



The Global Development Post-Durban Of Policy Regimes To Combat Climate Change

After Copenhagen and the economic crisis: Does the EU need to go back to the drawing board?

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About CEPS ...

EU climate change policy

Vision of Kyoto-style top-down targets and timetables approach ... plus

Host of domestic (EU & member states) measures built around the ETS

Unified EU position, high-level of trust (post-2000) <-- “EU policy innovation”

Centrepiece EU ETS

Why? - Least-cost, compatible with Kyoto vision and EU internal market, institutional reasons, scarcity rents

Complemented with other policies (e.g. renewables, energy technology deployment strategy, cities)

Global carbon market through progressive integration/linking of national ETS (triggered by global cap) or at least global carbon price (via off-sets)

ETS

Phase 1: 2005-07: pilot reveals design flaws

Phase 2: 2008-12: some rectifications

Phase 3: 2013-20: ETS review → new ETS

ETS (& climate policy) Review: 2007-09

Making ETS 'future-proof'

- **Unilateral legally binding GHG reduction target (-20%, -30%)**
- **Global carbon market by linking and off-sets**
- **Long-term linear reduction target**
- **Renewables and energy technology deployment strategy**
- **Transport, households, cities ... adaptation etc.**

Economic crisis (& sovereign debt crisis)

(2020 targets achieved, lack of scarcity up to 2025 - carbon price below € 8)

2020 targets achieved but ... not consistent with ...

- **EU long-term target**
- **Global aspirations**
- **EU finance promise (mainly through carbon market)**

End of top-down approach in Copenhagen

How long can ETS continue in isolation? → carbon border measures

...

EU politics

- **Logical step – move to 30% or more – is blocked by Poland plus ...**
- **Still possible after budget is agreed (in 2012/13) → in force by 2015 at best = too late ?**
- **What else ?**

Possible solutions

- **“Re-set”**: one-off set-aside; legally-binding unilateral 2030 target
- **“Automatic stabilisers”**: floor prices, options contracts, rolling emissions cap
- **“Institutional/regulatory reform”**: Carbon Bank, carbon border measures

Question:

What is the role of the ETS in the absence of ‘global agreement’

“What is the possibility to ‘impose’ a sufficiently high enough carbon price to drive decarbonisation”

Or: Is ETS only about ‘least-cost abatement’?

EU international position

Still based on “pre-Copenhagen” elements

- Institutional reasons: lack of consensus, lack of attention
- Lack of “new domestic consensus”
- Aviation (?)