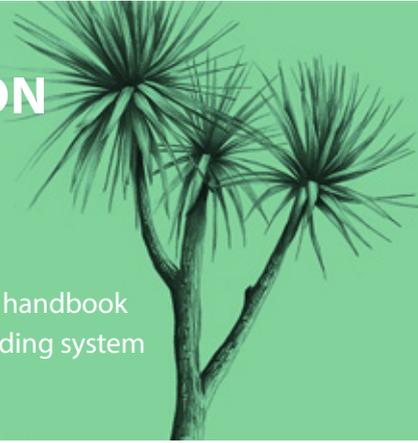


A WORLD-LEADING RESOURCE ON EMISSIONS TRADING SYSTEMS



Motu researchers co-lead a project for the World Bank, creating a handbook for any jurisdiction wanting to design or revamp an emissions trading system

THE BACKGROUND

Emissions trading can be a powerful tool for helping to reduce greenhouse gas emissions. An emissions trading system (ETS) transforms a regulatory limit on emissions into an emissions price set by the marketplace, making low-emission alternatives attractive and feasible for producers, consumers and investors.

The design of an ETS is complex. It must work as a market but also as a policy tool designed to achieve a range of outcomes – environmental, economic, and social. If well designed, emissions trading helps to achieve low-cost emissions reductions in ways that mobilize private sector actors, attract investment, and encourage international cooperation.

Since 2014, there has been a groundswell of public and political re-engagement with climate change. Political and business leaders joined with scientists and environmentalists around the world in collaborations that led to a shift in the thinking around international agreements.

Under the agreements hammered out in Paris in 2015, many countries indicated they intend to use emissions trading systems as part of meeting their greenhouse gas emission reduction commitments. Every country or jurisdiction has different requirements, due to its emissions profile, the strength of its emission reduction commitment

relative to its local mitigation opportunities, its political priorities and its existing regulatory structure. The world needed an overarching template that enabled those setting up or redesigning emissions trading systems to learn from others' mistakes while customising the design for their own conditions.

THE PROJECT

As part of the resurgence in climate mitigation awareness, Suzi Kerr, Senior Fellow at Motu Economic and Public Policy in New Zealand, was asked to co-lead a project for the World Bank. This project was to compile a handbook designed to help any country in the world design an emissions trading system to suit their locally specific needs.

Considerable experience with the New Zealand Emissions Trading Scheme and long study of environmental markets in jurisdictions as diverse as New Zealand, Costa Rica, Colombia, the USA, and Chile made Dr Kerr the obvious choice to lead the project alongside an economist from the Environmental Defense Fund in the USA. The pair worked in collaboration with the World Bank Partnership for Market Readiness and the International Carbon Action Partnership.

The project had contributors from around the globe, including Motu Policy Fellow, Catherine Leining, who as a government official helped to design the NZ ETS and participated in international climate change negotiations on market mechanisms.



"I can think of no other New Zealand economist who has contributed more to environmental economics and policy. Her work has had significant impact not only in her home country but internationally as well."

LAWRENCE H GOULDER

PROFESSOR OF ENVIRONMENTAL AND RESOURCE ECONOMICS, STANFORD UNIVERSITY



“If well designed, emissions trading helps to achieve low-cost emissions reductions in ways that mobilize private sector actors, attract investment, and encourage international cooperation. However, to maximize effectiveness, any ETS needs to be designed in a way that is appropriate to its context. This handbook is intended to help decision makers, policy practitioners, and stakeholders achieve this goal.”

PIERRE GUIGON

ENVIRONMENTAL SPECIALIST, THE WORLD BANK

THE RESULTS

The handbook presents different choices for features across systems with no bias, enabling those designing an ETS to apply the wide range of lessons learned from practical experience in different countries. It helps decision makers, policy practitioners, and stakeholders avoid mistakes made in other jurisdictions and stops countries setting up carbon copies of other markets inappropriate for their situation.

The Handbook is a key resource for the World Bank, which supports the development of ETS and other market mechanisms in more than 20 of the largest emerging economies through its Partnership for Market Readiness. For example, the Partnership is currently supporting the development of a national Chinese ETS with an US\$8 million grant and is carrying out analytical work and consultations on several essential components of the ETS design.

The handbook is also in use by the International Carbon Action Partnership, helping with capacity

building particularly in countries with developing economies. In addition, Dr Kerr hopes the handbook will fill the void as a textbook for tertiary students and policy practitioners who want an entry-level guide to emissions trading.

