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Trade as a tool to support the implementation of domestic climate policies and their coordination

Emmanuel GUERIN

Director, Energy and Climate programme, IDDRI

Introduction

- The ambivalence of the links between trade and climate policies from a political economy perspective
- The role of public intervention to combat climate change:
 - Pollution market failure
 - Knowledge market failure
- Demand pull / technology push
- Public goods / private incentives
- 2 examples
 - Renewable energies support schemes and trade
 - Sectors at risk of leakage and BTA

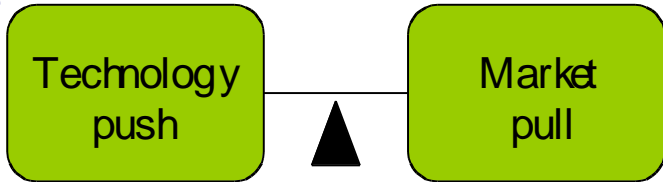
Domestic support for renewable energies

Balancing technology push/Market pull

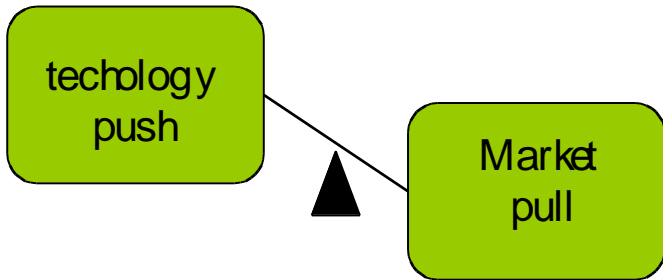
EU

Differences among Member States

Germany



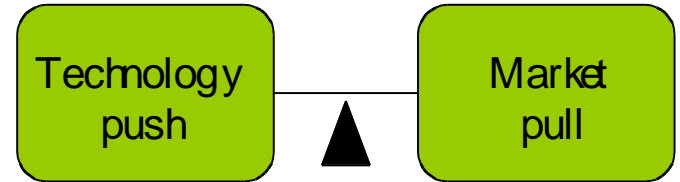
France



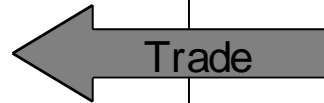
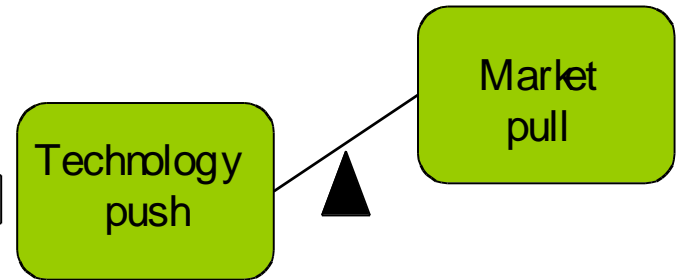
China

Differences among technologies

Wind



Solar



What are the issues?
¥Trade economy : good
¥Political economy : difficult
→ The need for a coordinated approach

World economy
Opening markets- Free trade

Sectors at risk of leakage and BTA

- 3 general remarks:
 - Look closer at what other countries are doing
 - Look closer at the current situation in the EU
 - Look closer at the trade « BAU » dynamics
- 3 ways to address leakage:
 - Free allocation
 - BTA
 - Sectoral agreements
- BTA is an option if leakage concerns increase
- But the date at which it would inter into force needs to be fixed well in advance