

## **Economic growth and atmospheric pollution in Spain: discussing the environmental Kuznets curve hypothesis**

Jordi Roca (\*), Emilio Padilla (\*\*), Mariona Farré (\*\*\*) and Vittorio Galletto (\*\*)

(\*) Departament de Teoria Econòmica. Universitat de Barcelona

Avda. Diagonal, 690, 08034 Barcelona (Spain)

(\*\*) Departament d'Economia Aplicada. Universitat Autònoma de Barcelona

Edifici B. Campus de Bellaterra, 08193, Bellaterra (Spain)

(\*\*\*) Departament d'Economia Aplicada. Universitat de Lleida

Plaça Víctor Siurana, 1, 25003, Lleida (Spain)

### **CORRESPONDENCE AUTHOR**

Jordi Roca

Departament de Teoria Econòmica.

Universitat de Barcelona

Avda. Diagonal, 690, 08034 Barcelona

Tel: 34 934021942

Fax: 34 934021937

[jroca@eco.ub.es](mailto:jroca@eco.ub.es)

**ABSTRACT:** The environmental Kuznets curve (EKC) hypothesis posits an inverted U relationship between environmental pressure and per capita income. Recent research has examined this hypothesis for different pollutants in different countries. Despite certain empirical evidence shows that some environmental pressures have diminished in developed countries, the hypothesis could not be generalized to the global relationship between economy and environment at all. In this article we contribute to this debate analyzing the trends of annual emission flux of six atmospheric pollutants in Spain. The study presents evidence that there is not any correlation between higher income level and smaller emissions, except for SO<sub>2</sub> whose evolution might be compatible with the EKC hypothesis. The authors argue that the relationship between income level and diverse types of emissions depends on many factors. Thus it cannot be thought that economic growth, by itself, will solve environmental problems.

**KEY WORDS:** Environmental Kuznets Curve, atmospheric pollution, Spain.

## 1. Introduction: the environmental Kuznets curve hypothesis

Several recent studies have suggested that there is an inverted U relationship between environmental pressure, or quality, and per capita income level<sup>1</sup>. This hypothesis is called the environmental Kuznets curve (EKC) hypothesis because of its similarity with the relationship between the level of inequality and per capita income posited by Kuznets (1955). According to the EKC hypothesis, at the first stage of economic development environmental pressures increase as per capita income increases, but after a critical turning-point these pressures diminish along with higher income levels. In its most optimistic versions, the hypothesis suggests that economic growth is itself the solution to environmental problems, because environmental improvement will be an almost unavoidable consequence of economic growth (Beckerman, 1992). Nevertheless, this ingenuous interpretation has numerous problems. For example, environmental degradation is not only explained by current flows of emissions or concentrations of pollutants, but also depends on prior environmental pressures that affect the capacity of assimilation and the resilience of ecosystems. This is particularly relevant when irreversible changes take place (Arrow et al, 1995). The interdependence between economy and environment needs to be considered: if economic growth causes irreversible, or almost irreversible, environmental degradation, this may affect future

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<sup>1</sup> Some of the first studies were by Grossman and Krueger (1991), Shafik and Bandyopadhyay (1992), Panayotou (1993), Selden and Song (1994), and Holtz-Eakin and Selden (1995). Special issues of *Ecological Economics* (1995, 1998) and *Environment and Development Economics* (1996) have discussed the theory. The World Bank (1992, 1995) discusses the economic policy implications. Ekins (1997) and Stern et al (1997) make critical reviews of the literature.

growth (Stern et al, 1996). This is one of the justifications for stricter environmental policies before such irreversible damage is caused (Schlinder, 1996).

Although there is certain evidence that some environmental pressures have diminished in developed countries, none of the pollutants examined in the literature fulfills the EKC hypothesis unequivocally (Ekins, 1997). Many authors affirm that the EKC hypothesis could only be fulfilled in the case of pollutants with local and short-term effects, for in these the environmental and health impacts are clearest, and characterized by relatively low costs of abatement (as with SO<sub>2</sub>). In the case of pollutants with more global and longer-term effects and whose reduction seems to be more expensive (as with CO<sub>2</sub>), environmental pressure would not decrease when income is high. Thus, the hypothesis cannot be generalized to the global relationship between economy and environment (Selden and Song, 1994; Arrow et al, 1995; Cole et al, 1997). In addition, the studies that support the EKC generally find inversion points in the relationship between economy and environment that are a very long way from current income in the developing countries. This indicates that much higher levels of environmental degradation will be reached unless ambitious environmental policies are followed (Selden and Song, 1994; Stern et al, 1996).

It is important to stress that, when there is a negative correlation between the importance of an environmental problem and per capita income, this does not tell us much about the causes underlying this correlation. The estimates are usually based on a simple model that calculates the hypothetical total effect of per capita income on the level of emissions. It is assumed that this model reflects other structural model in which per capita income affects factors (such as technology, the composition of economic products or environmental policies) whose changes, in turn, influence environmental pressure or quality (de Bruyn et al, 1998). The virtue of the simple model is that the

whole influence (direct and indirect) of per capita income on environmental pressure is captured in the estimate. The defect is that one cannot identify the cause of this relationship. The reason for using the simple model is that the direct estimate with the structural model causes econometric problems, since the correlation of the explanatory variables does not allow a proper interpretation of the estimated coefficients.

Different studies show very varied behavior patterns, even among the same groups of pollutants. According to de Bruyn and Heintz (1999), a general explanation of these differences is that the data and methods employed vary a lot between studies<sup>2</sup>. Generally, the EKC hypothesis is weakened when one introduces more additional variables, besides income. This suggests that, in some cases, the EKC simply could arise due to the omission of relevant variables in the estimate. The majority of investigations that show the behavior suggested by the EKC have devoted little attention to exploring the reasons underlying this relationship. Usually, what they have done is to extrapolate explanations, in some cases ad hoc, without any empirical evidence supporting them. The explanatory factors that most frequently appear in the literature are as follows.

*Environmental quality as a luxury good.* It is argued that a higher income level implies a greater demand for environmental quality. Rich people would be willing to devote more resources to environmental protection and to adopt consumption patterns less harmful to the environment. However, environmental quality consists of many different environmental goods, some of which may even have a negative income effect: some authors question whether assuming environmental quality as a luxury good is an

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<sup>2</sup> Specifically, de Bruyn and Heintz (1999) attribute the differences to the use of emission or concentration indicators; different estimation methods employed; different sets of countries included in the panel; different methods employed to transfer the national per capita income data to comparable monetary units; and the use of different variables besides income.

appropriate explanation for the EKC observed for some pollutants (McConnell, 1997). Rich people have incentives to improve the environment to the extent that they themselves are affected by this degradation, but this is not the case when these effects move in time or space to other citizens (Arrow et al, 1995; Perrings, 2000). This is the case of global pollutants, such as CO<sub>2</sub>, for which there is an incentive to 'free ride'.

*Production composition.* According to this argument, at a first stage of development, economic activity, mainly agrarian, causes scarce environmental impact. At a second stage, the steadily greater weight of the industrial sector entails an increase in pollution and, therefore, greater environmental degradation. Finally, at the higher stage of development, the increasing importance of the service sector implies a decrease in environmental impact. However, this hypothesis forgets that the service sector is an aggregate that includes activities with strong environmental impact (such as air transport or mass tourism). In addition, the change in the composition of production could explain the decrease of environmental impact per unit of GDP or of National Income, but not in absolute terms. This absolute level is the relevant variable for measuring the implications of income growth (de Bruyn et al, 1998). Furthermore, the observed EKCs could result (at least partly) from a displacement of the most polluting industries from the rich countries toward the poorest ones, without the composition of consumption (and its pollution content) varying substantially (Arrow et al, 1995; Stern et al, 1996; Ekins, 1997; Suri and Chapman, 1998). This suspicion inspired Rothman (1998) to propose the elaboration of measures of environmental pressure through indexes of the composition of consumption. If a movement of polluting industries from rich to poor countries has taken place, it is unlikely that this behavior can be reproduced in the future in developing countries.

*Technological progress.* According to this argument, technological progress causes a decrease of environmental pressures generated by the different productive sectors. However, in many cases, technological innovation can harm the environment (for instance, some innovations in fishing techniques). Therefore, it cannot be assumed that the environmental balance is positive. The relationship between per capita income and technological possibilities should also be studied further: the techniques with most environmental impact are not necessarily the cheapest and most accessible to poor countries at all.

From an optimistic point of view, these explanations could be coherent with the idea that economic growth endogenously bears the solution to the environmental problems that it entails, but all the explanations meet clear limitations. Therefore, the majority of studies stress the importance of *environmental policies* in making possible the ‘de-linking’ between economic growth and environmental deterioration. There is no evidence that this ‘de-linking’ arises in an endogenous way from the growth process, but rather a definite environmental policy making future growth compatible with sustainable development is required (Ekins, 1997). Most authors state that it is more than probable that local and national policies and international treaties have played a major role in the decrease in some pollutants. These policies could be analyzed as independent shocks that, like other important shocks (for example, changes in some key prices or important technological innovations), can take place at very different income levels and probably affect simultaneously countries with quite different income levels. Thus, Unruh and Moomaw (1998) show that the 1973 shock of oil prices had an enormous influence on the behavior of CO<sub>2</sub> emissions in all the countries they studied, in spite of the enormous differences in per capita income. Lastly, Torras and Boyce (1998) find that social factors such as civil rights, education and inequality are

important: according these authors, more equality is associated with less environmental pressure.

In many cases, different factors are strongly interrelated. Consumer preferences may cause institutional changes with the incorporation of stricter environmental policies. This in turn can cause a movement of polluting companies toward poorer countries with more permissive environmental policies. Environmental policies can also encourage research into more efficient and less harmful technology. In turn, structural changes in the composition of economic structure can be motivated by changes in preference, technology or policies.

The article is organized as follows. Section 2 reviews the data and methodology used in the empirical analysis. Section 3 presents a first look at the trends in Spain for the period 1980-1996. Section 4 analyses with more detail, the behavior of the different atmospheric pollutants and discusses the results. Section 5 summarizes the main conclusions.

## **2. Atmospheric pollution in Spain: a longitudinal perspective**

One conclusion of the previous section is that the empirical evidence on the EKC is partial and very limited. Most studies have been performed with cross-section data from a series of countries. Even though some of these studies give arguments favorable to the hypothesis, they do not guarantee that individual countries behave over time in accord with the relationship calculated for the panel of countries (de Bruyn et al, 1998). It would be more appropriate to study the relationship between economic growth and each type of environmental pressure, analyzing the experience of individual countries and using both econometric and historical analysis (Stern et al, 1996). The particularities of



each country and the historical moment in which they experience the different stages of development reduce the capacity of panel data analysis to explain the behavior of the relationship between economy and environment in each individual case. In fact, there is growing interest in longitudinal analysis, as in the aforementioned study of CO<sub>2</sub> emissions in several countries (Unruh and Moomaw, 1998), the study of de Bruyn et al (1998) about various atmospheric pollutants for four developed countries, or the article by Lekakis (2000) on Greece. In all these cases, the conclusions from longitudinal analysis were generally even more skeptical about the inverted U-shaped EKC than from cross-section analysis.

We will analyze the recent trends of six atmospheric pollutants in Spain, in terms of their annual pollution flows and not of their concentrations. Concentrations of pollutants depend on pollution flows but the relationship is complex and depends, among other factors, on the bigger or smaller space and temporal concentration of these flows and on dispersion and transformation processes (for example, some "primary" pollutants give place to other "secondary" ones). We selected the pollutants according to their environmental relevance and data availability, so we only included pollutants for which we had annual flow estimates going back to 1980.

These pollutants considered are carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), sulfur dioxide (SO<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>) and non-methanic volatile organic compounds (NMVOC). In the case of CO<sub>2</sub>, we used a longer series, covering the period 1972-96, provided by the International Energy Agency (IEA, several years) which only considers fossil fuel emission. For the other five pollutants, the data from 1980 to 1996 were provided by the Inventory of Pollutants to the Atmosphere CORINE-AIRE<sup>3</sup>

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<sup>3</sup> According to this methodology, SO<sub>2</sub> and SO<sub>3</sub> emissions are considered as part of SO<sub>2</sub> data (in SO<sub>2</sub> equivalent) and NO and NO<sub>2</sub> emissions are considered as part of NO<sub>x</sub> data (in NO<sub>2</sub> equivalent).

(according to the IPCC methodology) of the Spanish Ministry for the Environment. This inventory was approved by the European Community in 1985 within the CORINE project for collection, coordination and coherence of information on the situation of the environment and natural resources in the Community. These data can be considered the best available official figures (although their reliability must be treated with caution) and allow us a certain sector and space break-down of emissions. The inventory establishes the following classification of polluting activities: electricity generation; commercial, institutional and residential combustion; industrial combustion; industrial processes without direct combustion; extraction, first treatment and distribution of fossil fuels; use of organic solvents; road transport; other means of transport; waste management; agriculture and cattle-raising; nature. . We ignored the last, natural-based emissions, since the relevant emissions for the study of the relationship between economic growth and environmental pressure are the anthropocentric ones.

The first three pollutants considered ( $\text{CO}_2$ ,  $\text{CH}_4$  and  $\text{N}_2\text{O}$ ) are of special relevance because they are (together with CFCs, whose commercialization for internal use is already forbidden in Spain as in many other countries) those that most contribute to enhancing the greenhouse effect. The flows of these three gases are the first three indicators that Eurostat considers in the topic "climatic change" inside its project of environmental pressure indicators for the European Union (Eurostat, 1999). Furthermore, Spain has, like all the countries in Annex 1 of the convention on climatic change, a specific commitment to limiting greenhouse gas emissions acquired in the agreements of Kyoto (December 1997) and their later concretion inside the EU. The commitment refers to the emissions of six greenhouse gases (the three main ones are

precisely CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O)<sup>4</sup> that globally should not have increased in Spain by more than 15% in 2008-2012 over the 1990 level<sup>5</sup>.

SO<sub>2</sub>, NO<sub>x</sub> and NMVOC are the three compounds considered most relevant by the aforementioned Eurostat project (Eurostat, 1999) in its chapter on "atmospheric pollution". Their effects are not mainly global, but regional and local. SO<sub>2</sub> is associated with the acid rain problem and is one of the main causes (along with the emission of particles) of smog. NO<sub>x</sub> is also an important component of "acid rain" and, together with NMVOC, is a precursor of the formation of tropospheric ozone (O<sub>3</sub>), generating "photochemical pollution".

### **3. A first overall analysis of the trends in Spain for the period 1980-96**

A first look at the trends during this period enables us to advance some conclusions about the assumption that at high income levels economic growth is "de-linked" from environmental pressure. Anthropocentric emissions of methane increased a lot, almost 70% (Figure 1); anthropocentric emissions of two other gases (CO<sub>2</sub> and NO<sub>x</sub>) also increased significantly (by around 20%). The 1996 emissions for N<sub>2</sub>O and volatile organic compounds were very similar to the 1980 figures. Only in the case of SO<sub>2</sub> did emissions decrease very significantly, as could be expected if the EKC was fulfilled and supposing that at the beginning of the eighties Spain had already reached a sufficiently high per capita income as to be located in the falling section of the curve.

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<sup>4</sup> The other three are HFCs, PFCs and SF<sub>6</sub>.

<sup>5</sup> Bear in mind that the EU has assumed its commitment to 8% reduction as a "bubble", so while some countries (such as Spain) are allowed to increase, others are required to reduce much more than 8%.

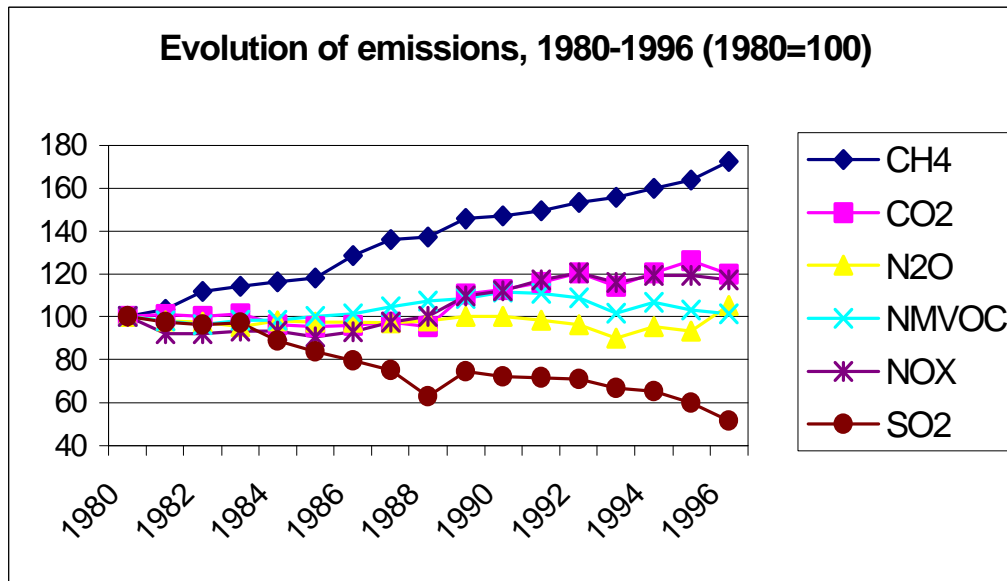


Figure 1.- Evolution of emissions, 1980-1996.  
(Data from CORINE and IEA, several years).

It can be argued that the data to be used for EKC debate should not be emission data, but per capita emission data. However, since the Spanish population increased very moderately between 1980 and 1996, we can see that Figure 2's trends are practically identical to Figure 1's, although the final index values are always a bit lower. The important thing to highlight is that there is no tendency to lower emissions, except in the case of SO<sub>2</sub> and maybe very slightly in volatile organic compounds in the nineties.

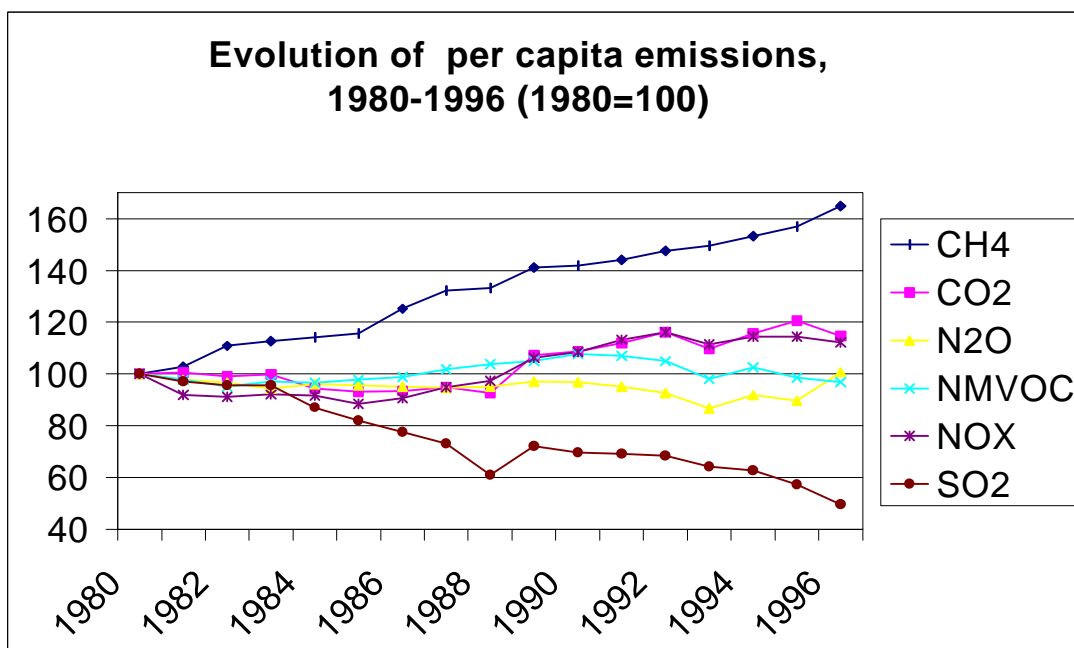


Figure 2.- Evolution of per capita emissions, 1980-1996  
(Data from CORINE, IEA and INE, several years).

The EKC holds that it is economic growth and not just the passage of time that explains the supposed decrease in environmental pressure. In 1996, per capita income was considerably higher than in 1980, but in the 1980-1996 period there were very different stages in the rate of variation of per capita income. Therefore, it is interesting to see the direct relation between per capita emissions and per capita real GDP<sup>6</sup> (Figure 3). The resulting figures are more complex but we can again affirm that there does not appear to be any correlation at all between increasing income and lower emissions. The exception is SO<sub>2</sub> whose evolution is compatible with the EKC hypothesis.

<sup>6</sup> We use the GDP at 1986 prices (Source: INE, several years).

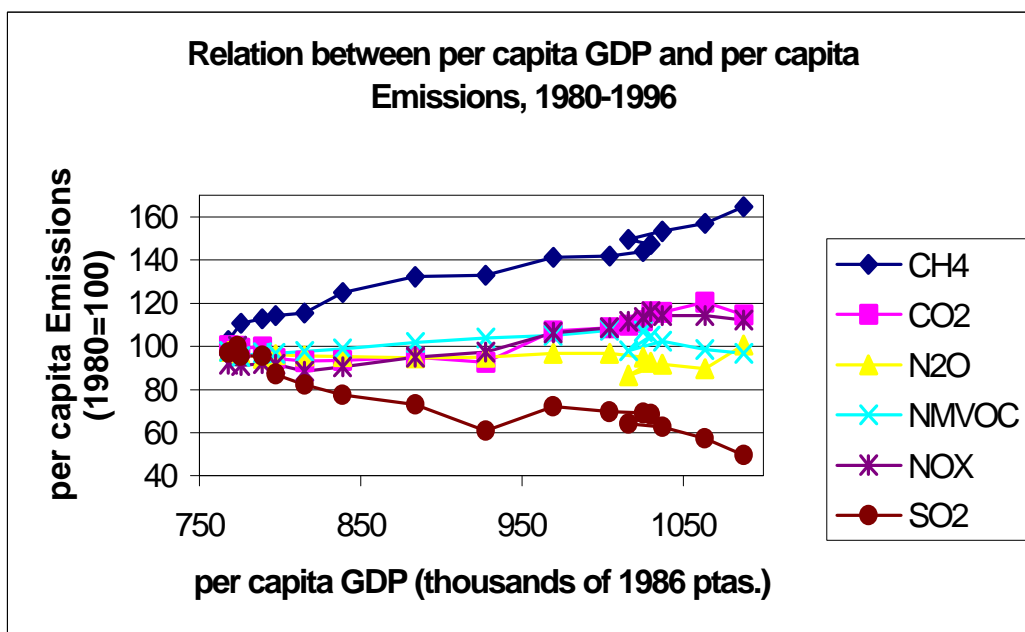


Figure 3.- Relation between per capita GDP and per capita Emissions (Data from CORINE, IEA and INE, several years).

#### 4. Analysis of the trends of the atmospheric pollutants

##### 4.1. CO<sub>2</sub> emissions

In this section, we will analyze in detail the behavior of CO<sub>2</sub> emissions in Spain for the period 1973-1996. Several recently published studies have estimated the relationship between per capita CO<sub>2</sub> emissions and per capita GDP growth using data from a panel of several countries. Their findings are contradictory, but in general they do not support the EKC hypothesis. Rather, they seem to indicate that CO<sub>2</sub> emissions will generally continue to increase while countries pursue economic growth policies. These policies prevent them from reaching the objective of reducing or even stabilizing CO<sub>2</sub> emissions. Some studies find a close growth relationship between CO<sub>2</sub> emissions and GDP growth (Shafik, 1994); others find that the transition income values needed to start stabilizing emissions are very high (Holtz-Eakin and Selden, 1995); and others

even find evidence of a N-shaped curve, meaning that after a second transition level emissions tend to grow again (Grossman and Krueger, 1995).

If we look at the evolution of per capita CO<sub>2</sub> emissions between 1973 and 1996 as per capita income varies (Figure 4), we find three stages: a strong emissions growth until the end of the seventies; a subsequent relative emissions stabilization; and a later tendency to increase. This is different from other rich countries, which in most cases had a "peak" of emissions in 1973 (Moomaw and Unruh, 1997). This shows a specific delay in the Spanish economy's adjustment to the new situation of sharp increases in energy prices. The same evolution can be described alternatively through the indicator of CO<sub>2</sub> "emissions intensity" or CO<sub>2</sub>/GDP. This indicator first increases, only diminishes significantly at the beginning of the eighties and then is more or less stable later on (Figure 5). In other words, economic growth only transitorily involves an increase of emissions proportionally less than GDP growth.

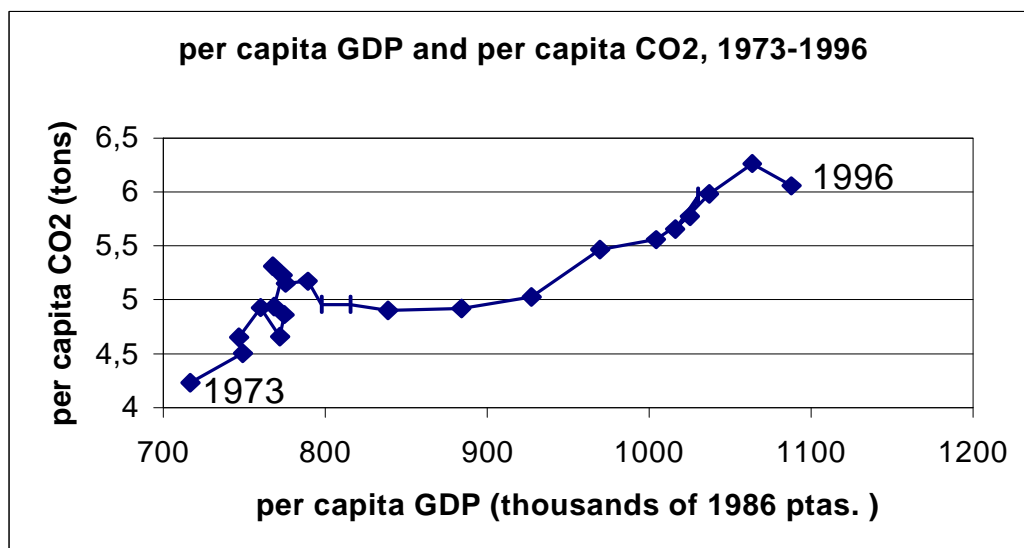


Figure 4 .- GDP and CO<sub>2</sub> per capita emissions in Spain, 1973-1996. (Data from IEA and INE, several years).

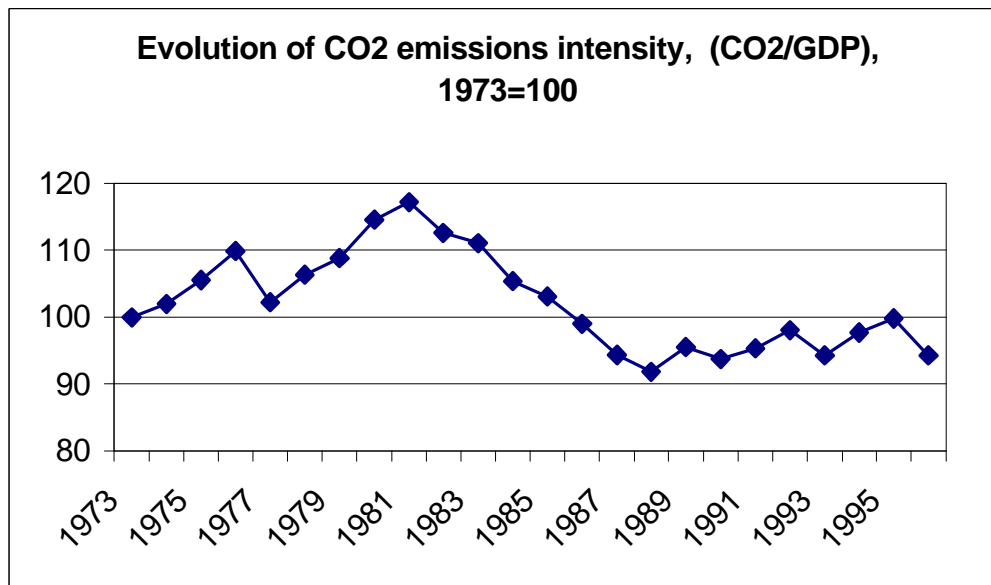


Figure 5.- Evolution of CO<sub>2</sub> emissions intensity, 1973-1996.  
(Data from IEA and INE several years).

For a more detailed analysis, we will model the econometric relationship between emissions and income, as articles that try to contrast the EKC usually do. This is done through a model of the following type:

$$Y_t = b_0 + b_1 X_t + b_2 X_t^2 + b_3 X_t^3 + e_t \quad (1)$$

where  $t = 1, \dots, T$  refers to years,  $Y_t$  = per capita CO<sub>2</sub> emissions and  $X_t$  = per capita GDP and  $e_t$  is an error term.

As we might expect from a graphic analysis, the model does not satisfy the minimum econometric requirements for Spanish data<sup>7</sup>; and nor does it when we estimate the model with the variables in logarithms. Thus, it becomes necessary to look for additional explanatory variables.

The previous result does not necessarily imply that income and emissions are not related to each other, but rather that the relationship may be hidden by the influence of other variables. Since CO<sub>2</sub> emissions are not only explained by energy consumption --

<sup>7</sup> The Durbin-Watson statistic indicates the existence of autocorrelation in the estimated errors.



predictably, closely linked with income -- but also by the structure of energy supply, the changes in this structure could explain the changes in the relationship between income and emissions. During the period analyzed, characterized by the energy crises of the seventies and eighties, two important changes that are very relevant to our analysis occurred: a strong growth in nuclear power and in the use of coal for electricity generation (Figure 6).

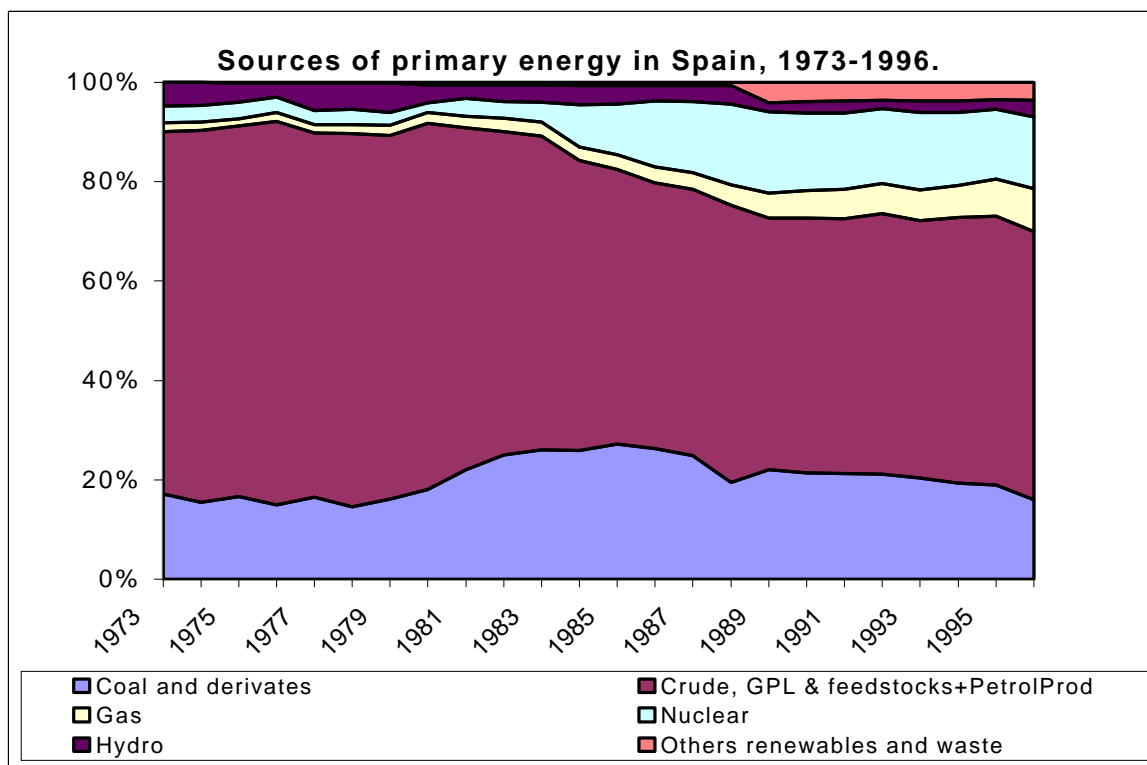


Figure 6 .-Sources of primary energy in Spain, 1973-1996.  
(Data from IEA, several years).

To catch the combined influence of the variation of per capita income and of the main changes in energy structure on the variation of per capita emissions, we calculated the following model for the same period 1973-1996:

$$\ln Y_t = \mathbf{b}_0 + \mathbf{b}_1 \ln X_t + \mathbf{b}_2 \ln N_t + \mathbf{b}_3 \ln C_t + \mathbf{e}_t \quad (2)$$

where  $N_t$  and  $C_t$  are two indicators of the weight that nuclear energy and coal have inside the energy system at each moment. Specifically, we used the share of nuclear power and coal in total primary energy (based on IEA, several years). As the series are in logarithms, we can interpret the coefficients in terms of elasticities: the percentage increase in the independent variable that would cause a one per cent variation in each of the dependent variables.

Since the series has 24 observations, it was appropriate to carry out a time-series analysis to avoid spurious regressions, in that the relationships between variables of the model could be merely casual and not causal. To this end, it was necessary to check that all the series were of the same order of integration. Then, the stationary nature of the residuals generated by the linear combination of the variables included in the model had to be checked, i.e. to contrast the co-integration of the variables. The conclusion we drew was that the four series are not stationary in levels, but are stationary in first differences, i.e. they are all integrated at order 1.<sup>8</sup>

Therefore, we could carry out the calculation with the proposed model in which the dependent variable is per capita CO<sub>2</sub> emissions and the explanatory ones are, besides

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<sup>8</sup> The following table shows the relevant statistics of the integration tests (Dickey-Fuller tests) for each of the series (in logarithms, from 1973 to 1996).

Variable	Series statistic in levels	Series statistic in differences
$\ln Y_t$	- 1.58	- 4.38 **
$\ln X_t$	- 0.04	- 2.77 *
$\ln N_t$	- 0.71	- 4.05 **
$\ln C_t$	- 1.16	- 4.42 **

\* Reject the null hypothesis of Unit Root at 10 %.

\*\* Reject the null hypothesis of Unit Root at 1 %.

per capita income, the shares of nuclear power and coal in total primary energy, with all the variables in logarithms. The results are summarized in Table 1<sup>9</sup>.

Table 1.- Estimation results. Dependent variable is  $\text{Ln}Y_t$  (1973-1996)

Variable	Coefficient	t-statistic
$b_0$ (constant)	-13.71	-18.75
$b_1$ (GDP)	1.24	11.48
$b_2$ (nuclear)	-0.13	-6.26
$b_3$ (carbon)	0.19	4.54
R <sup>2</sup> : 0.9224		
Adjusted R <sup>2</sup> : 0.9107		
Durbin-Watson: 2.2725		

The calculation has high goodness of fit. The estimated coefficient shows that the relationship between GDP and CO<sub>2</sub> emissions is very strong. In addition, the coefficient indicates that the elasticity between the two variables is even superior to the unit. Consequently, the CO<sub>2</sub> emission intensity of the GDP even tends to increase as GDP increases. Furthermore, we see that nuclear power indeed played an important role in the reduction of CO<sub>2</sub> emissions, while the increase in coal use worked in the opposite direction.

<sup>9</sup> Whether the residual generated is stationary has to be checked. This would prove that there is cointegration and, thus, that the previous estimation is consistent. Therefore, if we apply the Dickey-Fuller test we obtain a statistic of -6.13, which is lower than the critical reference value: we concluded that the series are co-integrated and the estimated parameters are consistent. We also performed the Johansen test, which indicated that there is more than one co-integration vector. This means that the coefficients estimated in the above equation are a linear combination of the different vectors of co-integration coefficients.

An analysis of the energy data shows that economic growth in Spain has not “de-linked” from energy use even in the weak sense, largely because of the greater energy used by road transport (Alcántara and Roca, 1995).

#### **4.2 Sulfur dioxide (SO<sub>2</sub>)**

This pollutant has two characteristics that make particularly feasible the idea that, above a certain income level, emissions will decrease. First, its emissions mainly affect local population (although they can cross borders). Second, there are a limited number of important emission focuses that are easily located and investment can easily reduce emissions even with just simple "end of pipe" measures. Figure 1 shows that the temporal evolution of SO<sub>2</sub> emissions in Spain for the period 1980-1996 is characterized by a clear tendency for emissions to drop.

As for the weight of the different groups of polluting activities, in the next Table 2 we can see that most emissions have their origin in a very specific sector: electricity generation. Although the emissions of this sector diminished a lot between 1980 and 1996, both in relative and absolute terms, conventional thermoelectric power stations are still the largest SO<sub>2</sub> polluting focuses. It is the existence of very polluting coal power plants -- some of them are among the most polluters in the European Union -- which explains why per capita emissions in Spain are well above the European Union average (Eurostat, 1999, p. 18). The high spatial concentration of emissions shows the same: emissions in four of the 52 Spanish provinces represent more than half the total emissions (Table 3). Industrial combustion also represents a significant amount, though much less than the electricity sector. Other sectors have a much lower relative contribution, not above 4% in any case and did not change substantially during the period.

Table 2. SO<sub>2</sub> emissions in Spain, 1980-1996

	1980		1996	
	Tons	% of total	Tons	% of total
Electricity generation	2336147	78.75	1067901	69.37
Industrial combustion	375817	12.67	245582	15.95
Others	254730	8.57	225837	14.67
<i>Total</i>	<i>2966694</i>	<i>100.00</i>	<i>1539320</i>	<i>100.00</i>

Source: Own elaboration from Ministerio de Medio Ambiente (2000) CORINE-AIRE data.

Table 3.- Spatial concentrations of SO<sub>2</sub> emissions in 1996  
(% of total)

	1996
Coruña	26.4%
Teruel	18.4%
León	7.2%
Asturias	6.4%
<i>4 provinces subtotal</i>	<i>58.4%</i>

Source: Own elaboration from Ministerio de Medio Ambiente (2000), CORINE-AIRE data.

For a better analysis of the relationship between emissions and economic growth, we also performed an econometric analysis. Nevertheless, our results should be treated cautiously, given the few data available. Therefore, we did not run a co-integration analysis, and only followed the non-autocorrelation indication offered by the Durbin-Watson statistic. First, we calculated a model in which the dependent variable is per capita SO<sub>2</sub> emissions, and the explanatory variable per capita GDP. However, this calculation had autocorrelation problems. Then, using the information contained in Table 2, we introduced an indicator of coal consumption. However, and contradicting our initial expectations, the inclusion of different specifications of such variables (such as per capita consumption and coal share on total electricity generation) did not turn out

to be significant<sup>10</sup>, whereas the per capita electricity generated in conventional thermal power stations ( $T_t$ ) was significant.

This calculation, taking the variables in logarithms shows an inverse relationship between the level of per capita sulfur dioxide emissions ( $\ln S_t$ ) and the level of per capita GDP ( $\ln X_t$ ) and, as expected, this relationship is positive for the case of the variable  $\ln T_t$  (Table 4). Thus, at a higher level of per capita GDP there were lower  $SO_2$  emissions; and at a level of higher electricity generated by thermal power stations, higher emissions. The Durbin-Watson statistic figure does not indicate the presence of autocorrelation problems<sup>11</sup>. The adjusted coefficient of determination (adjusted  $R^2$ ) has a value that means that the variations in the model explain more than 97% of the total variation. Therefore, the fit of the model is very good.

Table 4.- Estimation results. Dependent variable is  $\ln S_t$  (1980-1996)

Variable	Coefficient	t-statistic
$b_0$ (constant)	11.82	21.89
$b_1(\ln X_t)$	-1.19	-15.55
$b_2(\ln T_t)$	0.60	8.06
R <sup>2</sup> : 0.9728		
Adjusted R <sup>2</sup> : 0.9690		
Durbin-Watson: 1.6837		

Nevertheless, correlation is not equal to causation and the negative correlation between the level of emissions and the per capita GDP does not tell us too much about the factors that caused this decrease. The reduction in these emissions in Spain is not unique at all, but rather a general characteristic of developed countries (de Bruyn, 1997). In

<sup>10</sup> Perhaps the changes in the mixture of types of coal due to the increase of coal imports (bringing in better-quality coal) through the period could explain this result.

<sup>11</sup> Moreover, we included an AR(1) term in the calculation, in order to cover residual autocorrelation, but it was not significant.

fact, the speed of reduction -- and the reduction itself -- of emissions cannot be explained without reference to the existence of international agreements and Spain's membership in the EU, since there are objectives established by EU institutions. In the first protocol on sulfur emissions (1985), a reduction of 30% by 1993 from 1980 figures was set as a target, while in the second protocol (1994) more complex, not uniform, commitments were set, based on the RAINS model which take into account climate characteristics and sulfur effects on diverse ecosystems. For Spain, this meant a minimum reduction of 35% by 2000 from 1980 figures.

Perhaps there is some relationship between income level and emissions. In fact, in the above-mentioned negotiations of the second protocol, the final commitments for each country were not completely independent of the previous objectives of each country and. de Bruyn (1997) concludes that in general these objectives were more ambitious for the richest countries, although this is only one of the factors involved (another was the initial level of pollution in terms of greater emission per square kilometer). In any case, the relationship between income level and reduction of emissions would be very indirect (through environmental policy priorities).

Undoubtedly, the probable tougher limits on emissions of atmospheric pollutants in the European Union will imply an important SO<sub>2</sub> decrease, since it could mean the shutdown of several Spanish power stations in the next few years. The advance of southern European countries in environmental policies is largely due to legislative advances in the EU, which has already been pointed out by other authors (Lekakis, 2000). However, local demands are also very relevant. For example, years ago affected populations and environmental groups protested against the high emissions from the coal power station of Andorra (province of Teruel, where almost a fifth of the country's total sulfur emissions are concentrated: Table 3). This protest led to legal actions and,

finally, the company made an important commitment to invest in desulfuration of gases<sup>12</sup>

### 4.3. Nitrogen oxides (NO<sub>x</sub>)

Nitrogen oxides, like SO<sub>2</sub>, have more local effects than global ones, so it could be expected that it would be among the pollutants for which the EKC hypothesis is more likely to be fulfilled. However, the temporal evolution of NO<sub>x</sub> emissions, as we have already seen, does not show any downward trend; on the contrary, emissions in 1996 were higher than in 1980.

An important difference with sulfur emissions is that NO<sub>x</sub> pollution is more diffuse. The transport sector, more specifically road transport, is the sector that most contributes to the emission of nitrogen dioxides. It is not only the major sector, but is also the sector in which emissions have dramatically increased in the last years. From a share of 34% of total emissions in 1980, the figure increased to 45% in 1996. This evolution is not surprising: although currently many vehicles have reduced significantly their emissions per kilometer: the expansion of road transport -- of goods and of people -- in recent decades has been such that higher “environmental efficiency” has been more than rubbed out by the higher “activity scale”.<sup>13</sup> In addition, emissions caused by electricity generation have considerable importance (Table 5).

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<sup>12</sup> *Cinco Días*, 15-10-1998.

<sup>13</sup> The use of fuel by cars and trucks in Spain went up from 306 Kg of petrol equivalent per person and year to 551 kg between 1985 and 1996 (an 80% increase!). (See Eurostat, 1999, p.22).



Table 5. NO<sub>x</sub> emissions in Spain, 1980-1996

	1980		1996	
	Tons	% of total	Tons	% of total
Road transport	372469	34.14	575151	44.90
Other means of transport	258664	23.71	233081	18.20
Electricity generation	262307	24.04	265934	20.76
Others	197615	18.11	206697	16.14
<i>Total</i>	<i>1091061</i>	<i>100.00</i>	<i>1280862</i>	<i>100.00</i>

Source: Own elaboration from Ministerio de Medio Ambiente (2000), CORINE-AIRE data.

Spatial analysis shows that the emissions of these gases are greater in those provinces where there are cities with a major highways network and high populations, and so more use of vehicles (Table 6). A higher relative level of emissions is also found in provinces with important coal-fired power stations (such as Coruña, León or Asturias).

Table 6.- Spatial concentrations of NO<sub>x</sub> emissions in 1996 (% of total)

	1996
Barcelona	7.01%
Madrid	6.38%
Coruña	4.44%
León	5.64%
Asturias	6.28%
<i>5 provinces subtotal</i>	<i>29.75%</i>

Source: Own elaboration from Ministerio de Medio Ambiente (2000), CORINE-AIRE.

We calculated an econometric regression to explain per capita NO<sub>x</sub> emissions (lnN<sub>t</sub>), including variables linked to both the transport sector and power stations<sup>14</sup>. As is shown

<sup>14</sup> Again, the calculation with per capita GDP as the only explanatory variable displays autocorrelation problems.

in Table 7, the independent variables of the estimated model are  $\ln M_t$ , i.e. the per capita consumption of energy of the transport sector (data from IEA, several years), and the already used  $\ln T_t$  (per capita electricity generation in conventional power stations). All the variables were calculated in logarithms. Nevertheless, as in the case of  $\text{SO}_2$  emissions, we should treat the results very cautiously, given the few data available. Again, the inclusion of an AR(1) term is not significant either.

Table 7.- Estimation results. Dependent variable is  $\ln N_t$  (1980-1996)

Variable	Coefficient	t-statistic
$b_0$ (constant)	3.59	164.36
$b_1$ ( $\ln T_t$ )	0.20	5.31
$b_2$ ( $\ln M_t$ )	0.50	20.96
R <sup>2</sup> : 0.9698		
Adjusted R <sup>2</sup> : 0.9654		
Durbin-Watson: 1.7011		

The adjusted R<sup>2</sup> value is high and the positive sign of the estimated parameters fits with the expected ones. The inclusion of per capita GDP in the model was not significant<sup>15</sup>. Therefore, we can reject behavior such as the EKC predicts, and we can deduce that the likely influence of income level on emissions is indirect, as at higher income levels road transport and electricity consumption (nowadays, mainly obtained from the burning of fossil fuels) generally increase.

#### 4.4. Methane (CH<sub>4</sub>)

Methane is, together with CO<sub>2</sub>, N<sub>2</sub>O and CFCs, one of the gases that most contributes to the greenhouse effect. As a greenhouse gas, with effects that expand in time and space and whose generation causes are also quite varied, it is one of the gases that is unlikely

<sup>15</sup> The t-statistic associated to the variable  $\ln X_t$  is -1.0495.

to follow the EKC hypothesis. This expectation is clearly confirmed in the following analysis.

As we observed in Figure 1, anthropocentric CH<sub>4</sub> emissions during the period constantly and markedly increased. If we break down emissions by sector, Table 8 shows that the main emission focus points of this gas are agricultural and cattle-raising activities, followed by waste management. This latter sector has grown more: from a 19% share of total emissions in 1980, it increased its share to 37%. This is not surprising given the enormous increase in urban waste generation linked to the increase of per capita consumption, the low rate of recycling and that the main current destinations are dumps, without any exploitation of methane for energy use. If various projects to change the management of residuals are successful, the reduction of such emissions could be significantly high.

Table 8- CH<sub>4</sub> emissions in Spain, 1980-1996.

	1980		1996	
	Tons	% of total	Tons	% of total
Agriculture and cattle raising	754636	64.56	999471	51.62
Waste management	222764	19.06	711060	36.72
Others	191521	16.38	225755	11.66
<i>Total</i>	<i>1168920</i>	<i>100.00</i>	<i>1936286</i>	<i>100.00</i>

Source: Own elaboration from Ministerio de Medio Ambiente (2000), CORINE-AIRE data.

An econometric model that relates per capita GDP and CH<sub>4</sub> emissions does not offer satisfactory results in statistical terms (serious autocorrelation problems appear), although it seems clear that no mechanism has acted in the sense of “de-linking” economic growth and this type of pollution. Economic growth is associated in this case with more emissions.

#### 4.5. Nitrous oxide (N<sub>2</sub>O)

Nitrous oxide is another important greenhouse gas. International conventions on global warming have led to the collection of data and the study of their evolution. As occurs with other greenhouse gases, the characteristics of the problem make it particularly unlikely that the empirical relationship postulated by the EKC hypothesis can be found.

Figure 1 shows that anthropocentric N<sub>2</sub>O emissions in Spain stayed more or less constant from 1980 until the start of the nineties. Then, there was a slight decrease caused by the reduction in emissions caused by agricultural activities and by industrial processes. According to Cristóbal López (1999, p.82), the industrial decrease was due to the evolution of nitric production, which decreased at the start of the nineties. However, from 1994 on the recovery of this sector caused emissions to increase. As a result, the 1995 level of emissions is not substantially different from 1980.

Table 9 shows the sector distribution of anthropocentric nitrous oxide emissions. These are mainly caused by use of agricultural fertilizers. The emissions of the agrarian and cattle-raising sectors account for more than 80% of the total. Although there has not been an excessive increase in the level of emissions originating in this sector, we cannot talk about a decrease at all. The relationship of emissions with a specific sector that currently, in terms of value, represents a very small part of total GDP makes it impossible to identify any clear relationship between the evolution of emissions and overall GDP.

Table 9.- N<sub>2</sub>O emissions in Spain, 1980-1996.

	1980		1996	
	Tons	% of total	Tons	% of total
Agriculture and cattle raising	106820	82.35	110624	80.99
Others	22899	17.65	25961	19.01
<i>Total</i>	<i>129719</i>	<i>100.00</i>	<i>136585</i>	<i>100.00</i>

Source: Own elaboration from Ministerio de Medio Ambiente (2000), CORINE-AIRE..

#### 4.6. Non-methane volatile organic compounds (NMVOC)

The NMVOC are some of the precursory compounds of tropospheric ozone (O<sub>3</sub>). As Figure 1 shows, emission levels stayed more or less constant up to 1991, then for the next four years there was a slight decrease, and there was a renewed increase in 1994. Since then, they have dropped. Overall, we cannot observe any clear trend, since in 1996 emissions were similar to their 1980 level.

The main emitting sectors are agriculture and cattle raising, road transport and organic solvents (Table 10). There is a tendency towards change in the relative weights: agriculture and the cattle-raising sector lose weight (though it is still the major sector) and the weight of the other sectors increases. Road transport is overtaken by solvents, which becomes the second biggest (although we should not forget that one of the main consumers of these solvents is the automobile industry).

Table 10- NMVOC emissions in Spain, 1980-1996.

	1980		1996	
	Tons	% of total	Tons	% of total
Agriculture and cattle raising	812545	48.52	615480	35.00
Use of solvents	291429	17.40	401043	22.80
Road transport	324911	19.40	394144	22.41
Others	245700	14.67	347951	19.79
<i>Total</i>	<i>1674585</i>	<i>100.00</i>	<i>1758618</i>	<i>100.00</i>

Source: Own elaboration from Ministerio de Medio Ambiente (2000), CORINE-AIRE data.

## 5. Conclusions

Recent data on trends of six atmospheric pollutants in Spain lead to the rejection of the most optimistic vision, whereby increase in income leads to a decrease in emissions. In fact, economic growth has only been accompanied by a decrease in emissions in one of the pollutants analyzed (SO<sub>2</sub>). Even in this case it seems clear that the environmental policies coordinated between rich countries have played a very relevant role and that these policies have affected all these countries, regardless of their particular income levels. In this specific case, it could be argued that income level is a factor in the adoption of such policies, but it is difficult to view policies as an unavoidable effect of income levels. Moreover, some social protests against pollution have also been important: these protests were not made by sectors of the population with the highest per capita income but by those most affected by the problem, or most aware of its effects.

With the previous exception, the emissions of other pollutants have increased or, as a minimum, have not diminished. This is so not only for those pollutants mainly related to global ecological problems, but for those whose effects have a mainly local impact.

However, the previous analysis also allows us to argue that economic growth, although it can be considered *problematic*, does not *necessarily* have to be accompanied by more emissions. The relationship between income level and diverse types of emissions depends on many factors. In some cases, emissions could be considerably reduced by specific measures (for example, replacing organic solvents with another type of substance). In other cases, there is a bigger challenge because the reduction implies relevant changes in the present transport pattern, in the sources of energy supply or in waste management policies. To confront all these questions, environmental policy

measures are required. It is certainly not credible at all that economic growth by itself will solve them, because evidence shows it is more likely to worsen them.

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