An International Policy Architecture for the Post-Kyoto Era

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The Global Climate Policy Challenge

• Kyoto Protocol (1997) has come into force (Feb 16, 2005), without U.S. participation

• But direct effects on climate change will be very small to non-existent

• Science and economics point to need for a credible international approach.
Can the Kyoto Protocol Provide the Way Forward?

• KP has been criticized:
  
  – The costs are much greater than need be, due to exclusion of developing countries (conservative estimate: costs are four times cost-effective level)
  
  – Will generate *trivial* short-term climate benefits (2008-2012), and *fails* to provide any long-term solution (for this long-term, stock problem)
  
  – Short-term targets are excessively ambitious (would foster premature capital obsolescence); particularly ambitious for United States
  
  – So, the Kyoto Protocol is “too little, too fast”

• Is there a better way forward?
A Three-Part
Global Climate Policy Architecture

1. **All nations involved**: developing countries must be fully involved, because of
   a. rapid growth
   b. low-cost options
   c. emissions leakage

   But developing countries can’t be expected to pay in short term.

   *Solution*: “growth targets” that become more stringent as countries become more wealthy (combined with int’l tradeable permits)

2. **Long-term time-path of targets**: short-term *moderate* but firm, long-term *stringent* but flexible
   - Why this time-path of targets?
• Technological change *can* bring down costs in the long run
• So, large reductions *can* be achieved at lower costs in long run
• Policies are needed *now* to motivate long-term tech change

![Graph showing marginal cost reduction over time](image)
Least-Cost CO₂ Emissions Paths to Stabilize Atmospheric Concentrations at 550 PPM
Three-Part
Global Climate Policy Architecture (continued)

2. *Long-term time-path of targets*: short-term *moderate* but firm, long-term *stringent* but flexible
   - So, consistent with the science: stock is what matters
   - Consistent with the economics: cost-effective time path
   - Consistent with pragmatic politics

3. *Market-based policy instruments*: emissions trading, carbon taxes, and hybrids – “safety valve” (both domestic & international)

- Three-part architecture is based on sound science, rational economics, and pragmatic politics
What Will the Future Hold for U.S. Participation in an International Agreement?

• **Bush Administration**
  – Plan of “slow, stop, & reverse” emissions makes sense, *but* need dates & targets *now* for “stop & reverse”
  – Plan’s embrace (in principle) of MBIs is good, but need real cap-and-trade, not just voluntary programs
  – What’s really missing: Bush (appropriately) criticized KP as a highly flawed international approach, but what’s the Administration’s proposed alternative?

• **A Future Democratic Administration?**
  – Keep in Mind: Senate vote on Byrd-Hagel Res. against KP approach was 95-0
  – President Clinton did not submit KP to Senate, nor would Vice President Gore had he been elected President, nor would Senator Kerry had he been elected President

• **Prediction**: No matter who occupies the White House, a KP-type treaty will *not* be submitted to the U.S. Senate for ratification.
  – State-level and regional initiatives *will* advance in the U.S., possibly even a unilateral national program at some point, but ….  
  – *The Key Question* is whether the U.S. will begin to *work with* Europeans and others on a *better international approach*. 
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