

Climate Change Policies and the World Trading System: The Challenges Ahead
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**Rethinking Climate Change Governance
and Its Relationship to the World
Trading System**

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A brief summary

- So far, climate change policy has avoided to use trade restrictions, but it is ineffective...and actually poses a threat to the trade system
- The most effective international environmental agreements (Helsinki, Montreal) have incorporated trade restrictions
- Introduce trade restrictions into the climate change policy after 2012
- Trade restrictions have been until now only considered as patches to avoid detrimental side effects of the climate policy
- In other IEAs, they were considered as incentives to join the agreement
- Use trade restrictions as a deterrent force rather than as an offensive nuclear weapon

A brief summary

Re-designing a world climate policy by drawing inspiration from other IEAs, especially from Montreal Protocol

- Use trade restrictions between parties and non-parties as a credible threat (North Pacific Fur Seal Treaty, Montreal Protocol)
- Ban of imports containing controlled substances (Montreal Protocol): limits both production and consumption
- Implement technical and technological standards (MARPOL, ICAO)
 - Global standards rather than differentiated (cause of success for Montreal, cause of failure for the Kyoto Protocol)

Scott Barrett's Proposal

Re-designing a world climate policy by drawing inspiration from other IEAs, especially from Montreal Protocol

- Subdivide the problem into partial agreements
 - Adopt an effectiveness approach (best means for achieving each sub-objective)
- ↳ « second best » solution

Scott Barrett's Proposal

- Make use of the Montreal Protocol (and of its trade restrictions) as a climate agreement
 - since HFCs are GHG by-products of HCFC controlled by Montreal
 - through the proposed expansion amendment to directly control HFCs

- Implement technical and technological standards
 - fuel and airplanes standards + CO2 emissions standards to reduce aviation emissions
 - technological standards in iron and steel industries + ban on non complying imports + R&D subsidies
 - ban internal combustion engines to control automobile emissions
 - promote carbon capture and storage (R&D subsidies)

A pragmatic but provocative proposal for economists

- Fairness and effectiveness at the expense of efficiency
 - Standards do not allow to minimize the abatement cost of the policy
 - The breaking down of the problem implies different abatement costs between sectors

- Even effectiveness is not guaranteed
 - Technological standards tend to lock-in: no real incentives to invest in R&D to do better + evolution will need further negotiations
 - Emission standards cannot deter the increase of emissions due to the increasing demand (automobile, air transport)
 - To promote carbon capture and storage in electricity generation will hamper investment in renewable energies and accelerate fossil fuels exhaustion