

Information sharing and minimizing adverse effects

Aaron Cosbey

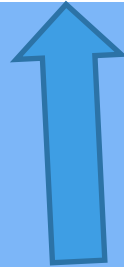
**UNFCCC Joint Workshop on KP 2.3 and 3.14
19-20 Sept., 2011, Bonn**

Adverse impacts of response measures

- What are we talking about? Three possible types of measures:
 - Climate policies that reduce income in AI countries, resulting in fewer imports (e.g., carbon tax; emission caps);
 - Non-trade-related climate policies that reduce demand for NAI exports (e.g., energy efficiency measures; conservation; promotion of renewables)
 - Trade-related climate policies that penalize GHG-intensive goods, lowering demand for NAI exports (e.g., border carbon adjustment; aviation and shipping levies; product carbon footprint labelling).

Adverse impacts of response measures

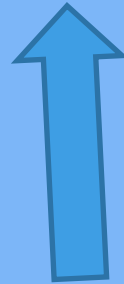
- Climate change policies that reduce income in AI countries, resulting in fewer imports (e.g., carbon tax; emission caps);



This type of measure is the only one that has been much researched. Usually a tax is assumed, for modelling simplicity.

Adverse impacts of response measures

- Non-trade-related climate policies that reduce demand for NAI imports (e.g., energy efficiency measures, conservation; promotion of renewables)



Research shows competitiveness gains from energy efficiency policies -- means market share losses for other firms in the affected sectors. Similar results to be expected for R&D support.

Adverse impacts of response measures

- Trade-related climate policies that penalize GHG-intensive goods, lowering demand for NAI exports (e.g., carbon border tax adjustment; requirements that imports purchase allowances; aviation and shipping levies; product carbon footprint labelling).



Little research. IISD has calculated partial equilibrium impacts of a BCA for exports of China and South Africa. Some Chinese researchers have done the same for China. Almost nothing on labels.

A comment on research focus

- Quantifying adverse impacts of response measures is difficult. Need different agreed methodologies, assumptions for every different type of measure.
- Is that level of effort justifiable? Do we need to know the exact amount of costs? For some measures, that may be unnecessary.
- If what's needed is a basis for consultation on minimizing adverse impacts, then less demanding analysis will serve.
- So knowing the object of the exercise is critical to shaping methodologies.

Reporting and verification

- Results of the 2006 survey (NC4):
 - 11 of 25 AI Parties effectively reported nothing
 - Of those that reported, some reported that they addressed adverse effects by using a broad coverage of gases, multi-sectoral approach and flex mechs, ensuring low costs of mitigation.
 - Some reported purely domestic efforts as technology cooperation.

Reporting and verification

- Without detailed guidance, Parties are left to interpret the obligations as they see appropriate.
- Clear need for guidance on reporting structure.
- Impossible to verify reports if there is no such guidance, structure.

Final thoughts

- The lack of reporting structure, lack of methodologies is a reflection of more fundamental lack of agreement.
 - What types of measures, impacts should be covered? All of them?
 - What is the objective?
 - Multilateral consideration of policy design?
 - What counts as avoiding adverse effects?
- Need institutional space to discuss, answer, these questions.

Final thoughts

- ▣ My personal answers:
 - ▣ **Income-reducing climate policies:** need modelling; results dictate priorities for insurance, funding, tech transfer, economic diversification.
 - ▣ **Non-trade policies:** no coverage (for now).
 - ▣ **Trade-based policies:** need advance notification requirements, and institutional space to discuss policy design; principles of good practice.

Information sharing and minimizing adverse effects

Aaron Cosbey – acosbey@iisd.ca