

Designing the Post-Kyoto Climate Regime

An Interim Progress Report from
The Harvard Project on International Climate Agreements

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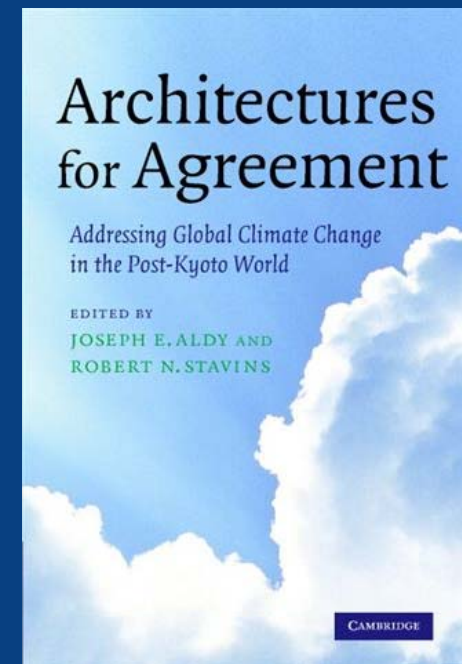
Agenda

- The Harvard Project on International Climate Agreements
 - Principles for a New International Agreement
 - Potential Global Climate Policy Architectures
 - Design Issues and Elements
 - The Path Ahead





- A path forward is needed to address the threat of global climate change
- The Harvard Project on International Climate Agreements is an international, multi-year, multi-sectoral, and multi-disciplinary effort
- To help identify key design elements of a scientifically sound, economically rational, and politically pragmatic post-2012 international policy architecture for global climate change
- Drawing upon research & ideas from leading thinkers around the world from:
 - Academia (economics, political science, law, international relations)
 - Private industry
 - NGOs
 - Governments



The Harvard Project on International Climate Agreements

- 28 research initiatives in Europe, United States, China, India, Japan, & Australia
- Outreach and exchanges with governments, NGOs, and business leaders throughout the world (working with heads of governments & ministers in many countries)
- **Interim Report** for COP-14, Poznan, 2008, builds upon lessons emerging from 28 research initiatives
 - Key principles for a new international agreement
 - Promising global climate policy architectures
 - Key design issues and elements
 - Negotiating countries can and should create their own hybrids from the architectures and design elements



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Key Principles for a New International Agreement

- **Climate change is a global commons problem**
 - Cooperation of countries is essential, whether through UNFCCC, G20, or bilateral negotiations
 - Since sovereign nations cannot be compelled to act, treaties must create incentives for participation and compliance
- **A credible climate change agreement must be equitable**
 - Industrialized nations should accept responsibility for historic emissions
 - Key rapidly growing, developing countries will need to take on increasingly meaningful roles
 - In both cases, the scope of attention and action should include all greenhouse gases, not only fossil CO₂

Key Principles for a New International Agreement (continued)

- **A credible agreement must be cost-effective**
 - Needs to bring about technological change & transfer
 - Must be consistent with international trade regime

- **A credible agreement must be practical and realistic**
 - Build on existing institutions and practices, where possible
 - Negotiations must attend to short-term achievements and long-term goals
 - No single approach guarantees a sure path to ultimate success, so best to pursue multiple approaches simultaneously



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Potential Global Climate Policy Architectures

- **Harvard Project does not endorse a single approach**
 - Decision to adopt particular architecture is ultimately political, and must be reached by nations of the world, taking into account complex factors
- **Four architectures among a larger set considered**
 - **Targets & Timetables (as in Kyoto Protocol)**
 - *1. Formulas for Evolving Emission Targets for All Countries (Frankel)*
 - **Harmonized National Policies**
 - *2. A Portfolio of International Treaties (Barrett)*
 - *3. A System of National Taxes (Cooper)*
 - **Independent National Policies**
 - *4. Linkage of National & Regional Tradable Permit Systems (Jaffe & Stavins)*

1. Formulas for Emission Targets for All Countries

- **Core: Key principles lead to design of targets**
 - Formula used to set national emission caps to 2100 using three key elements
 - *Progressivity factor*: richer countries make more severe cuts
 - *Latecomer factor*: nations that did not achieve targets under Kyoto make gradual emission cuts to account for post-1990 emissions
 - *Equalization factor*: moves targets of all countries in direction of global average per capita emissions
- **Formulas assign quantitative emission caps to countries to 2100**
 - Developing countries are not asked to bear any cost in early years
 - Developing countries are not asked to make any sacrifice different from sacrifices of developed countries, accounting for differences in income
 - No countries have targets that cost more than 1% of GDP (pdv)
- **International cap-and-trade links national & regional systems**
- **Every country can feel it is contributing no more than its fair share**

2. Portfolio of International Treaties

- **A system of linked international agreements**
 - Sector-level agreements to establish global standards for specific industries and categories of greenhouse gas sources
 - Agreements focused on research & development
 - Agreement focused on adaptation assistance to developing countries
 - Agreement regarding last-resort remedies, such as geo-engineering
- **Possible advantages over target-and-timetable approaches**
 - Broad scope beyond emissions mitigation
 - Portfolio approach is more flexible
- **Concerns**
 - Aggregate Cost
 - Incomplete scope



3. System of National Carbon Taxes

- **A system of harmonized national carbon taxes**
 - Each country collects and keeps generated revenue
 - Uniform tax set by international agreement, subject to periodic review
 - Charge assessed upstream on carbon content of fossil fuels
 - Poorest nations exempted: low emitters, and administrative capacity may be a problem
- **Advantages**
 - Can be comprehensive and cost-effective
 - Simple to design and administer, institutions exist
- **Concerns**
 - Equity: does not include obvious device for side-payments
 - Apparent lack of political will in most countries



4. Linkage of National & Regional Tradable Permit Systems

- **Cap-and-trade systems are the preferred domestic approach in many countries and regions**
 - Linking 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 required
- **The Emerging International Regime**
 - 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
 - May already be evolving as part of the *de facto* post-Kyoto architecture



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Key Design Issues and Elements

- **A new international policy architecture will need to address several particularly important design issues and elements**
 - Burden-Sharing Criteria and Mechanisms
 - Technology Transfer Policies and Institutions
 - Reforming the Clean Development Mechanism
 - Addressing Deforestation Worldwide
 - Making the Global Climate Regime Compatible with Global Trade Policy
 - *Measures follow guidelines agreed by countries participating in KP or post-KP*
 - *Measures used only by complying countries against non-complying/participating countries*
 - *Any import penalties target only fossil fuels & 5-6 of the most energy-intensive bulk products*
 - *Judgments regarding findings of fact made by independent panels of experts*
- **All these are analyzed in the Interim Report; others in Discussion Papers**
- **All involve relationship between climate policy and economic development**



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The Path Ahead

- **The Harvard Project on International Climate Agreements will continue to**
 - Draw on leading thinkers from academia, business, NGOs, & governments around the world
 - Work with the Project's 28 research teams in Europe, the United States, China, India, Japan, and Australia
 - Engage in exchanges of ideas in a wide variety of venues, including:
 - COP-14 in Poznan
 - Upcoming sessions in Brussels, Beijing, Tokyo, New York, & Washington
 - COP-15 in Copenhagen
- **We welcome feedback on all elements of our work, including:**
 - Principles for agreement, potential architectures, and design issues and elements

Thank You

Harvard Project on International Climate Agreements

www.belfercenter.org/climate

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