

Institutions and Governance Mechanisms for Climate Finance

Panelists (in order of appearance)

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Key Issues

- Premise: Need to achieve significant emissions reductions, and quickly, given:
 - No global price on carbon;
 - Weak/fragmented existing mechanisms;
 - Global fund that is uncertain (if warranted).
- Questions:
 - What will new institutions/mechanisms look like?
 - To whom will it be targeted?
 - Who will enable, create, fund, coordinate?
 - What incentives and penalties will be needed?
 - What underlying systems and processes for measurement, registry, reporting, verification, and monitoring will be needed?



Corporations Play a Central Role

- Corporations (incl. energy producers) have the biggest cause-and-effect links to global emissions:
 - ▶ Through burning of fossil fuels, they are the biggest emitters;
 - ▶ They will be the entities to fund the R&D and deploy technologies/resources to find solutions.
 - ▶ Hundreds of firms are on the right trajectory, but waiting for global policy leadership to help take it to the next level.

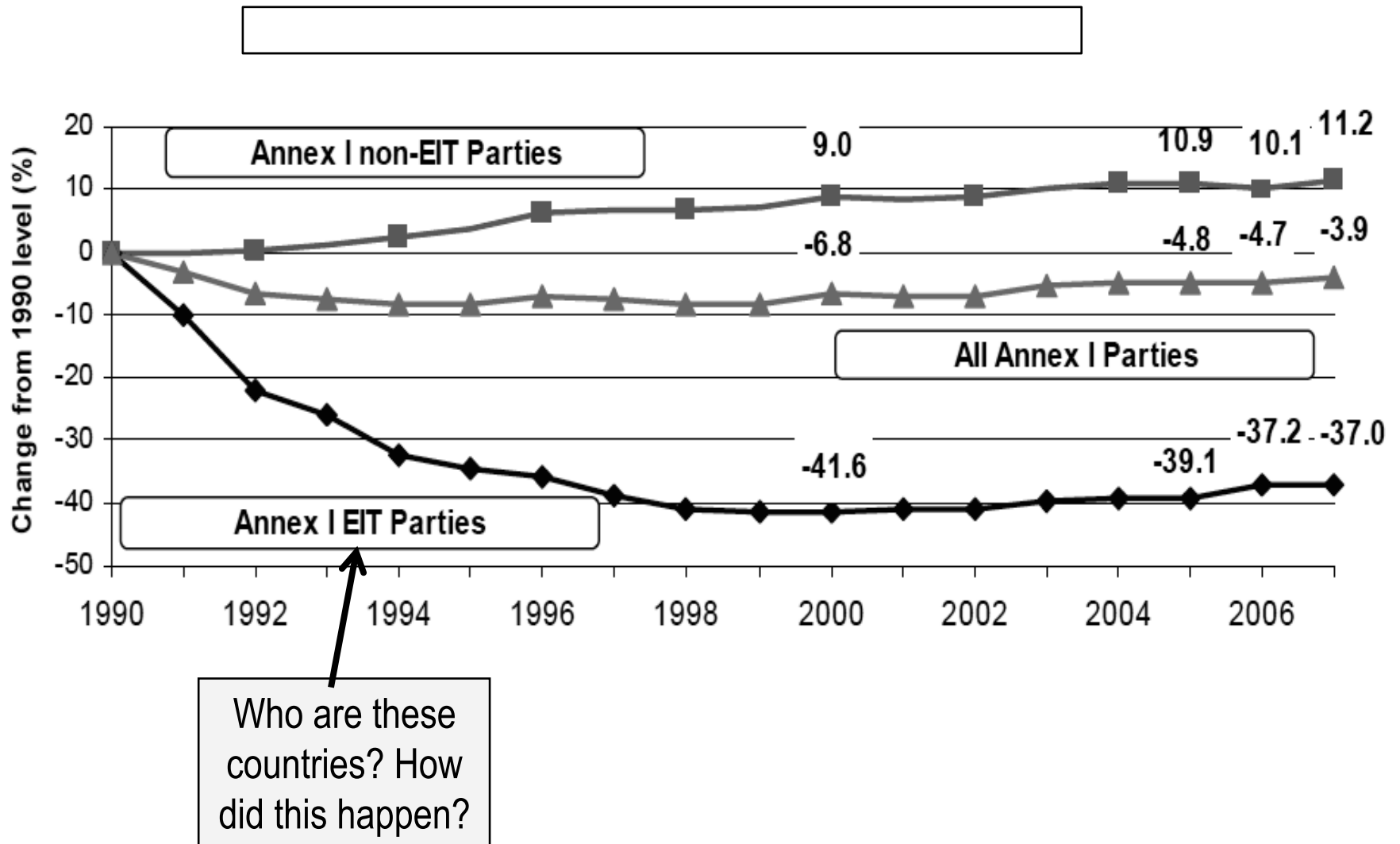


What Can the Global Policy Process Do?

- Policy-making process must recognize that:
 - ‘States’ don’t emit, non-state entities do;
 - Many global firms are getting in front of this, and doing the right thing (UNFCCC data, CDP data, company examples);
 - While much progress has been made, it is now flat-lining in the absence of a price on carbon;
- Ask: What can the international policy-making process do to propel this further?
 - Role of rewards v. punishments



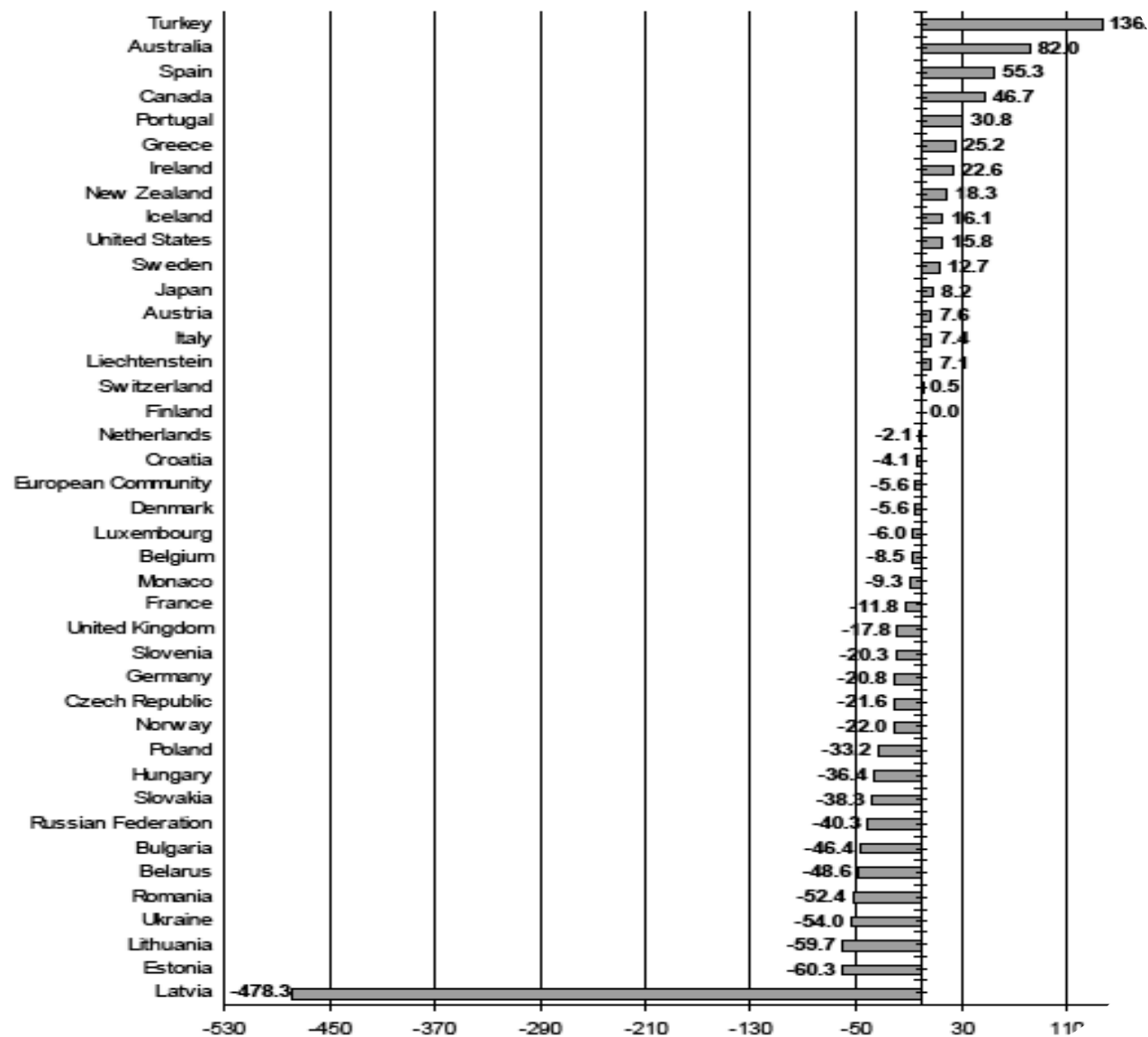
A Remarkable Example



Changes in GHG Emissions from Annex 1 Countries: 1990-2007

Source: UNFCCC

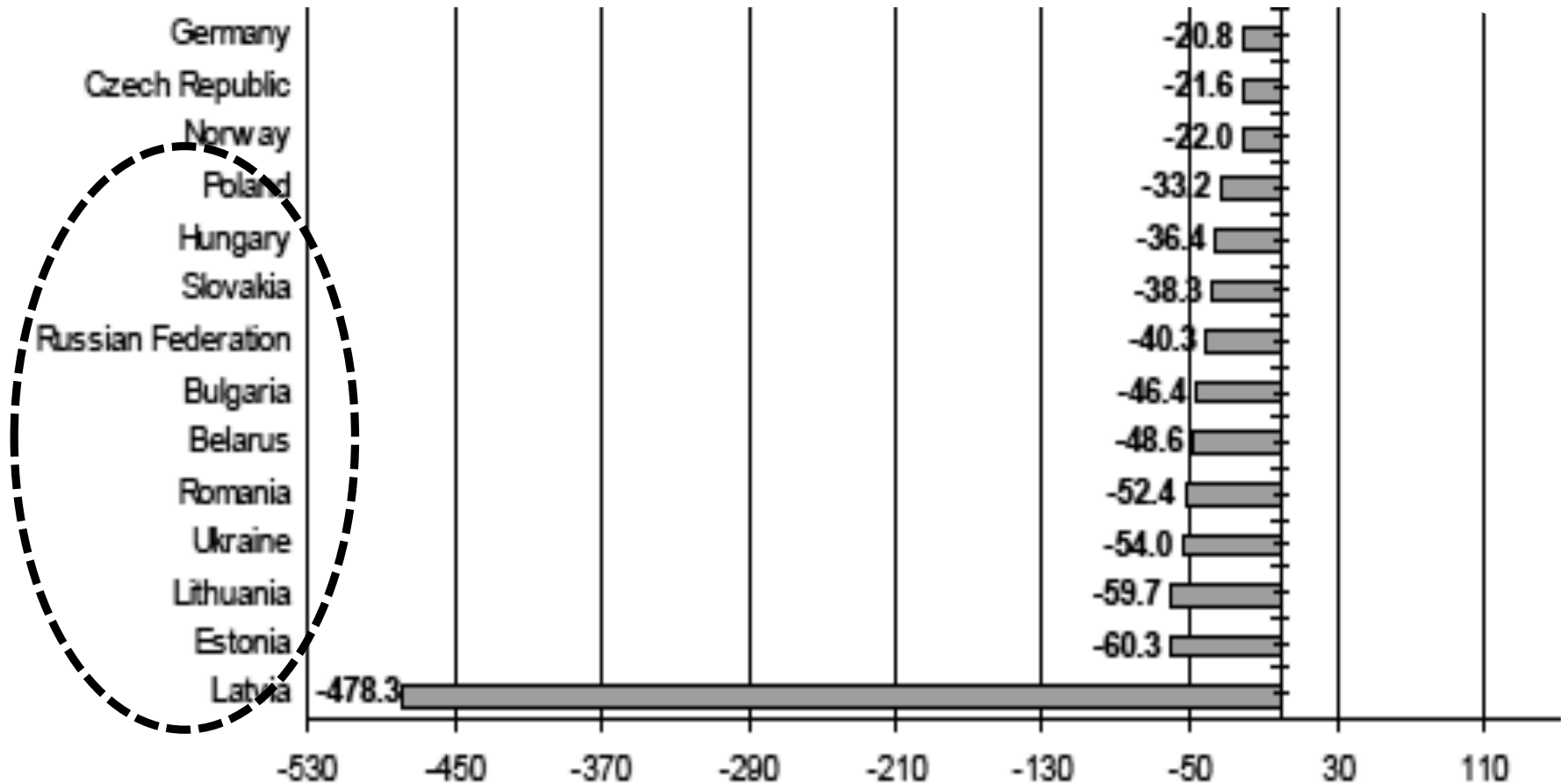
Changes in GHG emissions including LULUCF (%)



Changes in GHG Emissions from Annex Countries: 1990-2007

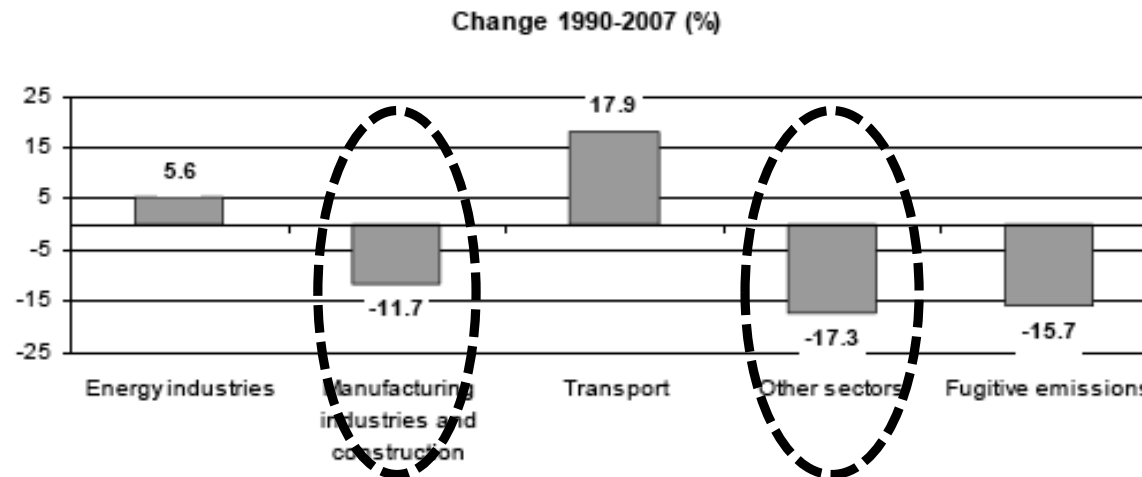
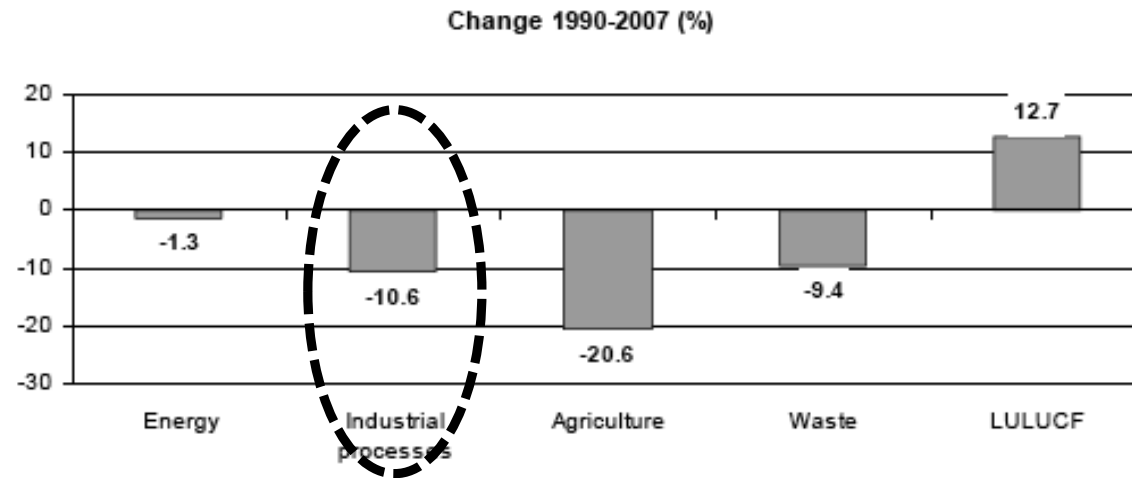
Source: UNFCCC

A Closer Look at “EIT”: 1990-2007



How did this happen?

A Closer Look at Emissions Reductions in Annex 1: 1990-2007



The Bigger Opportunity?

CO ₂ Intensity*	
<i>United States</i>	0.45
<i>European Union</i>	0.27
<i>Japan</i>	0.25
<i>WORLD AVERAGE</i>	~0.60
<i>India</i>	1.14
<i>China</i>	1.31
<i>Russia</i>	1.40
<i>South Africa</i>	1.58

**Metric tons per \$'000 nominal GDP (CO₂ from energy only)*



Better Approach to Finding a Solution

- Private actor choosing between actions A and B, where society prefers more A, less B.
- Two ways to make it choose more of A:
 - ▶ *Punish* the choice of B, or *reward* the choice of A.
- Traditional approach to policy design? Punish.
- Possibly more effective approach to policy design?
 - ▶ Reward good behavior, with mechanisms to monetize.
 - ▶ Create ‘Global Reduction in Emissions Credit’ (GREC), using fiscal policy as lever?
 - ▶ Create interim policy certainty: ‘If not today, we’ll let you put it in the bank for rewards tomorrow.’
 - ▶ Requires measurement, registry, reporting, verification systems: Public-private partnership?
 - ▶ Tough question: Is the UN the right forum?

