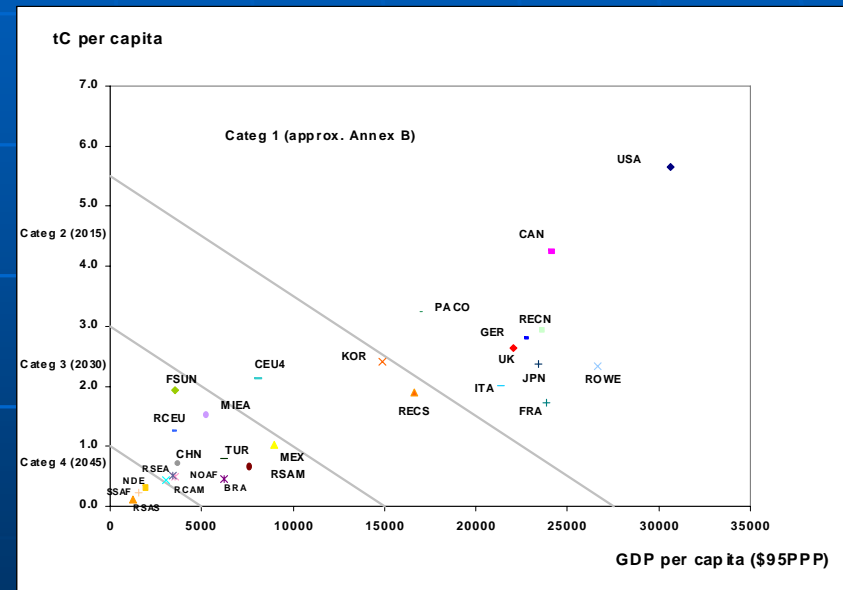


The design of climate policies and development.

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The basic facts

- GHG emissions come primarily from developed countries...
 - Annex B countries :
 - From 6 T/C per capita, to less than 2T/C, (annual)
 - India, less than 0,5 T per capita
- But total emissions of developing countries are likely to overtake developed countries emissions « soon ».
- Climate regimes and developing countries.



Extending the Kyoto protocol ?

- A limited « carbon tax space » :
 - Str. shortcomings : cheapest actions outside the « carbon tax world ».
 - CDM, a crude attempt to adress the problem.
- Integrating Developing countries be within a K protocol ?
 - A « first best » like solution(IEA, RG) « world » carbon market.
 - Generous (non binding) or one-sided quotas to developing countries.
 - A win-win solution.
- Is it unattainable ?
 - Acceptability by developed C.
 - Acceptability by developing countries.
 - The effectiveness of the price signal .Measurement.
 - The ratchet effect...
 - A solution ? medium term commitments and egalitarian quotas).

Border adjustment : a third best solution ?

- The Context.
 - A limited number of « virtuous » countries, unilateral move...
- The Proposition
 - A « carbon tax »: (mimicking a carbon added tax). (Ismer R. Neuhoff K)
 - Tax total imported carbon, detax total exported carbon
- A number of possible variants.
 - Concerning the relevant space (USA, Annex B, Europe).
 - The relevant status, unilateral, threat, delayed implementation.
- The reflection.
 - Objections, conventional content, present WTO rules....
 - A question raised at the EC, USA : American Electric Power, .
- A more realistic option : a border quota ?
 - With a trading scheme (ETS),
 - Quotas on imports covered by the scheme, reimbursed for exports...
 - Objections : partial, WTO compatible ?, require priced quotas...

Are strong climate policies possible within a limited carbon tax space ?

- Example factor 4 :
 - Divide by 2 emissions per capita in 2050...
 - (15-30 percent, 2020, 60+ 2050).
 - Introduce distortions..
 - Internal and competitiveness costs for « virtuous » countries....
 - The « leakage » problem... delocation with weakened standards + transportation costs (IPCC)
- How serious is the competitiveness issue ?
 - Numbers with ton of CO₂ at 30 euros, including electricity input...
 - Cement, (+115/cent), Steel, (15/c), Aluminium (18/c)...
- The environmental issue ?
 - Potentially serious,
 - Few studies, ex. in a forthcoming MIT Press book (T,G eds)
- A politically damaging conjunction

Sectoral agreements : a second-best solution ?

- The idea :
 - Center Clean Air Policy,
 - World agreements within different sectors.
 - Steel, Cement, Refineries, Aluminium, Chemistry, Electricity.
 - Not a grand Plan, flexible..
 - Variable carbon price...
- Variants
 - Absolute or intensity..
 - Negotiated with Producers, States ?
- An uncertain implementation.
 - The attribution of quotas
 - Benchmarking or
 - Commitments.
 - Differences of technological performance...
 - How to account for « vintages » of technologies..
 - For the specific conditions and the existing industrial structure

Conclusion

- A period of tâtonnement.
 - First best, Second best, sectoral ? Third best...
 - The role of the Bank.
- Climate policies cannot succeed without some solution to the evoked problems...
 - Move forward
- Reflection should go on
 - Clear objectives, open method.
 - With potential improvements :
 - Give back the money collected, (if any, costly quotas, border receipts) for programs of technological transfers (change the scale of CDM.
 - ...With may be cross fertilisation
 - non binding or one-sided State sectoral quotas...
 - ...