

Comments on papers by Dowlatabadi and Richels

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My comments on the excellent papers are mainly driven from my background as a policy adviser in the Ministry of Economic Affairs in the Netherlands. They are aimed primarily to put some policy reality into the discussion. These meetings can be very helpful in informing policymakers about scientific analyses as well as researchers about policy needs. They should be organised more frequently but also with a stronger participation by policymakers.

In particular the paper by Dowlatabadi shows that there is still enormous potential for improving the information on costs. A wide range of 70% underestimation up to 100% overestimation, however, may render this information relatively useless for a policymaker. The suggestion to address structural uncertainties in models should be emphasised and maybe a co-ordinated modelling effort running similar scenarios should be considered, f.e. confronting top-down with bottom-up models to better understand the driving forces and key mechanisms.

The latter in my view is perhaps even more important for policymakers than a focus on costs. Although costs obviously do play a strong role in decision-making, policy decisions are hardly based on model results; for that reason, models tend to be too much of a simplification. However, they can learn us something about the underlying dynamics and mechanisms. The SO₂ case in the US demonstrates that the overestimation of costs has not been a barrier to go ahead with the policy but some of these analyses may have influenced the design or format of the policy. This is where policymakers spend most of their time on and they face trade-offs and decisions on a lot of (more detailed) issues. Think about the decision whether or not to grandfather or to auction permits, to offer R&D support as a way of compensation or to introduce schemes to stimulate first mover advantages (as has been the case in the Netherlands). I think it is also interesting that in the case of NO_x policy in the paper, the cost estimates has been much more accurate; perhaps there are some important lessons to be learned here, perhaps even more as in the SO₂ case. Also, the paper by Richels shows that a multi-gas approach is much better in presenting policy advice than only focusing on CO₂; these results are extremely relevant for discussions on emissions trading in the EU or Annex I countries. So, in my view, the focus should not be too much on cost implication only, it may be more useful for policymaking to demonstrate the mechanisms and key factors that define the design of policies. Information on technological development, inertia in the energy system, equity and distributional issues, compensatory options are also very relevant.

What about the adaptive management approach and to regard policy more as an experiment? It sounds good on paper but does it work in practice? I have my doubts as the political reality may not have much room for experimenting. It is very time-consuming, there may be continuous opposition to question the experiment, it demands long-term political commitment (also after a change in administration) and politicians may simply want to have sweeping results. Of course, we should regularly evaluate policies and learn from the mistakes but to treat policymaking as an experiment needs much more elaboration.

I certainly think that the conclusion at the end of the paper by Dowlatabadi that it is a mistake to launch broad-based policies from the outset, is open for debate. Is Kyoto such an example? Some Annex I countries may want to see it that way but the whole set-up of targets (either in absolute or in relative terms), flexible mechanisms, the use of sinks, the restoration rate and so on, seems to me a broad-based policy but absolutely necessary in its comprehensiveness to get an international agreement.

Still, where does this all leave us for climate policy, in particular on the benefits issue? I just want to give you some thoughts and suggestions where benefits analyses may improve the policy process:

- stabilisation goal: there is Article 2 of the UNFCCC, perhaps benefits analyses can help us in operationalising that objective.
- increase international participation: as developing countries are mostly affected by climate change, benefits analyses may be helpful with regard to their sustainable development objectives.
- Priorities: benefits analyses may be instrumental in prioritising policy issues, f.e. on climate variability or the case of the mosquito (in the paper by Tol).
- Timing (short and long term): benefits analyses may also be helpful in prioritising climate policy with regard to timing and the choices for adaptation and mitigation. Certainly, the discussions in other sessions have shown that there is a strong need for an integrated framework to analyse impacts, adaptation and mitigation. I think a concerted effort of Working Groups II and III of IPCC is worth considering, perhaps along the lines of benefits analyses.
- Finally, valuation. Despite all the problems of market and non-market valuation and discounting, I think this is unavoidable. Policy choices always imply a valuation, implicitly or explicitly. And it may thus be better to make these choices more transparent by revealing the valuation by policy makers. Even when there is no explicit valuation, the choices made by policymakers imply some sort of trading-off and prioritising. Working backwards, valuating the different components of the policy decisions may then explicitly reveal the preferences and priorities of policymakers.

Thank you.