



By Robert N. Stavins

A Key Element for the Climate Talks

The Paris climate negotiations in December will be a critical step in the ongoing international process to reduce global greenhouse gas emissions. But the question of whether the outcome will be sufficiently ambitious to put the world on a path toward limiting global average warming to 2° Celsius can be answered now. It will not, because that target, while possibly useful as an aspirational goal, is not achievable, as the most recent report of the Intergovernmental Panel on Climate Change documented.

But greater ambition is more easily realized when costs are low, and market-based mechanisms are an important element in the portfolio of actions that can lead to cost-effective solutions. Linkage — between and among market and non-market systems for reducing GHG emissions — is a closely related key. In a recent article in the journal *Climate Policy*, “Facilitating Linkage of Climate Policies through the Paris Outcome,” Dan Bodansky, Seth Hoedl, Gib Metcalf, and I examined how the outcome can allow for and advance linked systems.

In the Durban Platform for Enhanced Action, adopted by the Conference of the Parties to the United Nations Framework Convention on Climate Change in 2011, the COP agreed to develop a “protocol, another legal instrument, or an agreed outcome with legal force under the

convention applicable to all parties,” for adoption at COP-21 in December. The Paris outcome will likely reflect a hybrid climate policy architecture — one that combines top-down elements, such as for monitoring, reporting, and verification, with bottom-up elements, including Intended Nationally Determined Contributions, or INDCs, describing what a country intends to do to reduce emissions, based on domestic political feasibility and other factors. This outcome will be embodied in a core agreement, which may be legally binding, as well as ancillary instruments.

The ability to link regional, national, and sub-national climate policies will be essential to enhancing the cost-effectiveness of such a system — and thus the likelihood of achieving significant global emissions reductions. By linkage, I mean formal recognition by a GHG mitigation program in one jurisdiction (a regional, national, or sub-national government) of emission reductions undertaken in another jurisdiction for the purposes of complying with the first jurisdiction’s requirements.

The minimum need for the Paris agreement in regard to linkage is to do no harm. Silence on linkage could possibly accomplish that. But any provisions in the agreement that would require nations to achieve their respective INDCs exclusively within their own borders — a constraint that has been favored by a group of socialist Latin American countries — would, in effect, prohibit not only international carbon markets but any sort of meaningful linkage (and would thereby greatly drive up costs).

If linkage is to play a significant role, then several elements merit serious consideration for inclusion in the Paris outcome, either directly or by establishing a process for subsequent international negotiations.

In general, effective linkage re-

quires common definitions of key terms, including particularly the units to be used for compliance purposes. Linkage requires registries and tracking mechanisms, whether the systems being linked are homogeneous or heterogeneous. Indeed, a key role for the top-down part of a hybrid architecture that allows for international linkage of national policy instruments will be the tracking, reporting, and recording of allowance-unit transactions. International compliance units would make the functioning of a transaction log more straightforward and reduce the administrative burden of reconciling international registries with national registries.

But including detailed linkage rules in the core agreement is not desirable, as this could make it difficult for rules to evolve in light of experience. The core agreement might be confined to articulating general principles relating to environmental integrity, while also authorizing the COP to develop more detailed rules later.

The most valuable outcome of Paris regarding linkage might simply be the inclusion

in the core agreement of an explicit statement that parties may transfer portions of their INDCs to other parties and that these transferred units may be used by the transferees to implement their INDCs. Such a statement would help provide certainty both to governments and private-market participants. This minimalist approach will allow diverse forms of linkage to arise, among what will inevitably be highly heterogeneous INDCs, thereby advancing the dual objectives of cost effectiveness and environmental integrity in the international climate policy regime.

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