

Comments on: Rethinking Climate Change Governance and Its Relationship to the World Trading System

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Main thesis of the paper

- Trade restrictions deserve attention in the design of a post-Kyoto climate agreement

Why trade restrictions?

- limit leakages: taxes neither neutralise leakages or induce leakage, carbon trading schemes hardly have an effect (IEA papers)
- limit free-riding opportunities: trade restrictions can induce emissions limitations by non-cooperating countries

How to implement trade restrictions?

- The KP compliance mechanism is not credible
- We should learn from the Montreal Protocol
- Several tools: credible trade bans, technology standards, border taxes, etc.
- Need for a new international regime:
Somewhere between revised top-down and bottom-up approaches

The issue of carbon leakages

- Controversial literature
- Discussion about the theoretical background that criticises the KP. Leakages from unilateral emissions reductions may be overstated:
 - Copeland and Taylor (2005), Bednar-Friedl et al. (2010) , di Maria & van der Werf (2007), etc.
- Other concern: carbon leakage estimates are diverse and questionable

The Montreal Protocol – 1

“Comparison is not reason”

O3 depleting substances	Greenhouse gases
Media coverage of O3 depletion causes and consequences in the 80s had a powerful effect on public opinions	Scepticism on climate change (e.g. Lomborg) and its anthropic causes in developed and developing countries
Cheap substitution possibilities, have gained support from the industrial sector	Abatement costs are diverse (e.g. Mac Kinsey) ; industrial sector more reluctant to abate

The Montreal Protocol – 2

Is it fully successful?

- Availability of data on CFCs and other O3 depleting substances: are provided by states which depend heavily on industrial declarations
- Black Markets CFCs (WRI, UNEP)
- Substitution effect between O3 depleting substances and GHGs
- More generally global warming and O3 depletion are dependent

The issue of sectorial environmental agreements

- **You seem to suggest sectorial initiatives: aviation, iron and steel, automobile, electricity generation**
- What about the administration cost of a system with many international agreements and several international agencies?
- And what about the spillovers between sectors?
- Do you support the French initiative for a World Environmental Organisation? Should we reform the UNEP?

R&D and new standards

- Who will pay for R&D? How to give incentives to R&D?
- Internal combustion engine ban: is it really palatable?
- And what about the nuclear electricity generation? (precautionary principle)

Miscellaneous questions

- Disillusion from top-down approaches to IEAs in Cancun: what do you think of China commitment to 40-45% carbon intensity reduction target by 2020 ?
- Are results from Cancun of importance?
- Energy subsidies (OECD 2009)
- Trade restrictions on environmental goods