



Governing complexity: Potential impacts of cooperative institutional fragmentation on the effectiveness of international market-based climate policy instruments

COP24, 14 December 2018

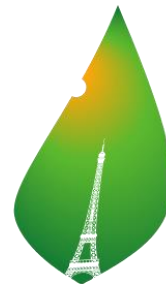
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Agenda

- **Conceptual framework**
- **The state of play in key multilateral environmental agreements**
- **Impact of institutional interplay on scope and ambition of Art. 6 of the Paris Agreement**
 - **Impact of Kigali Amendment on Art. 6 PA**
 - **Impact of ICAO CORSIA on Art. 6 PA**
- **Key findings**



PARIS2015
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CORSIA



Research Project

Transformative Raising of Ambition – The contribution of effective climate policy instruments to the 1,5°C target

Project team: Perspectives Climate Research gGmbH and University of Freiburg, Chair of Forest and Environmental Policy

Project period: April 2017 – December 2018

Overall project goals: Peer-reviewed publications on how international climate policy instruments can increase mitigation ambitions towards the 1.5C target.

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Research objectives

- i. Description of **institutional interplay** among major new MEAs – **Paris Agreement (UNFCCC)**, **Kigali Amendment (Montreal Protocol)** and **Carbon Offset and Reduction System for International Aviation (ICAO)**
- ii. Assessment of **fragmentation dynamics** in the climate change governance architecture
- iii. Analysis of potential consequences of MEA interplay on the **effectiveness of climate policy instruments**
 - Better understanding of **how MEAs co-exist and interact: cooperative or conflicting?**
 - Specific focus on impact on **scope** and **mitigation ambition** of the Art. 6 mechanisms under the Paris Agreement

Conceptual framework

- Literature on **institutional linkages** (Young 1996) and **institutional interplay** (King 1997; Stokke 2001)
- Institutional linkages have been shown to affect (normative) **development, performance, effectiveness** and **setup** of institutions (Oberthür 2001; Oberthür and Gehring 2006; Oberthür 2009)
- Literature on “**regime complexes**” (Raustiala and Victor 2004; Keohane and Victor 2011) and “**global governance architecture**” (Biermann et al. 2009)
- “All global governance architectures are **fragmented** to some degree” (Biermann et al. 2009, p. 17)

Typology of fragmentation of governance architecture

	Synergistic	Cooperative	Conflictive
Institutional integration	One core institution, with other institutions being closely integrated	Core institutions with other institutions that are loosely integrated	Different, largely unrelated institutions
Norm conflicts	Core norms of institutions are integrated	Core norms are not conflicting	Core norms conflict
Actor constellations	All relevant actors support the same institutions	Some actors remain outside main institutions, but maintain cooperation	Major actors support different institutions
<i>Example</i>			
Issue area	Ozone layer	Climate change	Plant genetic resources
Institutions	Vienna Convention and Montreal Protocol as well as its amendments	UNFCCC and Kyoto Protocol	Convention on Biological Diversity and TRIPS Agreement

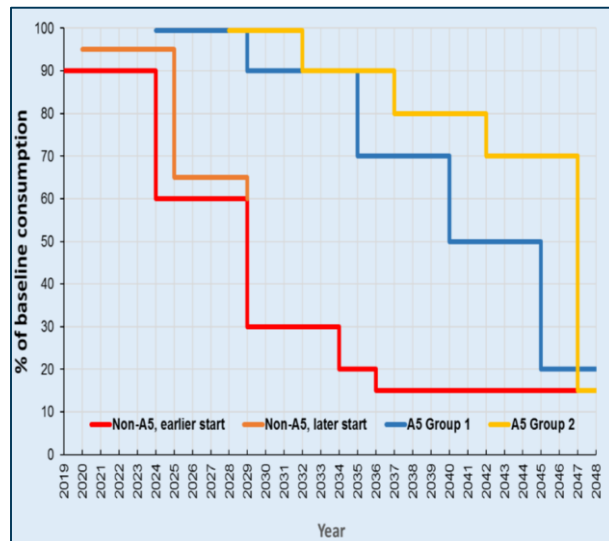
Source: Authors, based on Biermann et al. (2009): 19–21.

State of play in key MEAs

- **Paris Agreement (2015) under UNFCCC**
 - Current focus on negotiating **Paris Rulebook** that operationalizes PA market mechanisms
 - **Transition** from Kyoto mechanisms (CDM) to PA Article 6 mechanisms
- **Kigali Amendment (KA) (2016) under Montreal Protocol**
 - Regulation of **HFCs** “transferred” from UNFCCC to Montreal Protocol
- **CORSIA (2016) under ICAO**
 - **Market-based mechanism** that covers aviation emissions not covered under the Paris Agreement
 - CORSIA will rely on **offset certificates** generated within the sectoral scope of NDCs (standards, sectors, vintages to be agreed)

Interplay between KA and PA (Art. 6/NDCs)

- KA establishes **HFC phase-down** until **2040s** by **80-85%** compared to baselines, (co)financed by MLF
- PA Art. 6.2 and 6.4 mechanisms could **accelerate early HFC mitigation**
- Markets could **drive low abatement cost options** while **public climate finance** could **harness higher cost options**
- **Perverse incentives** need to be **avoided**, but **eligibility conditions** and **design principles** could **actively promote ambition**
- **HFC accounting** in **NDCs** required, could lead to **joint PA/KA MRV systems**



Kigali Amendment HFC phase-down schedules; Source: UNEP

Interplay between CORSIA and PA (Art. 6/NDCs)

- **UNFCCC carbon credits** eligible depending on decisions on double counting, eligible sectors, vintages
- **CORSIA increases demand** for Article 6 units, **raising credit prices globally** (also for ITMOs used for NDC goals)
- **Overall mitigation ambition** can only be determined once the ambition and rules for NDC targets and CORSIA become clearer
 - If weak NDC ambition makes “hot air” available for CORSIA, **offsetting will undermine climate ambition of CORSIA** (*conflictive* fragmentation)
 - If NDC ambition is high, limited **offset supply** and high **demand drive offset prices up**, leading to **airline sector mitigation** (*cooperative* fragmentation)

Key findings

- **The complexity of climate governance architecture is increasing, with stronger MEA interplay than in Kyoto era**
- **Both KA and CORSIA have direct impacts on the PA's NDCs and the way Art. 6 helps parties to meet NDC goals**
- **Linkages are not well understood yet among negotiators**
- **Operational rules negotiated in parallel: window of opportunity for MEA synergies increasing overall ambition**
 - KA-Art. 6 linkages enable “harvesting low-hanging fruit” and reducing KA baseline levels (while avoiding perverse incentives)
 - CORSIA-Art. 6 interplay strongly depends on decisions on quality of certificates, both positive and negative dynamics possible



Thank you!

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