"Global Trading versus Linking: Architectures for International Emissions Trading"

Presenters: Christian Flachsland, Robert Marschinski, Ottmar Edenhofer

Session 23 - Integrating National and International Approaches to Carbon Pricing Strategies: Developing a Global Framework.

Abstract:
International emissions trading is widely seen as an indispensable policy pillar of climate change mitigation (Stern, 2007). We analyze five different types of trading architectures, classified into two top-down (UNFCCC driven) and three bottom-up (driven by individual countries or regions) approaches. The two types of approaches are characterized by a trade-off between environmental effectiveness and political feasibility, respectively, whereas their relative cost-effectiveness depends on implementation details. Bottom-up architectures constitute imperfect substitutes for top-down architectures in terms of environmental effectiveness, and thus remain mere fallback options. However, especially the ‘formal linking’ architecture can act as complement in terms of cost-effectiveness.