Eq.8).

## 227 **3 Results**

### 228 **3.1 Production-based emissions by consumption types**

229 Provincial production-based air pollutant emissions can be separated into three categories  
230 according to their service destinations: local consumption, other regions' consumption within  
231 China through interprovincial export, and other countries' consumption through international  
232 export. On average, we found that emissions from local consumptions contributed 62%, 46%,  
233 46%, and 56% of national total emissions for primary PM<sub>2.5</sub>, SO<sub>2</sub>, NO<sub>x</sub>, and NMVOC,  
234 respectively, with large variations between provinces. Higher contributions for primary PM<sub>2.5</sub>  
235 and NMVOC could be attributed to emissions from direct energy consumption in the  
236 residential activity. Regionally, contributions from each category varied by provinces,  
237 because of their different trade patterns and regional attributes. Figure 1 shows SO<sub>2</sub> as an

238 example to demonstrate production-based emissions of 30 provinces and the contribution of  
239 each category. The greatest contribution from local consumption was in Sichuan (69%) and  
240 Jiangxi (68%), indicating strong self-sufficiency in these regions. While lowest such  
241 contribution was in eastern coastal areas such as Tianjin (24%) and Shanghai (27%).

### 242 **3.2 Consumption-based emissions by province**

243 Table 1 compares production-based and consumption-based pollutant emissions in 2007  
244 for all 30 provinces in mainland China. For provinces where service industries and light  
245 industries are substantially developed, consumption-based emissions were greater than  
246 production-based ones because the former were very dependent on products or energy  
247 imported from other provinces. For example, Beijing's consumption-based emissions were  
248 2.6-, 3-, 1.6- and 1.5-fold its consumption-based emissions for primary PM<sub>2.5</sub>, SO<sub>2</sub>, NO<sub>x</sub> and  
249 NMVOC, respectively; about 74-83% of its consumption-based emissions were imported. In  
250 provinces with economies dependent on energy generation, heavy industry, or materials  
251 manufacturing, production-based emissions were much greater than consumption-based ones.  
252 For example, in Hebei, 63% of primary PM<sub>2.5</sub>, 67% of SO<sub>2</sub>, 68% of NO<sub>x</sub>, and 56% of  
253 NMVOC emissions were related to products consumed outside the province. Similarly,  
254 consumption-based emissions in Shanxi and Inner Mongolia were 26-62% less than  
255 production-based emissions. This difference indicates that over 50% of their total pollutant  
256 emissions were embodied in producing inter-provincially or internationally exported products.  
257 Anhui, Sichuan and Guangxi had similar emissions under these two accounting methods,  
258 because substantial proportions of goods produced in these provinces were consumed locally.  
259 In these provinces, emissions were largely related to residential direct energy consumption  
260 (considered here as the emission service for regional consumption).

261 According to the input-output analysis, regional final consumption can be divided into  
262 four categories: urban households consumption, rural households consumption, government  
263 consumption and capital formation. Emissions caused by domestic rural and urban residential  
264 direct consumption were listed as independent final categories because they are irrelevant to

265 economic production systems, and were designated rural\_direct and urban\_direct in the  
266 research.

267 Figure 2 presents pollutant emissions caused by each final consumption category among  
268 the 30 provinces. Capital formation and urban residential consumption dominated the  
269 consumption-based emission of SO<sub>2</sub> and NO<sub>x</sub> in all provinces, reflecting large-scale  
270 nationwide expansion of infrastructure. Among the 30 regions, capital formation in Shandong  
271 contributed most to national consumption-based SO<sub>2</sub> (5% of the national total) and NO<sub>x</sub> (3%  
272 of that total) emissions; this was followed by Jiangsu, Zhejiang, and Guangdong. For primary  
273 PM<sub>2.5</sub> and NMVOC, capital formation and direct rural residential energy consumption  
274 dominated total consumption-based emissions in nearly all provinces. In Beijing, Jiangsu,  
275 Shanghai, Zhejiang and Guangdong, biomass combustion is not used as a significant energy  
276 source, so capital formation and urban residential consumption activities dominated their total  
277 consumption-based emissions. For less developed regions, such as Guangxi, Guizhou, Anhui  
278 and Sichuan, biofuel remains an important energy source, so the related combustion emission  
279 accounts for over 50% of regional consumption-based emissions for primary PM<sub>2.5</sub> and  
280 NMVOC.

### 281 **3.3 Emissions embodied in interprovincial trade flows**

282 Figure 3 shows the balance of air pollutant emissions embodied in products traded among  
283 the 30 provinces in 2007. Nationally, 3.1 Tg of primary PM<sub>2.5</sub> (23% of total Chinese  
284 production-based emission), 10.5 Tg of SO<sub>2</sub> (33% of that total), 7.6 Tg of NO<sub>x</sub> (31% of the  
285 total) and 4.7 Tg of NMVOC (23% of the total) were emitted during the production of  
286 products or services that were ultimately consumed in other provinces or regions in the  
287 country. Economically advanced regions such as Beijing, Tianjin, Shanghai, Jiangsu, Zhejiang  
288 and Guangdong were net importers of emissions, whereas areas of heavy industry or  
289 manufacturing bases such as Hebei, Shanxi, Henan, Inner Mongolia and Shannxi were net  
290 emissions exporters.

291 Emissions embodied in intermediate products make up a large portion of total emissions  
292 embodied in interprovincial trade. This indicates that most goods being traded had supply  
293 chains covering multiple provinces, with relatively few products entirely manufactured in one  
294 province for consumption in the local region, reflecting a strengthened interregional  
295 cooperation in manufacturing pattern. For emissions embodied in interprovincial exports, the  
296 ratio between finished and intermediate goods varied from 1:1 to 1:12 across the provinces. The  
297 smallest ratio was 1:12 for Shanxi, which exported large amounts of energy to Beijing, Tianjin  
298 and other regions in southern China. The finished-to-intermediate ratio of emissions embodied  
299 in imports was similarly variable, ranging from 1:1 to 1:13. The smallest ratio was 1:13 for  
300 Zhejiang, which imported large volumes of intermediate products from the central, north and  
301 northwest regions to support its local industries.

302 Figure 4 presents the largest net flows of embodied pollutants among the eight regions  
303 (listed in Table A2 of Appendix A). From the perspective of technology development, there  
304 was an increasing trend of pollutant intensity from Southeast to Northwest China for all four  
305 pollutants. The Northeast had the strongest emission intensities for SO<sub>2</sub> (223 Mg/100 million  
306 CNY<sup>-1</sup>), NO<sub>x</sub> (145 Mg/100 million CNY<sup>-1</sup>) and NMVOC (74 Mg/100 million CNY<sup>-1</sup>). The  
307 Central had the highest emission intensity for primary PM<sub>2.5</sub> (50 Mg/100 million CNY<sup>-1</sup>). In  
308 contrast, the least emission intensity occurred in the South Coast (39 Mg/100 million CNY<sup>-1</sup>  
309 for SO<sub>2</sub> (49 Mg/100 million CNY<sup>-1</sup> for NO<sub>x</sub>) and the Beijing-Tianjin (13 Mg/100 million  
310 CNY<sup>-1</sup> for PM<sub>2.5</sub> and 41 Mg/100 million CNY<sup>-1</sup> for NMVOC). However, in terms of pollution  
311 transfer, affluent areas such as Beijing-Tianjin, East Coast and South Coast, were net pollution  
312 importers because of their relatively advanced economic development and modernized  
313 production technologies (thus lesser pollution intensity). For example, primary PM<sub>2.5</sub>  
314 emissions embodied in imports to the East Coast were four times greater than those embodied  
315 in exports with the factors for SO<sub>2</sub>, NO<sub>x</sub> and NMVOC at 3-, 2- and 1.5, respectively. About 80%  
316 of the emissions embodied in the East Coast's imports occurred in the North, Central and  
317 Northeast. In Beijing-Tianjin, pollutants embodied in imports exceeded those embodied in  
318 exports by factors of 4.5, 4, 3 and 2 for primary PM<sub>2.5</sub>, SO<sub>2</sub>, NO<sub>x</sub> and NMVOC, respectively.  
319 Further, 46% of the primary PM<sub>2.5</sub>, 27% of SO<sub>2</sub>, 28% of NO<sub>x</sub> and 24% of NMVOC embodied

320 in Beijing-Tianjin's imports derived from North (including Hebei and Shandong). In contrast,  
321 less economically developed areas in the north, central, northwest and southwest regions were  
322 net exporters, with large quantities of emissions outsourced by eastern and south coast  
323 regions.

### 324 **3.4 Emissions embodied in international trade flows**

325 Figure 5 presents emissions embodied in internationally traded products at provincial level.  
326 In keeping with China's role as the world's largest exporter, most provinces had a trade  
327 deficit in embodied emissions. Shandong was the largest exporter with 260 Gg of primary  
328 PM<sub>2.5</sub>, 833 Gg of SO<sub>2</sub>, 687 Gg of NO<sub>x</sub> and 470 Gg of NMVOC embodied in international  
329 exports, accounting for 11-13% of total emissions embodied in the country's international  
330 exports, followed by Guangdong, Hebei, Zhejiang and Jiangsu.

331 A province may make a final product for international export, but it can also make an  
332 intermediate product for another province's international export. The former process leads to  
333 emissions embodied in direct international export, whereas the latter leads to emissions  
334 associated with other regions' international export. International exports from the coastal  
335 areas (Guandong, Fujian, Shanghai, Zhejiang, Jiangsu, Tianjin and Shandong) accounted for  
336 82% of all Chinese exports. However, the associated embodied emissions were only 43, 41, 52  
337 and 60 % of national total export-embodied emissions for primary PM<sub>2.5</sub>, SO<sub>2</sub>, NO<sub>x</sub>, and  
338 NMVOC, respectively. Figure 6 presents the greatest cross-regional flows of emissions  
339 embodied in intermediate products caused by east coast regions' international export, which  
340 can explain the differences. We found that in coastal regions, ~50% of emissions embodied in  
341 international trade were transferred to the Central, Northwest and Southwest through  
342 intermediate products, thus to support their production export.

343 We estimated that 2.0 Tg of primary PM<sub>2.5</sub> (15% of total Chinese production-based  
344 emission), 7.0 Tg of SO<sub>2</sub> (21%), 5.7 Tg of NO<sub>x</sub> (23%) and 4.3 Tg of NMVOC (21%) were  
345 embodied in goods or services exported internationally, which are smaller than the estimates  
346 in Lin et al. (2014). Differences between that work and ours are mainly attributed to

347 differences of method. Lin et al. (2014) used a single-region input-output (SRIO) model for  
348 China, whereas this research used a MRIO model framework. The SRIO uses national  
349 average emission intensity when calculating export embodied emissions, which would  
350 overestimate emissions in coastal provinces where emission intensities are less than the  
351 national average. In the MRIO framework, embodied emissions were calculated for each  
352 province using its own emission intensity. Thus estimates in Lin et al. (2014) would be  
353 greater than ours, because export volumes are dominated by coastal provinces.

354

## 355 **4 Policy Implications**

### 356 **4.1 Impact from infrastructure construction**

357 Emissions related to construction-dominated capital formation accounted for 50% of all  
358 China's consumption-based emissions of air pollutants, corresponding to the increasing  
359 national urbanization rate from 26% in 1990 to 53% in 2013 (National Bureau of Statistics,  
360 2014). This rapid urbanization has created a boom in demand for materials and infrastructure,  
361 thereby greatly accelerated industrial production and infrastructure construction, and related  
362 pollutant emissions (Heinonen and Junnila, 2011). In addition, short-lived buildings aggravate  
363 this phenomenon, as in China the average building life span of building is 35 years, much less  
364 than the 74 years in the United States and 132 years in the United Kingdom (China Economic  
365 Review, 2013).

366 Recent studies have shown that China's current technology improvements will barely be  
367 able to offset pollutant emissions associated with increasing consumption (Liang et al., 2014;  
368 Guan et al., 2014b). However, the national government must continue to promote economic  
369 growth to improve livelihoods and overcome environmental problems. Thus, to achieve  
370 pollution reduction targets, the government should focus on key source sectors and  
371 technologies, but must also give greater attention to control and management strategies  
372 regarding consumption. Our study indicates that key regulatory policies should focus on the  
373 construction sector, such as promoting the use of energy-saving building materials and  
374 increasing building life spans, thereby reducing related upstream emissions along supply

375 chains. Given the increasing consumption, advocating conservation behaviors in daily life is  
376 also essential. To encourage rational spending, suitable tax policy can be used to transfer  
377 environmental impacts to consumers, thus reducing the consumption volume and related  
378 emissions.

## 379 **4.2 Importance of interprovincial and international transfer in pollutants**

380 Interprovincial trade in China is accompanied by substantial pollutant transfer. As shown in  
381 Fig. 3, 23, 33, 31 and 23% (3.1 Tg, 10.5 Tg, 7.6 Tg and 4.7 Tg) of China's primary PM<sub>2.5</sub>, SO<sub>2</sub>,  
382 NO<sub>x</sub> and NMVOC, respectively, are related to goods or services that are ultimately consumed  
383 outside the provinces where they were produced. Most of this pollutant transfer is between  
384 developing central and western regions and the affluent east coastal regions.

385 Recently, the central government has launched nationwide acts to reduce CO<sub>2</sub> emission  
386 (Liu et al., 2012b) and atmospheric pollutants (The State Council of the PRC, 2013), with  
387 stricter measures for eastern provinces than western ones. This disparity in mitigation targets  
388 is likely to accelerate the relocation of heavy industries to less-developed central and western  
389 regions, thereby worsening the atmospheric environment there. Fig. 4 reveals that  
390 production-related pollution intensities of the eight regions had gradually increasing trends  
391 from the developed southeast to less-developed northwest regions. This means that more  
392 pollutants were emitted to make one product unit in the central and west regions. Relocating  
393 industries will therefore redistribute the environmental problem rather than eliminate it, which  
394 is known as the "beggar-thy-neighbor" effect. Furthermore, increasing interprovincial trade  
395 will also drive traffic flows, which have been a key contributor to atmospheric pollutant  
396 emissions (Cheng et al., 2013). Consequently, this kind of industrial shift may ultimately  
397 increase total national pollutant emissions.

398 As air pollutants can be transported over a great distance in the atmosphere (Lin et al.,  
399 2014), outsourced emissions in developing provinces may be blow back to the developed  
400 provinces under certain meteorological conditions (Ying et al., 2014). Hence, an effective  
401 regional pollution control strategy should target reduction of total emissions rather than

402 simply relocating them. To alleviate this problem, technology transfer between developed and  
403 developing regions should play a leading role in joint actions for regional or interregional air  
404 pollution control. In addition, for developed regions, industrial transfer should be  
405 accompanied by technology transfer; for less-developed regions, a stricter emission standard  
406 should be established for new installations that exceed a given benchmark, thereby reducing  
407 the increment of emissions.

408 Economic mechanisms could also provide alternative means by involving both producers  
409 and consumers in emissions mitigation. The pilot phase of China's Emissions Trading  
410 Scheme (ETS) on CO<sub>2</sub>, SO<sub>2</sub>, and NO<sub>x</sub> has proven its effectiveness in emission reductions.  
411 Thus expanding the ETS system nationwide can be used to mitigate emissions. Economic  
412 stimuli or penalties instigated by leading companies could reduce the emissions of their  
413 suppliers more effectively as companies are the agents that decide to outsource their  
414 production chains (O'Rourke, 2014), thus can exert a cleaning effect on its upstream supply  
415 chains (Skelton, 2013). An eco-labelling system could achieve efficiency gains by producers  
416 which can be monitored by regulative bodies. Consumer choice in eco-labelling could be a  
417 great incentive for companies to adopt such a scheme to promote market competitiveness  
418 (Grundey and Zaharia, 2008).

419 The present results also indicated that substantial leakage of emissions from foreign  
420 countries to China via international trade. Pollution embodied in that trade accounted for  
421 15-23% of total pollutant emission in China. Furthermore, 41-60% of the embodied emissions  
422 occurred in Tianjin, Shandong, Jiangsu, Shanghai, Zhejiang, Fujian and Guangdong, all of  
423 which are within the country's three largest industrial bases (Jing-Jin-Ji, Yangtze River Delta  
424 and Pearl River Delta) where air pollution is severe. Thus, reduction policies related to export  
425 adjustment should concentrate on these key export-oriented regions and on exported products  
426 involving multi-sector and multi-regional supply chains with little added value (Skelton et al.,  
427 2011 Skelton, 2013).



## 428 **5 Concluding Remarks**

429 In this work, we used an MRIO framework to estimate consumption-based air pollutant  
430 emissions for China in the year 2007 at provincial level. This is the first time that virtual air  
431 pollutant emissions embodied in interprovincial trade was quantified and tracked. We found  
432 that coastal provinces outsourced large quantities of emissions to inland provinces through  
433 import of goods. Emissions were significantly redistributed owing to interprovincial trade.  
434 Future work can link our provincial level consumption-based inventory and pollution flows  
435 with chemical transport models, to investigate the impacts of trade activities on regional and  
436 global air quality.

437 Our MRIO analysis traced pollutant sources related to consumption activities. It clearly  
438 illustrated the extent and structure of pollutant externalization, and presented a reasonable  
439 approach to facilitating collaboration between producers and consumers. This approach  
440 appears an effective means to optimize air quality management decisions toward  
441 environmentally sustainable economic growth. The results of the work may help policy  
442 makers better understand the responsibility for pollution from a consumption perspective.  
443 However, partitioning responsibility between producers and consumers is more complicated,  
444 because producers accrue economic benefit when emitting pollutants (Barrett et al., 2013).  
445 Reasonable shared responsibility criterion (e.g., Gallego and Lenzen, 2005; Lenzen, et al., 2007;  
446 Cadarso et al., 2012; Hoekstra and Wiedmann, 2014) involving both producers and consumers  
447 in emission reduction could help developing provinces in China assume the cost increase  
448 derived from mitigation action and contribute to a more effective solution.

449

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455 **Appendix A**456 **Table A1** Sectors classification for MRIO Table

<b>Sector number</b>	<b>Sector Name</b>
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

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

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

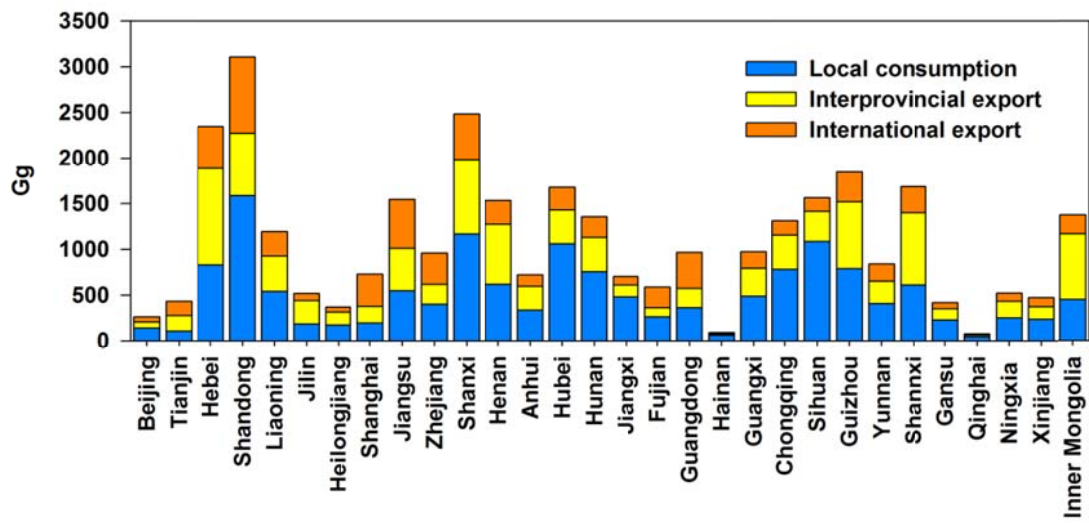


Fig. 1. Production-based SO<sub>2</sub> emissions in 2007 by provinces and consumption locations

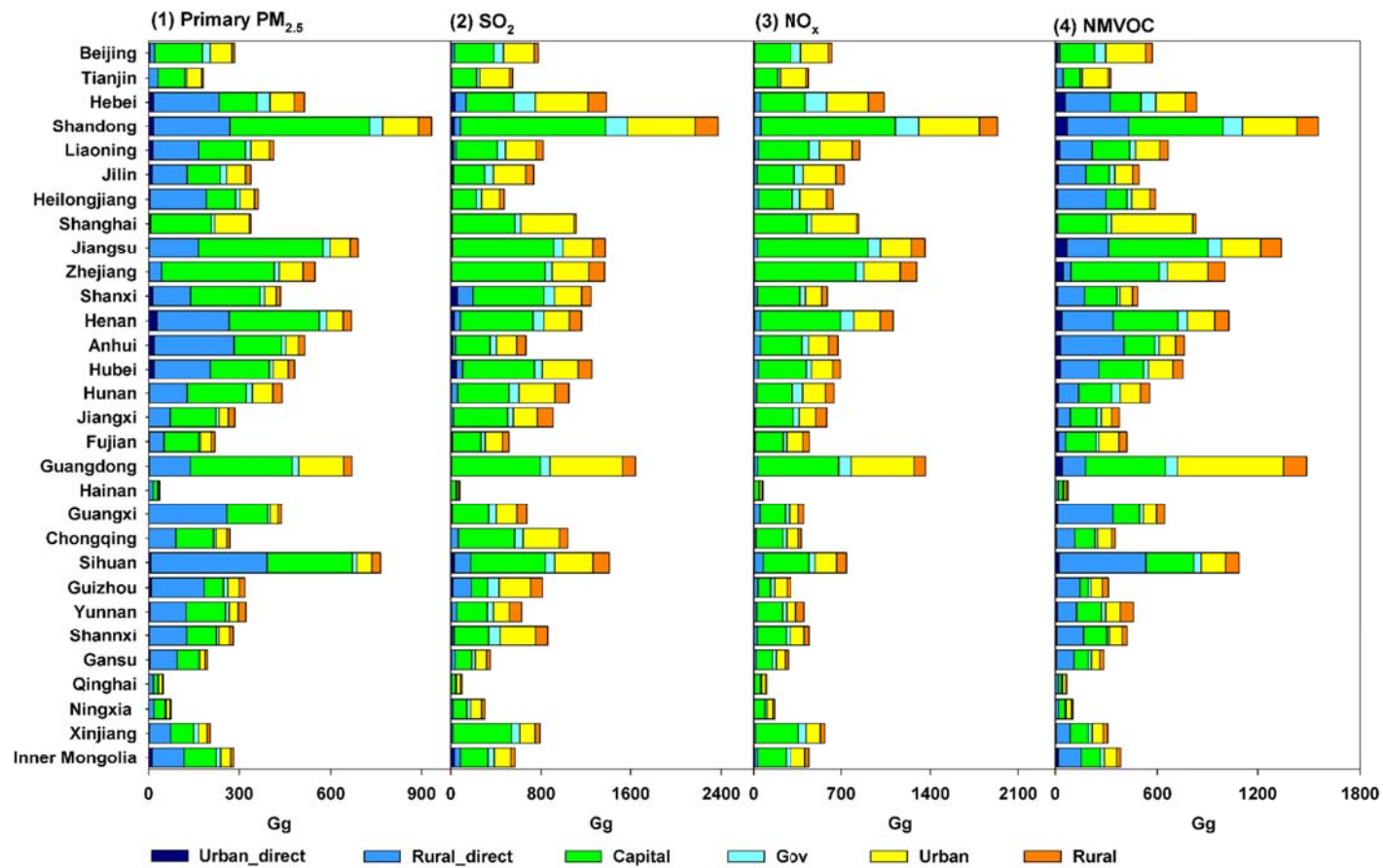


Fig. 2. Consumption-based emissions in 2007 by provinces and final demand categories

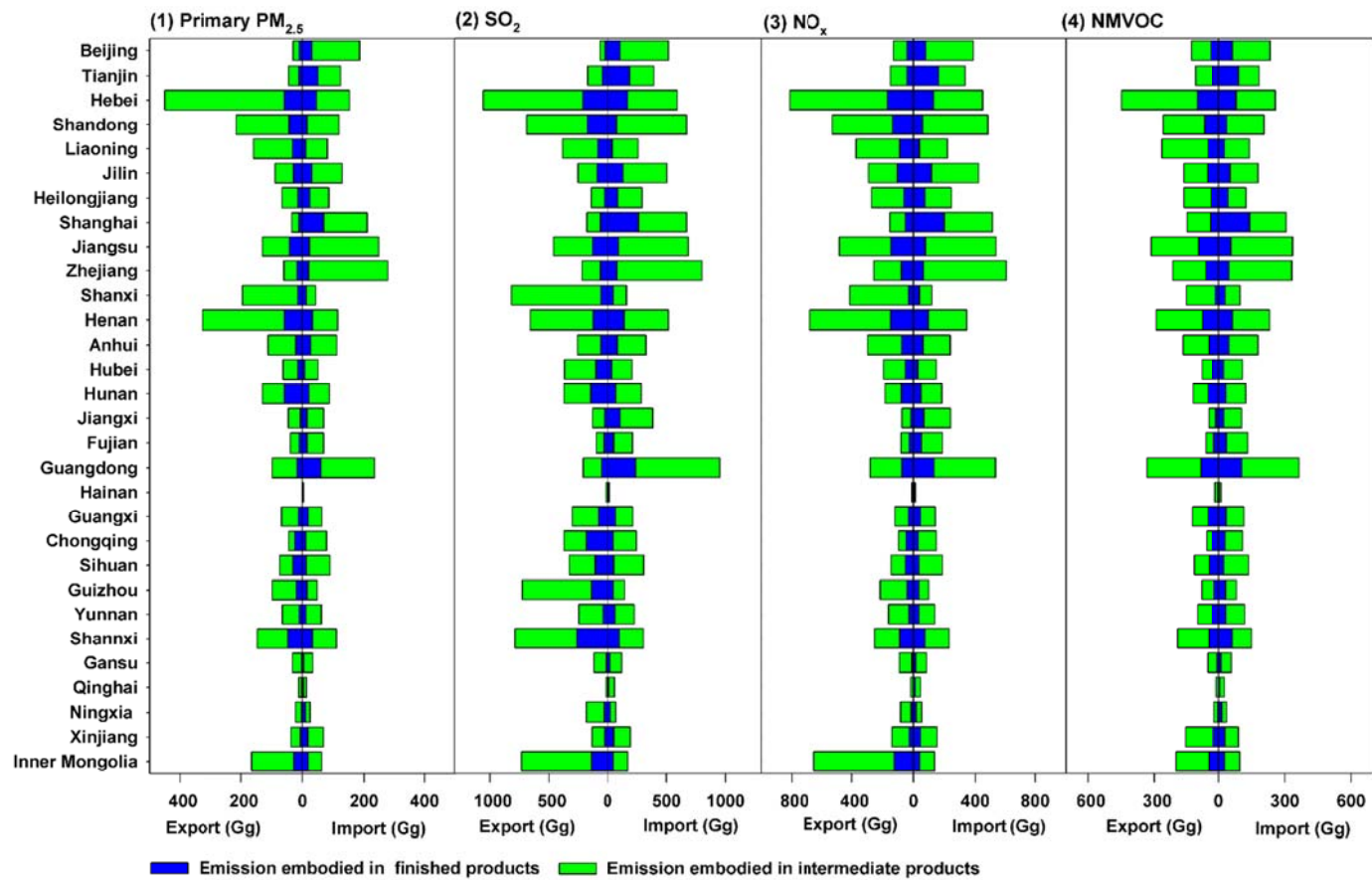


Fig. 3. Balance of air pollutant emissions embodied in each province's interprovincial trade

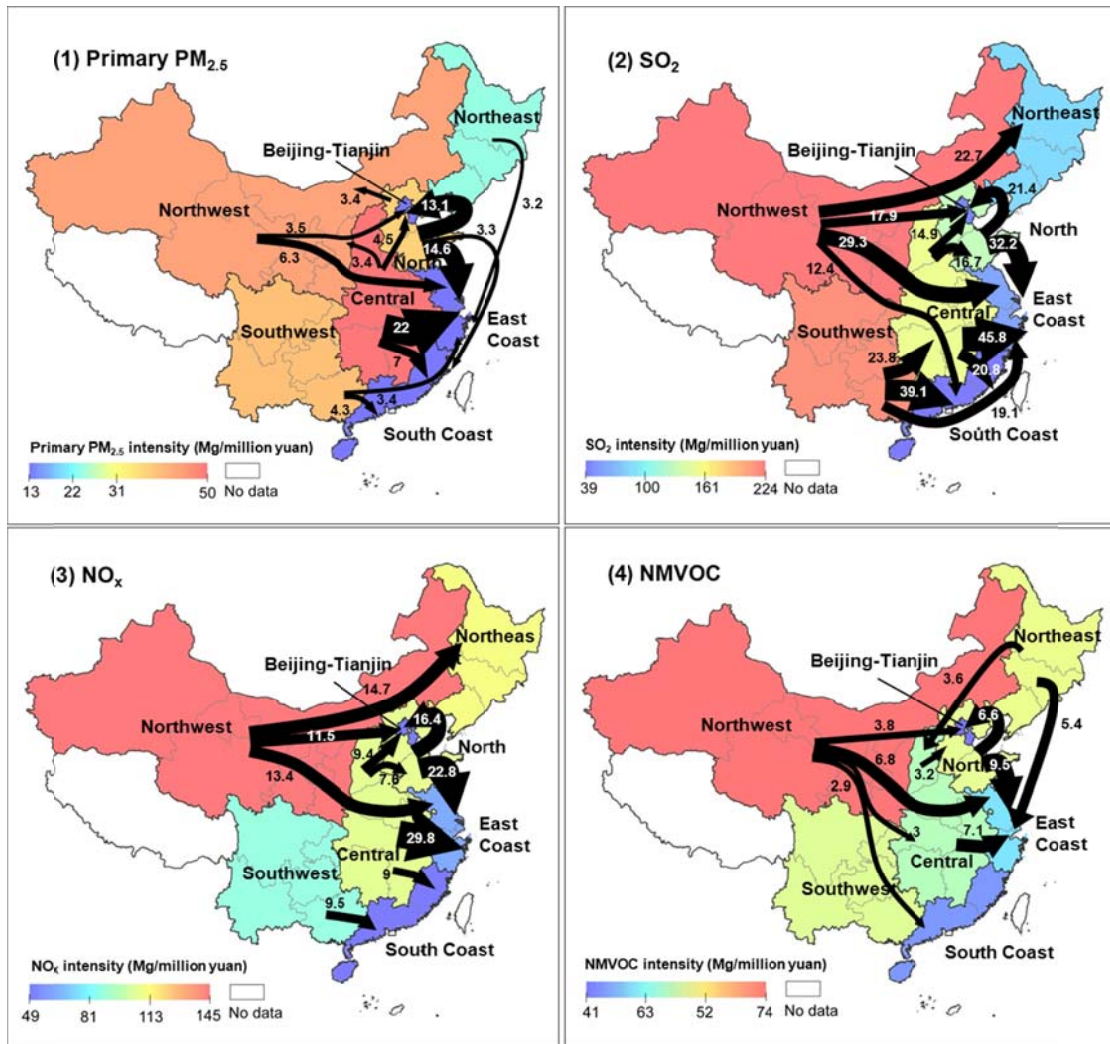


Fig. 4. Largest net flows of primary PM<sub>2.5</sub>, SO<sub>2</sub>, NO<sub>x</sub>, and NMVOC emissions embodied in interprovincial trade in 2007 (unit of flow: Gg). The shading in each region indicates the related production emission intensity.

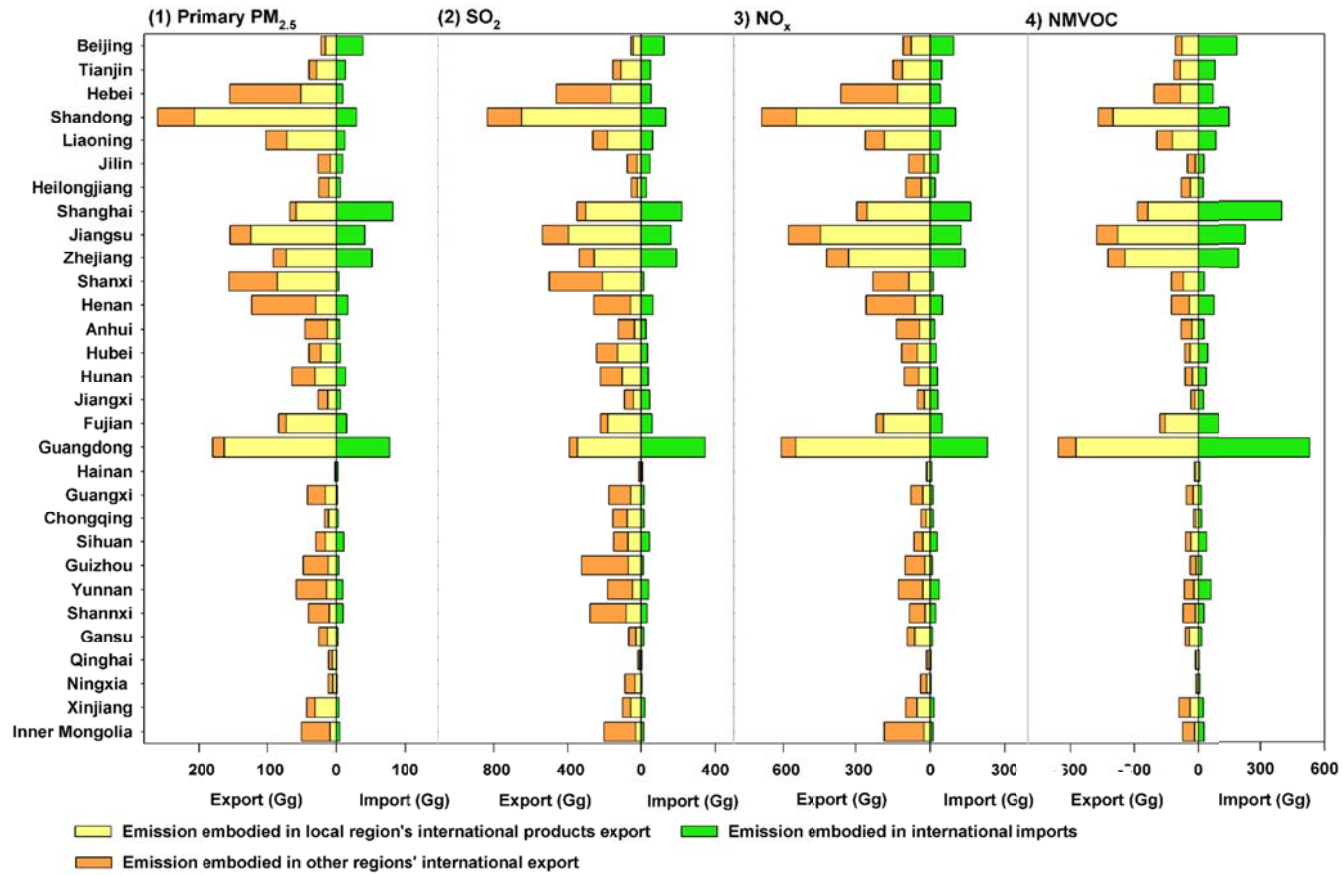


Fig. 5. Balance of pollutant emissions embodied in each province's international trade

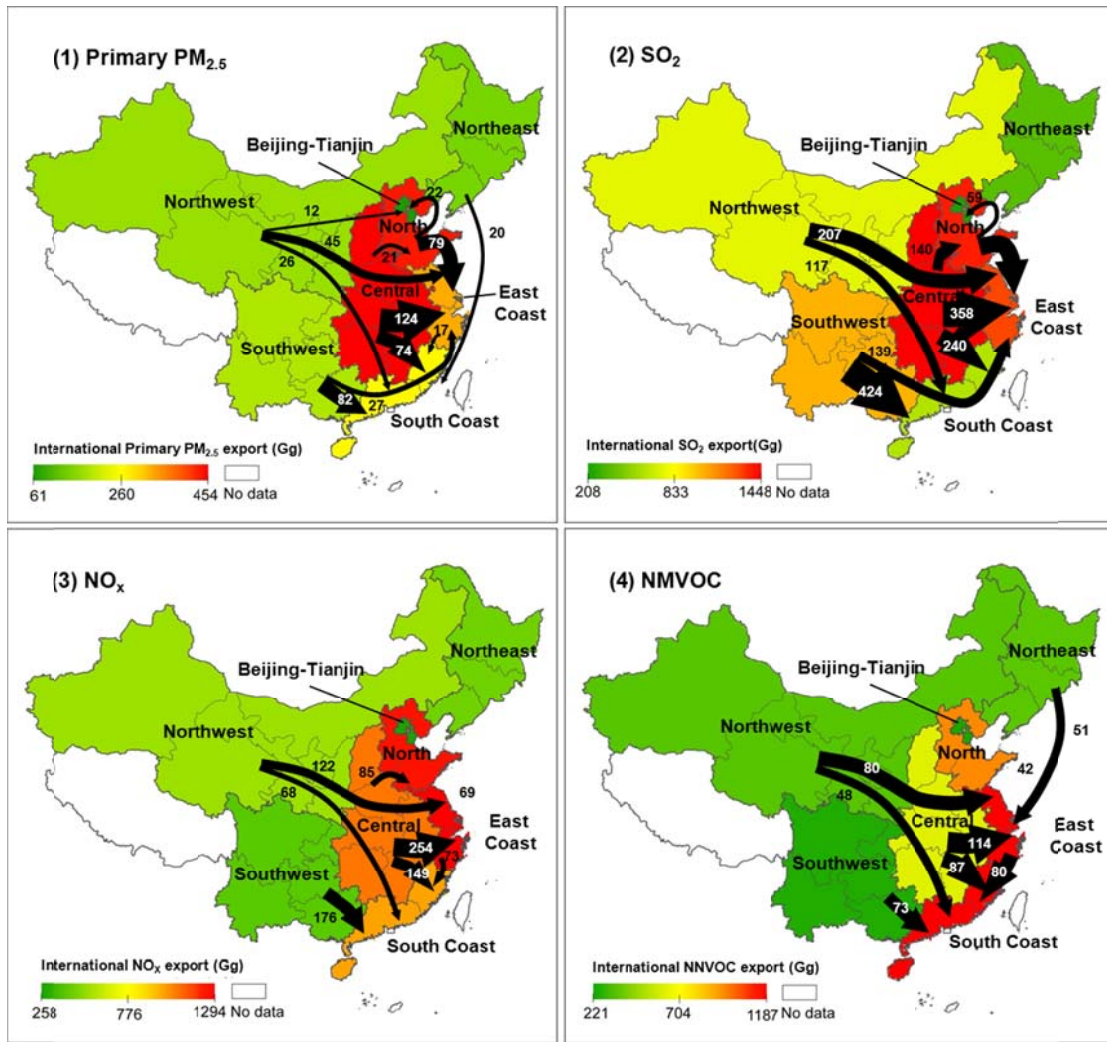


Fig. 6. Regional pollutant emissions due to production of intermediate products to support other regions' international exports (unit of flow: Gg). The shading from green to red indicates each region's total international pollutant exports.