

The Paris Agreement and Beyond: International Climate Change Policy Post 2020

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Realizing the Potential of the Paris Agreement

*22nd Conference of the Parties, United Nations Framework Convention on
Climate Change, Marrakech, Morocco*

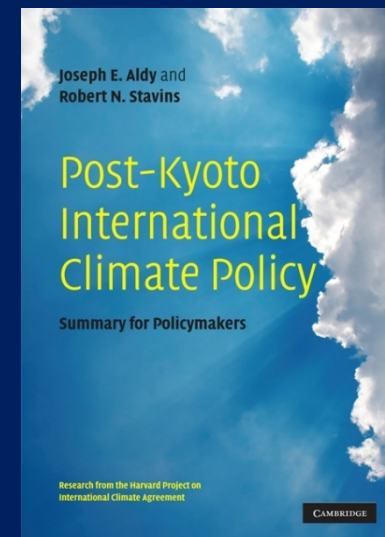
November 17, 2016

The Paris Climate Agreement

- The Good News
 - A *landmark* climate accord, a dramatic *departure* from previous 20 years
 - Provides a broad *foundation* for meaningful future progress, due to expanded scope
 - So, this new approach *can be* key step toward reducing threat of climate change
- *But* whether the Agreement is *truly successful* may not be known for *decades*
 - Paris Agreement provides an important *opportunity* for new path forward
 - *Key necessary condition* met: adequate *scope* of participation (14% KP → 97% PA)
 - *Other key necessary conditions*: adequate *ambition* of policies, successful implementation, i.e., compliance, etc.
- Opportunity and need for creative thinking and analysis ...

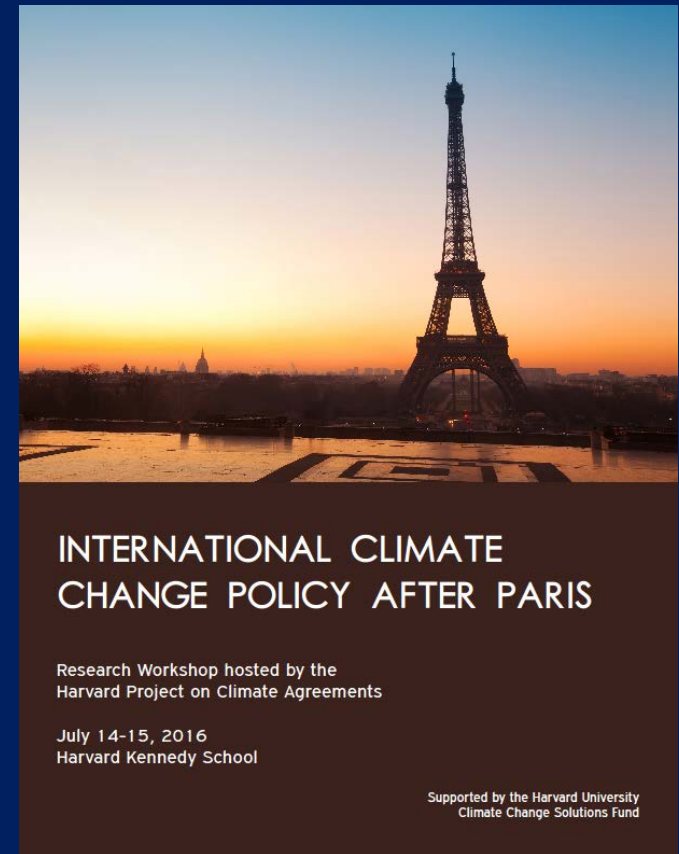
The Harvard Project on Climate Agreements

- Mission: To help identify key design elements of a scientifically sound, economically rational, and politically pragmatic 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
- 75 research initiatives in Argentina, Australia, China, Europe, India, Japan, and the United States
- Intensive work at the annual climate negotiations, and other venues



International Climate Change Policy After Paris

- *Workshop* at Harvard in July brought together 21 researchers from China, Germany, India, Italy, Norway, United Kingdom, and United States
- **Presentations & discussions of *key challenges* faced by the Paris Agreement:**
 - Legal dimensions of elaboration & implementation
 - Differentiation among Parties
 - Enhancing mitigation ambition
 - Elaborating Agreement's transparency mechanism
 - Forestry and land use provisions
 - Climate finance regime
 - Adaptation
 - Market mechanisms
 - Complementary and supplementary institutions: clubs, minilaterals, and more
- *Next Steps*
 - 23 Briefs plus Summary → COP-22, Marrakech
 - Detailed research & outreach on subset of issues



A Key Element for Implementation of the Paris Agreement: International Linkage of Policies under Article 6.2

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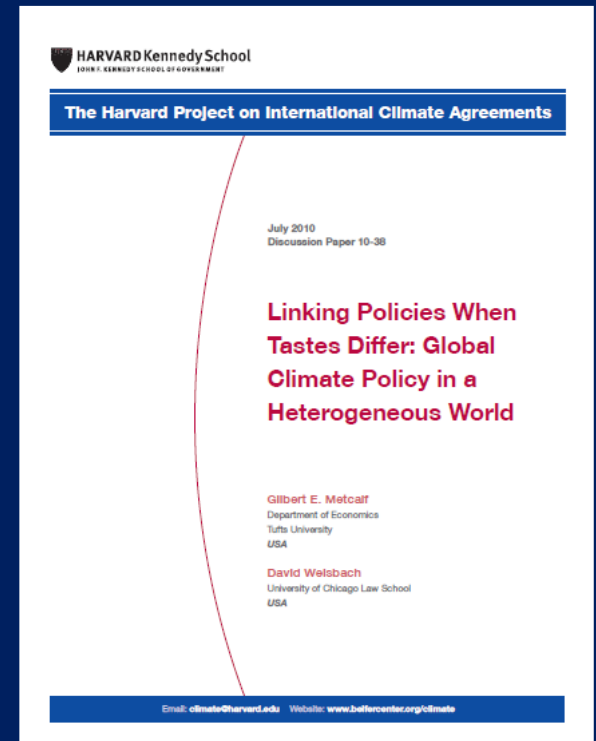
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One Key Challenge and Issue

- **Can Paris Agreement, with NDCs *anchored* in domestic political realities, *adequately* address emissions with sufficient ambition?**
 - Are there ways to enable and facilitate *increased ambition* over time?
- ***Linkage* of regional, national, and sub-national policies can be part of the answer** – connections among policy systems that allow emission reduction efforts to be redistributed across systems
 - By lowering costs, linkage can *increase* ambition
 - Linkage is *typically* framed as being between cap-and-trade systems, ...
 - ... but national policies will be *heterogeneous* under the Paris regime: cap-and-trade, offsets, carbon taxes, performance standards, technology standards.
 - However, linkage between *different* types of policy instruments *can* be feasible.

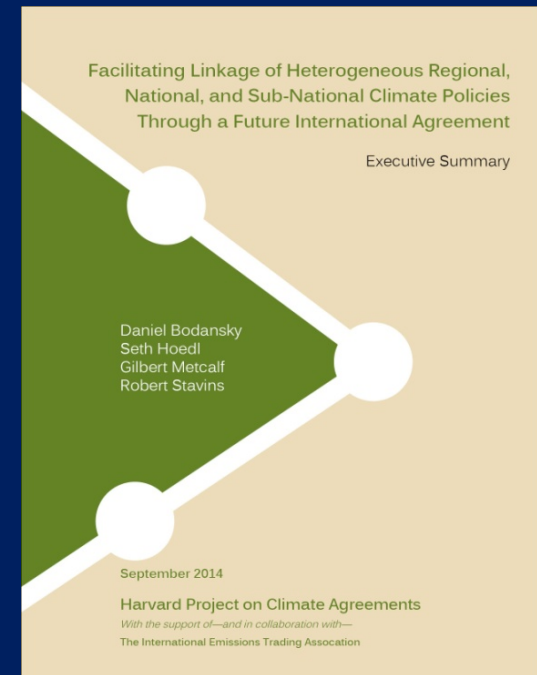
Policy Instrument Linkage in a Heterogeneous World

- Merits
 - Achieve cost savings (if marginal abatement costs are heterogeneous)
 - Improve functioning of individual markets: reduce market power, and reduce total price volatility
 - Allow for UNFCCC's CBDR *without* sacrificing cost-effectiveness
- Concerns
 - Distributional impacts within jurisdictions
 - Automatic propagation of some design elements
 - Reduction of autonomy
- Linkage among *heterogeneous policies* ranges from straightforward to infeasible



What needed to be in the Paris Agreement to facilitate linkage?

- First principle: Do No Harm ...
 - If poorly designed, the 2015 agreement could have inhibited effective linkage
 - Example: “supplementarity requirements” discussed in Kyoto (and included in KP)
- What did the 2015 agreement need to *include*?
 - Statement that *countries can achieve parts of their INDC targets by financing or otherwise facilitating actions in other jurisdictions*
- Accomplished in Article 6!
 - Emission reductions occurring outside a nation can be counted toward achievement of its NDC via *Internationally Transferred Mitigation Outcomes* [Article 6.2]
 - Enables formation of “clubs” *and* bottom-up heterogeneous linkage (not just government-to-government AAU trading, as in Kyoto Protocol Article 17)



Key Issue for Linkage:

Three Types of Heterogeneity in NDCs under Paris

1. Heterogeneous Instruments

- Cap-and-Trade with Cap-and-Trade
- Cap-and-Trade with Tax
- Cap-and-Trade or Tax with Performance Standard

2. Heterogeneous Jurisdictions

- Regional -- National -- Sub-National

3. Heterogeneous NDC Targets

- Hard (mass-based) emissions cap
- Rate-based emissions cap (per unit of economic activity, per unit of output)
- Relative mass-based emissions cap (relative to BAU)
- Other, non-emissions caps, such as penetration of renewable energy sources
- No cap

Key Questions/Issues

- For Research

- A three-dimensional matrix of instrument-jurisdiction-target combinations: which linkage cells are *feasible*?
- Of the feasible set, which are *desirable*?
- What *accounting treatments & tracking mechanisms* are necessary for various types of linkages?

- For Negotiations

- *Develop* necessary accounting procedures & mechanisms
- How will ITMOs be *tracked* to avoid double counting?
- Will the UNFCCC provide *oversight*?

Conclusions

- Paris climate talks were a success, but won't know about true success of Paris Agreement for many years
- International cooperation essential, but key action will be at national levels
 - Paris Agreement provides important opportunity for new path forward
 - One key necessary condition met: adequate scope of participation
 - Other key necessary condition: adequate ambition of policies
- In years to come, major locus of international cooperation ...
 - ... may continue to be UNFCCC, or other existing venues, or “climate clubs”
- But under any of these venues, importance of linkage will remain!

For More Information

Harvard Project on Climate Agreements

www.belfercenter.org/climate

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www.hks.harvard.edu/m-rcbg/heap

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