

Identifying Options for a New Climate Regime arising from the Durban Platform for Enhanced Action

Hosted by

The Potsdam Institute for Climate Impact Research

The Center for European Economic Research

The Harvard Project on Climate Agreements

The Mercator Research Institute on Global Commons and Climate Change

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Nineteenth Conference of the Parties

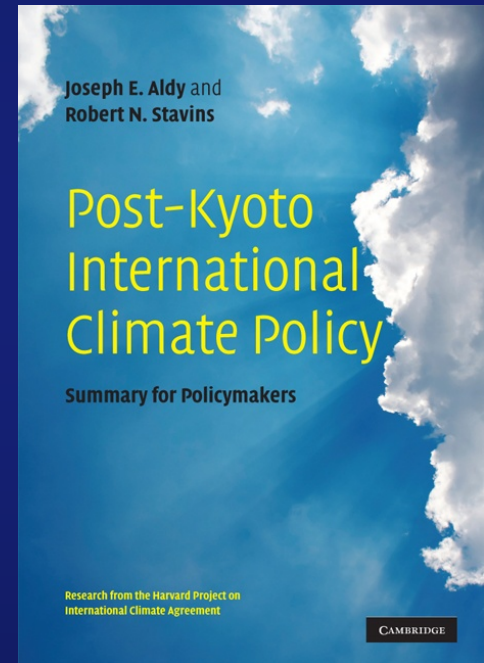
United Nations Framework Convention on Climate Change

Warsaw, Poland

November 20, 2013

Developing and Advancing Ideas for Climate Policy

- The Harvard Project on Climate Agreements
 - Mission: To help identify and advance scientifically sound, economically rational, and politically pragmatic public policy options for addressing global climate change
- Drawing upon research & ideas from leading thinkers around the world from:
 - Academia
 - Private industry
 - NGOs
 - Governments
- 50 research initiatives in Argentina, Australia, China, Europe, India, Japan, and the United States



Potential International Climate Policy Architectures

- **Strong Multilateralism (centralized architectures)**
 - Kyoto Protocol
 - Formulas to Assign Targets

- **Harmonized National Policies**
 - National Carbon Taxes or Trading Regimes
 - Regulatory Regimes

- **Decentralized Architectures and Coordinated National Policies**
 - Linkage of Regional, National, & Sub-National Cap-and-Trade Systems
 - Linkage of Heterogeneous National Policies

Policy Architectures in Climate Negotiations

- **The Rio Earth Summit (1992)**

- United Nations Convention on Climate Change (UNFCCC) – principle of “*common but differentiated responsibilities*” (CBDR)

- **First Conference of the Parties (COP-1, Berlin, 1995)**

- Berlin Mandate: *Annex I (OECD+/-) countries will commit to targets and timetables for emission reductions, but no commitments for other countries*

- **Kyoto Protocol (1997)**

- KP *fulfilled* Berlin Mandate with quantitative targets for *Annex I countries*

- **A Problem?**

- Annex I countries alone cannot reduce global emissions

- Fifty non-Annex I countries have greater per capita income than poorest of Annex I

Policy Architecture in Climate Negotiations

- **Copenhagen Accord (COP-15, 2009) & Cancun Agreements (COP-16, 2010)**
 - Began to *blur* – while still maintaining – the Annex I/non-Annex I distinction (in a non-binding pledge & review system)
- **Durban Negotiations (COP-17, 2011)**
 - COP-17 extended Kyoto Protocol for a second commitment period (2013-20)
 - *Durban Platform for Enhanced Action* – mandate to adopt by 2015 a new agreement to include *all countries* under a common legal framework for 2020 implementation
 - Of course, the new agreement will be under the UNFCCC. Hence, the principle of common but differentiated responsibilities and respective capabilities *still applies*.
 - Did this break with the Berlin Mandate, and set the negotiations on a *new path*?
 - Some say yes, some say no.
 - But, in any event, this called for some outside-the-box thinking.

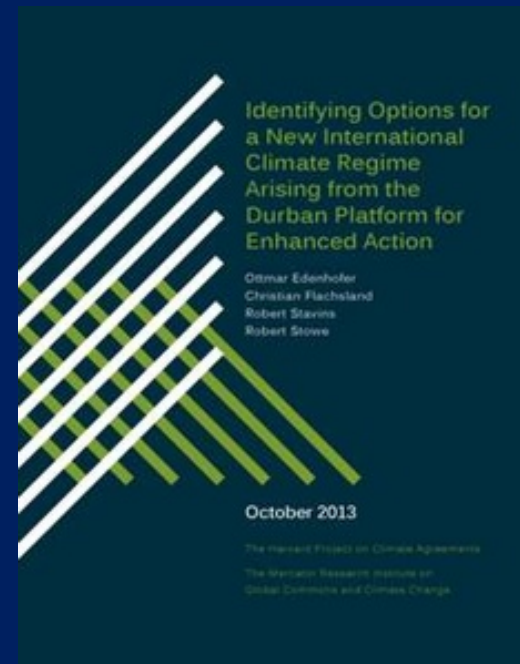
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■ A Hybrid International Climate Policy Architecture

- Bottom-up: National targets and actions that arise from – or are at least consistent with – national policies and goals.
- Top-down: Centralized oversight, guidance, and coordination.

■ Key Questions

- Can such an agreement be *anchored* in domestic political realities,
- While *adequately* recognizing the imperatives to address emissions and climate impacts?
- Are there ways to enable and facilitate *increased ambition* over time?



Linkage of Greenhouse Gas Emissions Trading Systems

- **Cap-and-trade systems are preferred approach in many jurisdictions**
 - European Union, Australia, New Zealand, California, Quebec, China, etc.
 - *Linking* – unilateral or bilateral recognition of allowances – across these cap-and-trade systems *reduces* overall costs, market power, and price volatility
 - But linking *causes* automatic propagation of cost-containment design elements: banking, borrowing, and safety valve
 - Therefore, advance *harmonization* can be necessary
- **An Alternative**
 - If cap-and-trade systems link with *common* emission-reduction-credit system, such as CDM, the cap-and-trade systems are *indirectly linked*
 - All the *benefits of linking are achieved* – cost savings, etc.
 - But propagation of design elements across systems *greatly diminished*
- **In principle, either could form a *de facto* international policy architecture**

Findings re Linkage of GHG Emissions Trading Systems

- **Significant *increase* in links among GHG cap-and-trade systems,**
 - ... both directly, and indirectly through credit systems (CDM), but role of CDM may be greatly diminished (by various constraints).
 - So, there is a strong political revealed preference for linking
- **Linking is also feasible among *heterogeneous* sets of national policy instruments** (trading regimes, carbon taxes, regulatory schemes) –
 - This is closely related to “Framework for Various Approaches,” mandated by COP to be part of the 2015 agreement.
- ***Incentives* to link national policies are likely to produce more links among regional, national, & sub-national systems.**
 - This growing network of decentralized, direct linkages may turn out to be a key part of a future hybrid climate policy architecture.

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For More Information

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