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OCH ENTREPRENÖRSKAP

# Building a Climate Agreement



# Copenhagen – where dreams met reality

- Failure of the negotiation process
- Failure of the political ambition of major emitters
- Failure of concrete problem solving

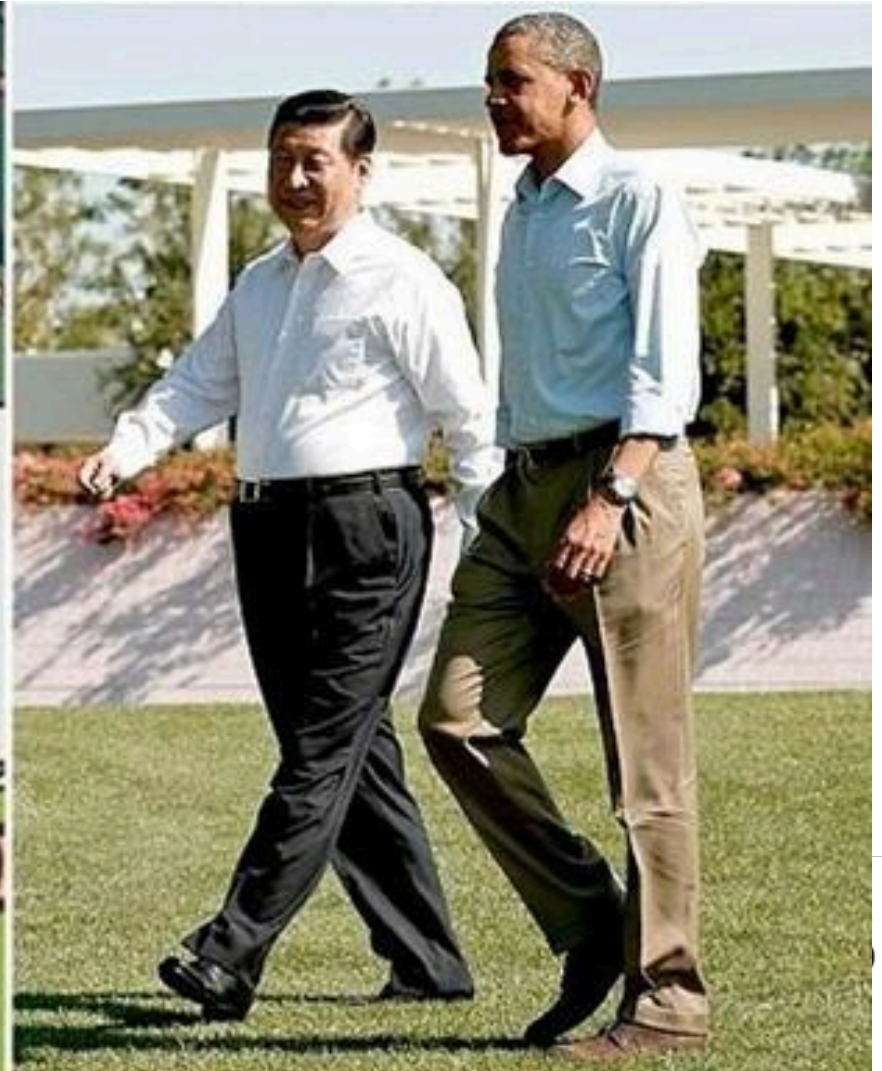


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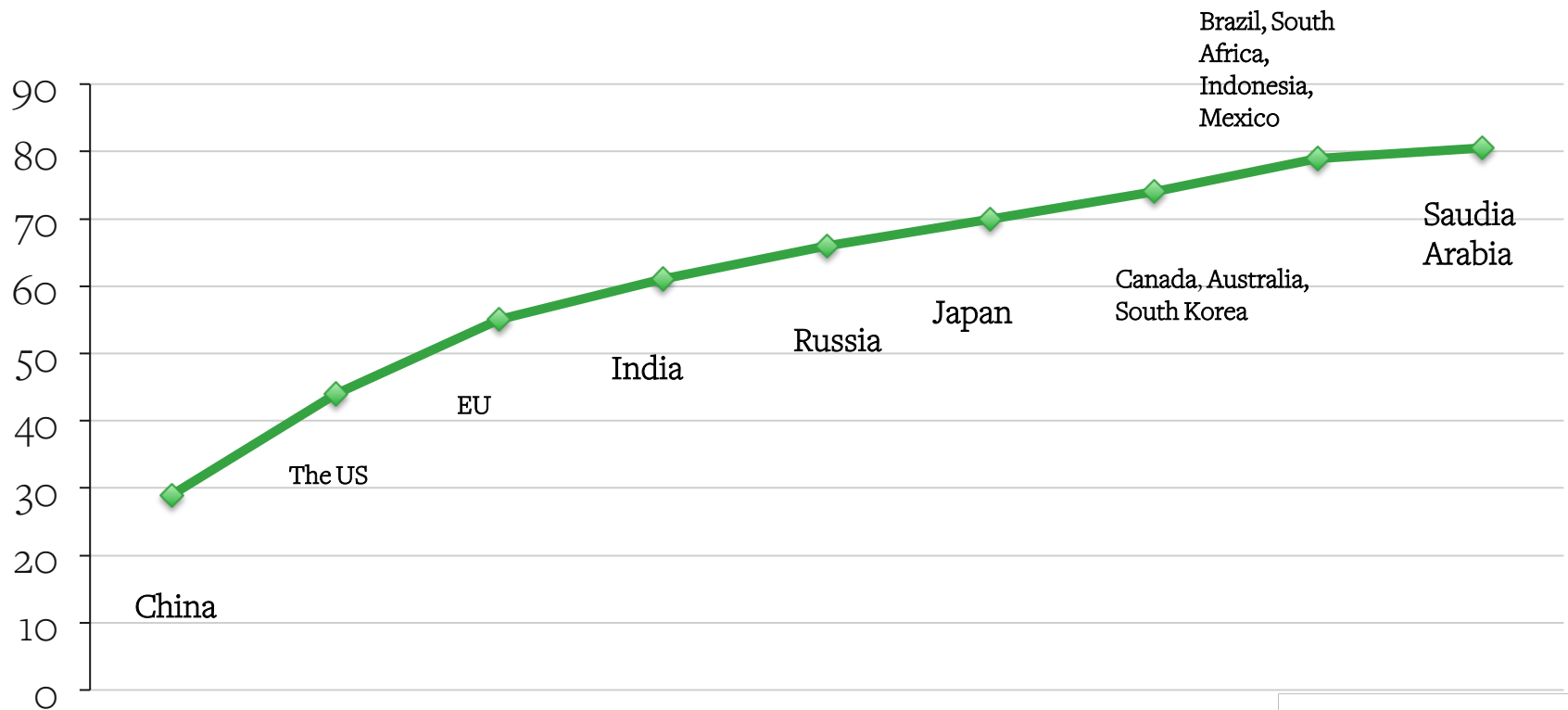
# New hope for global deal in Paris?



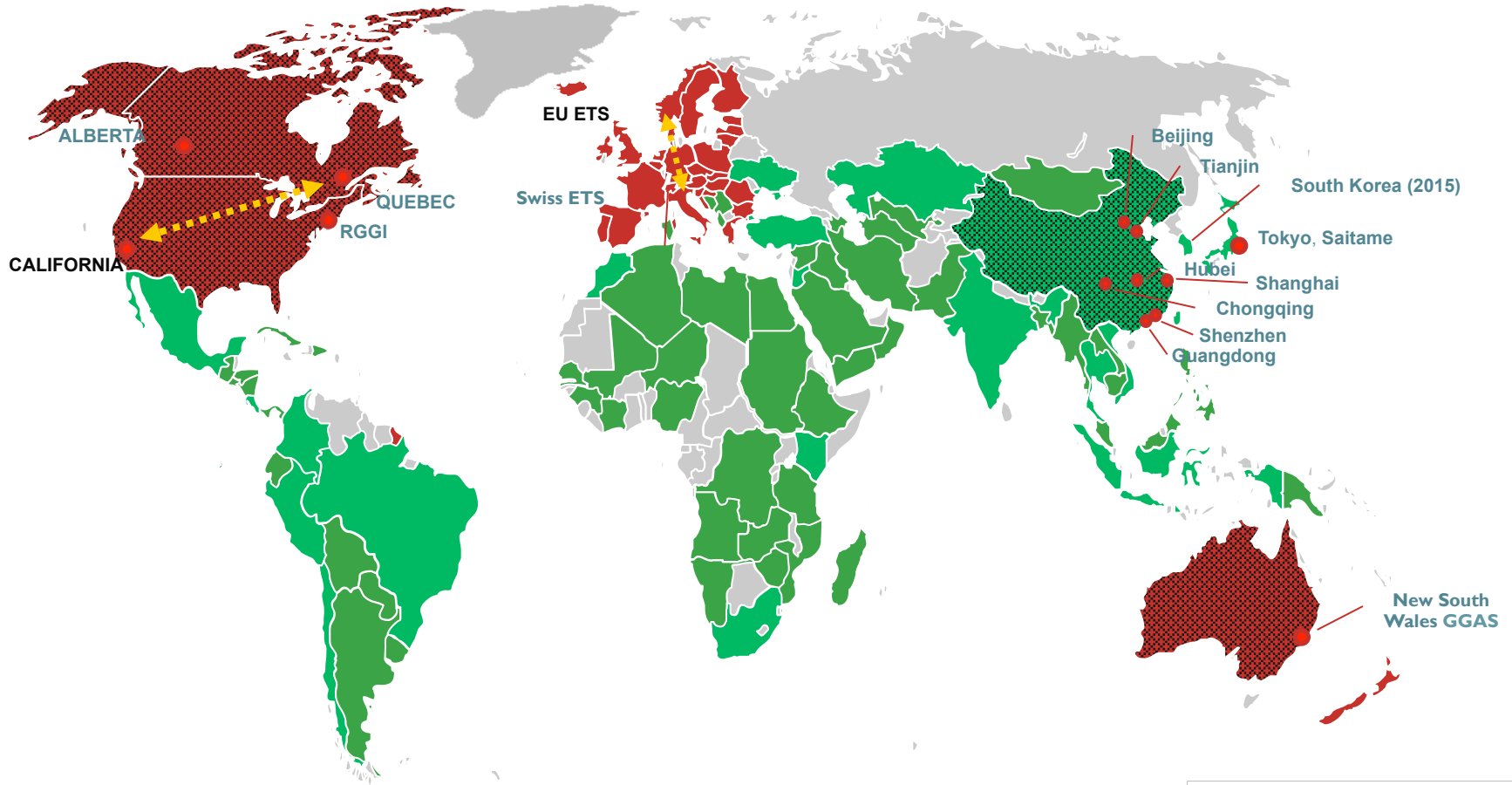
# Reality on the ground



# Global emissions 2013



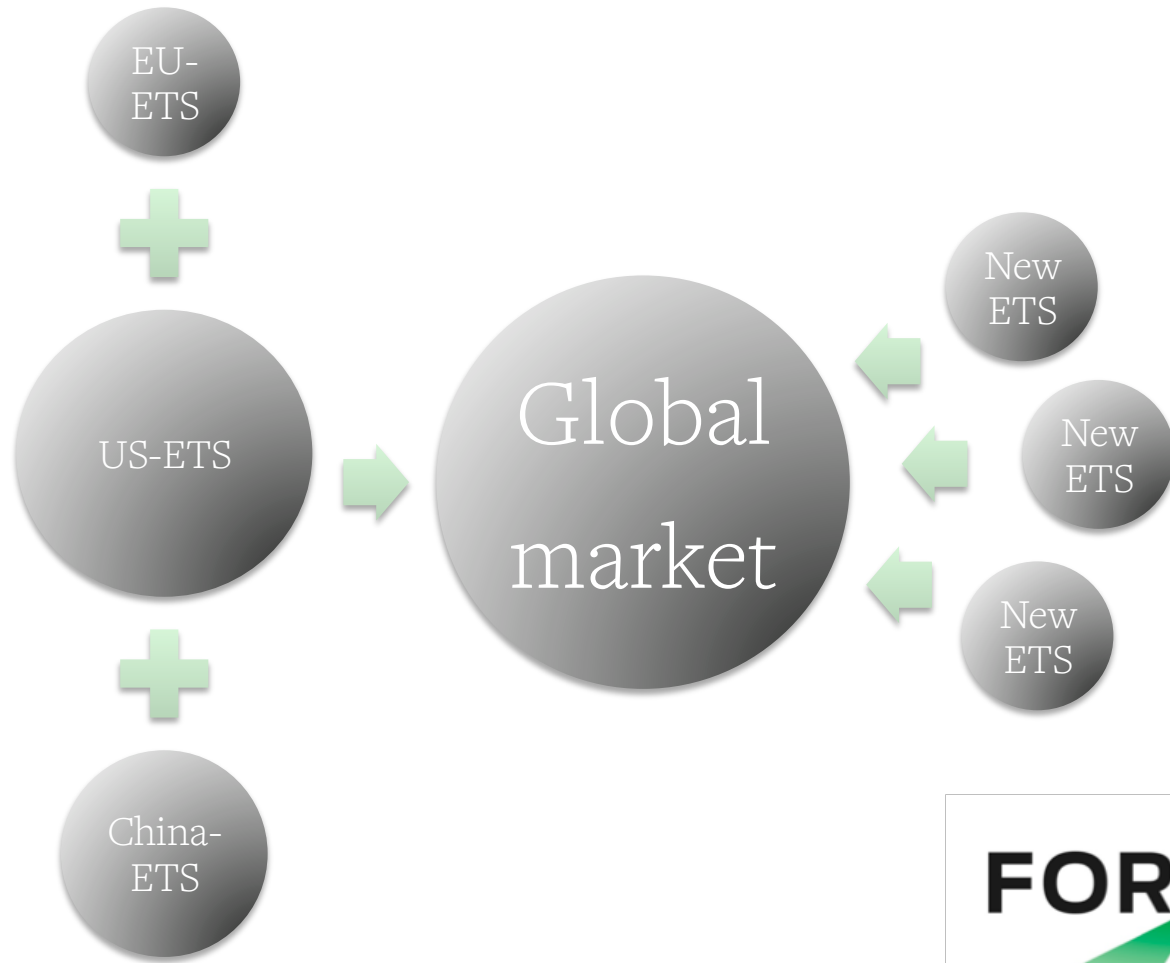
# Global Carbon Markets



- CDM Host Countries as of July 1, 2013 (UNEP Riso Centre, data from the CDMPipeline)
- Existing Emission Trading Schemes
- Emission Trading Scheme in Progress
- Countries with provincial-only Emission Trading Schemes
- Linkages

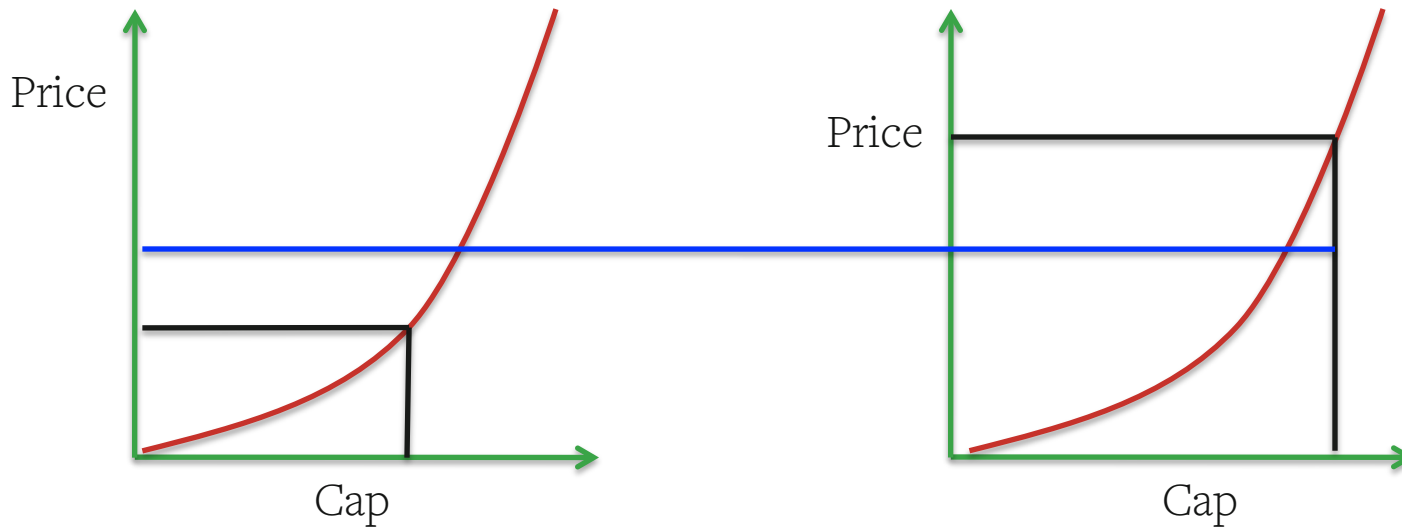


# Linking markets



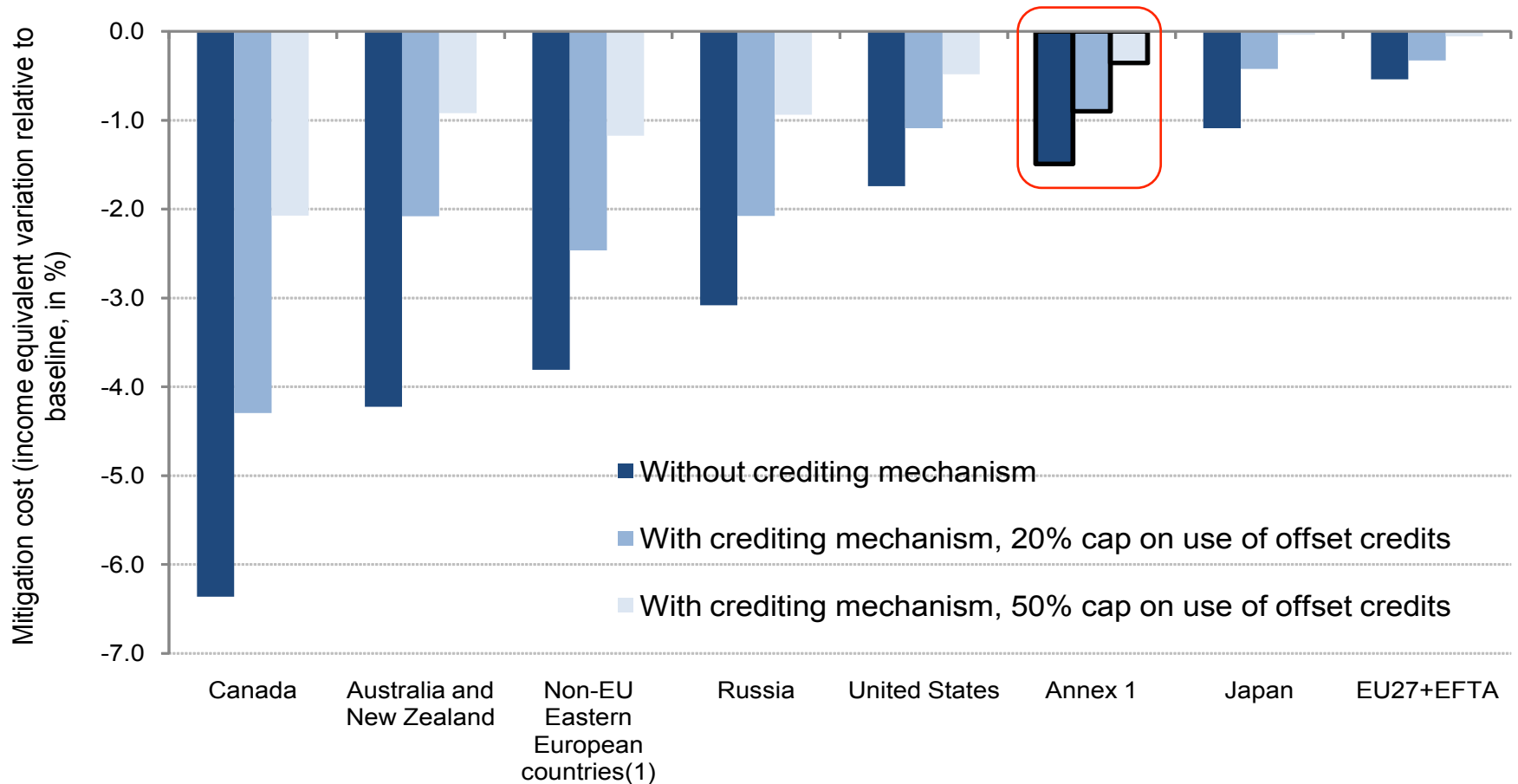


# Linking equalizes prices

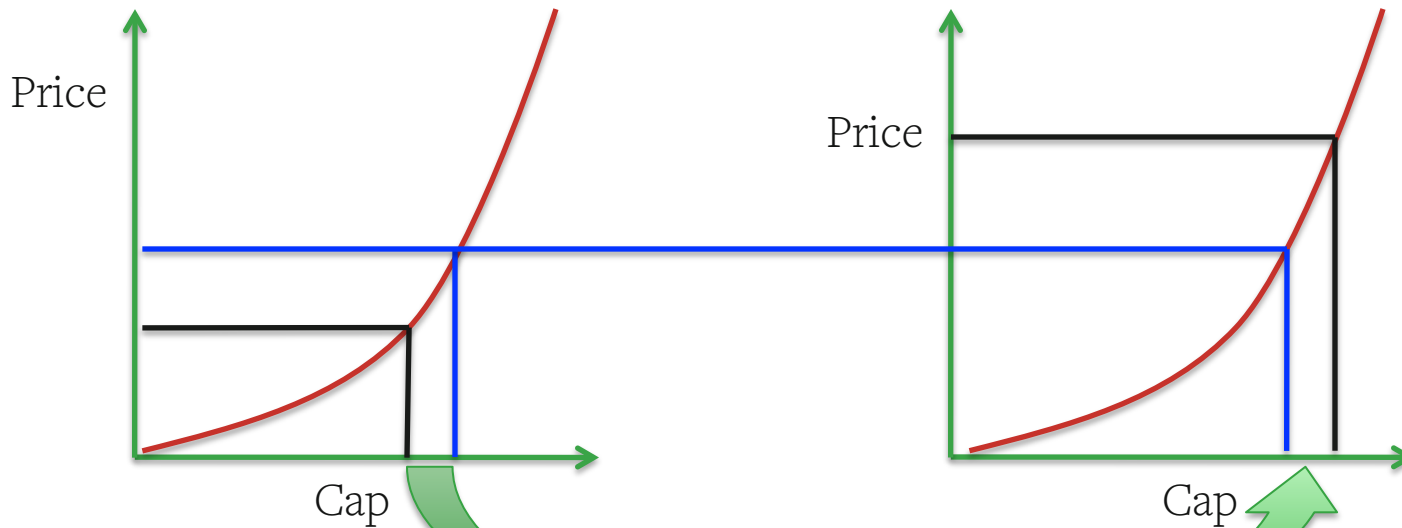


# Less costly to reduce emissions

Mitigation policy costs under a 50% emission cut by 2050 in each Annex I region separately, with and without crediting mechanisms (2020)



# ... but wrong political incentives (regardless of instrument)



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# Exchange rate mechanism

- “Equalized cap unit” according to agreement – for example “equal climate space”
- Linking affects prices less in respective markets
- States outside agreement “plug in” on equal terms
- Common secretariat ”World Climate Organisation”?

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# Summary

- The top emitters must agree first
- Carbon markets is what works (politically)
- Linking carbon markets creates a global framework
- But linking needs rules and "exchange rates"
- There is a lack of a common global institution with climate *economics* expertise

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# Further reading

- A Bretton Woods for the Climate (Engström Rutqvist, Ådahl, 2010)
- Facilitating Linkage of Heterogeneous Regional, National, and Sub-National Climate Policies... (Stavins et al 2014)
- Linkage by degrees (Burtraw et al 2013)
- A balance of bottom-up and top-down in linking climate policies (Sterner et al 2014)

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# Thank you

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