

OECD and Domestic Climate Change Policies

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OECD Domestic Climate Policies

1. Objectives of the work
2. Policy context
3. Trends: emissions and policies
4. Framework for Mitigation Policy
5. Conclusions

1. Objectives and approach

What contributions can assist OECD countries to limit GHG emissions?

- what can we learn from experience to date?
- assessment draws on existing OECD, IEA, and UNFCCC work
- orient new OECD work on domestic policies

2. Policy context

Climate change and sustainable development

-- how are they linked?

- inter- and intra-generational equity
- linkages with other global environmental problems and calls for integrated approaches
- local and regional benefits of limiting GHG
- major shifts in technology and behaviour to achieve Kyoto and Convention objectives
- costs (and benefits) uncertainty

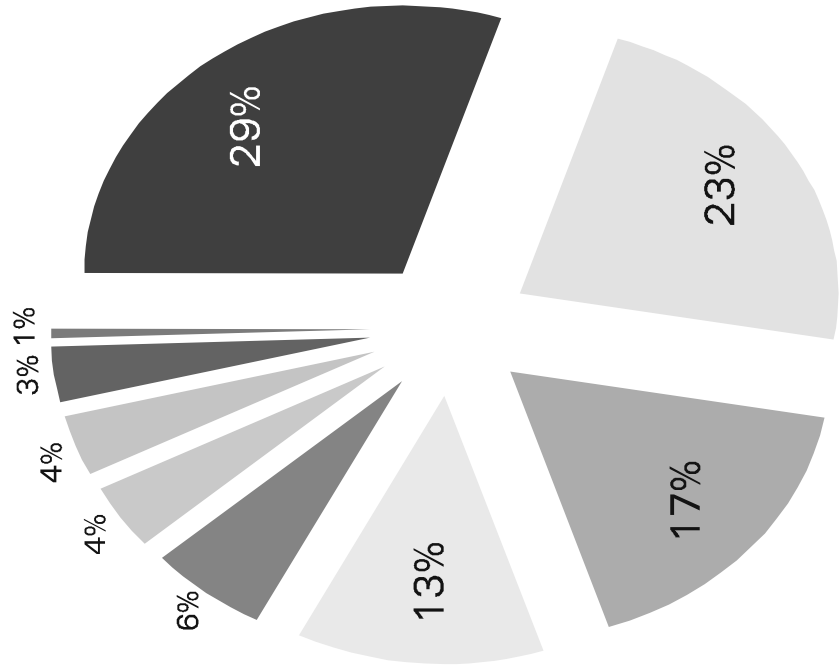
3. Trends: Emissions (1990-95)

What do emission trends tell us about policy responses?

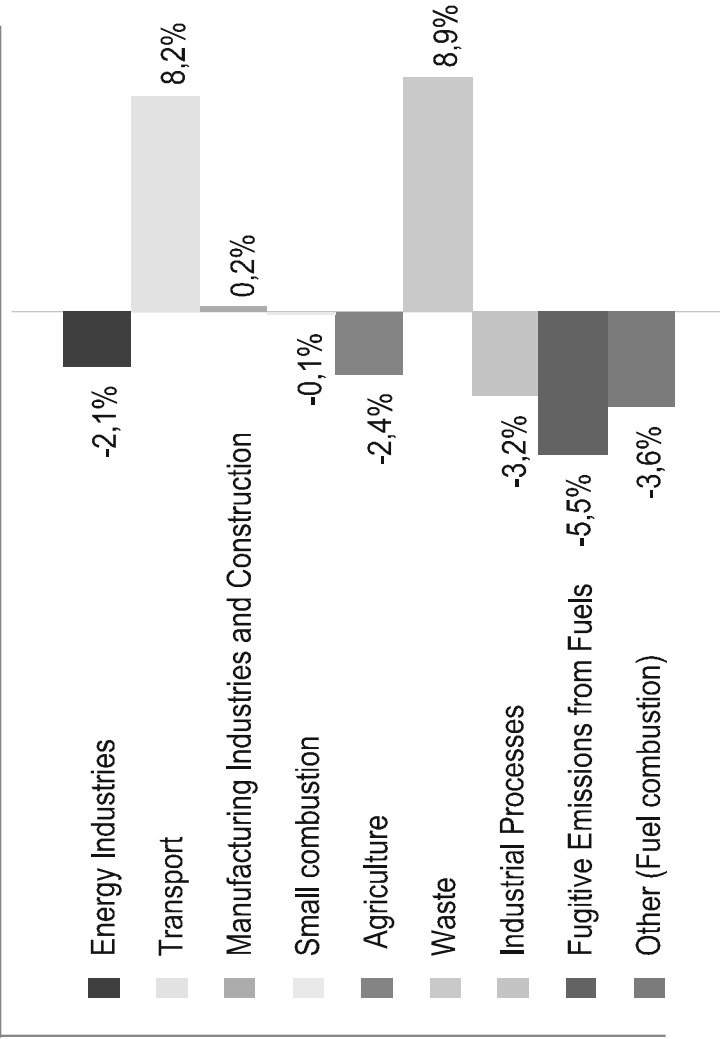
- Annex I country emissions down by - 4-5%
- Countries with transition economies down by - 20-25%
- OECD country emissions up slightly (+1% with Hungary, Poland, Czech Republic)
- OECD up by about + 3% without transition economies

1995 OECD GHG Emissions*

(Carbon dioxide, Methane and Nitrous oxide)



Sector % change since 1990



* Excluding Korea, Mexico and Turkey, data for Japan (CH4-N2O), Poland, Portugal and Spain represent 1994 values.

3. Trends: Policy

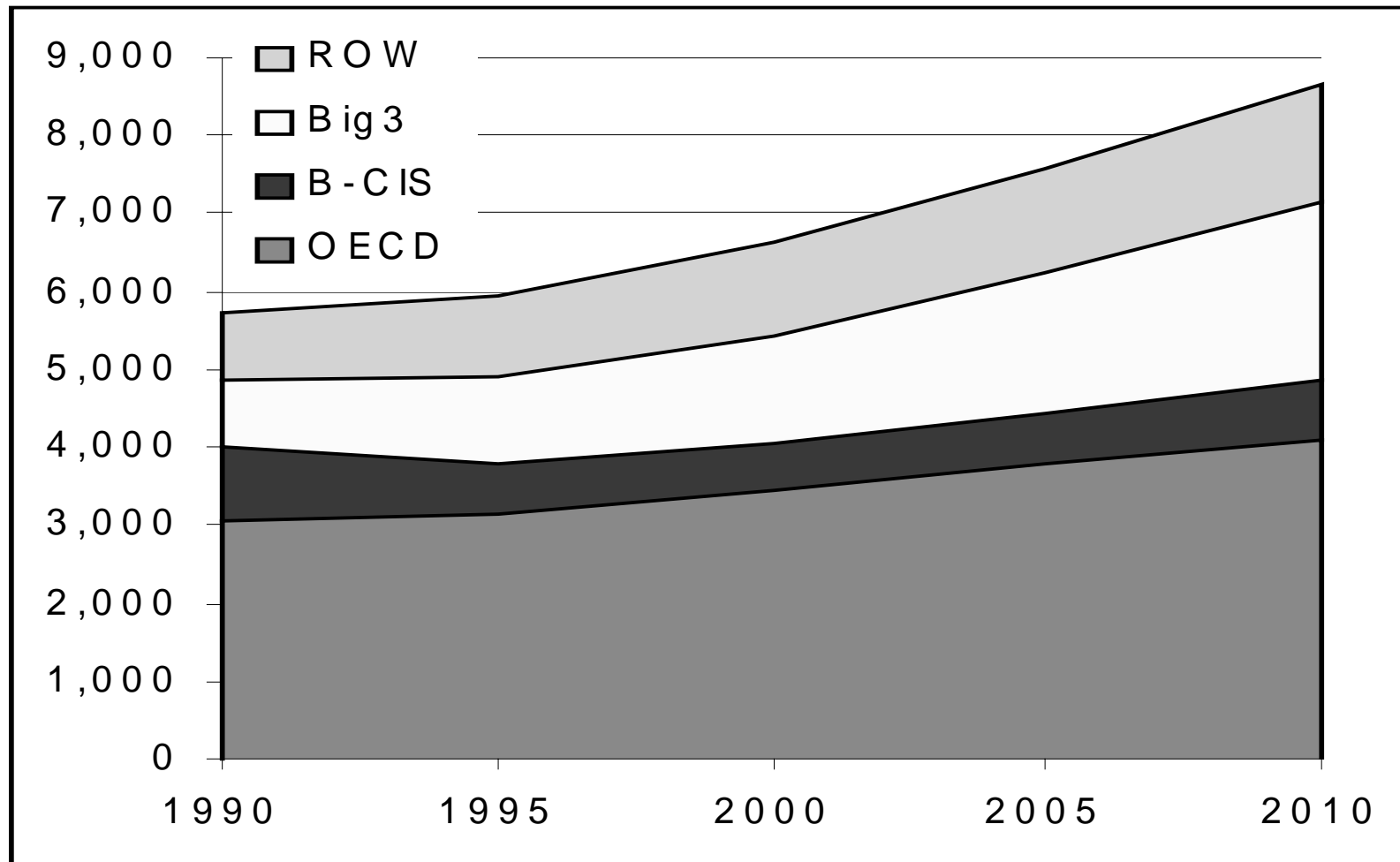
What are the main features of OECD policy to date?

- multiple policy objectives
 - subsidy reform and energy market liberalisation policy
 - heavy emphasis on energy efficiency and other low cost abatement (e.g. waste minimisation)
- policies are young but also fragmented
- no noticeable break in emission trends as a result of existing policies

An Outlook: Carbon Emissions by Region

(Units in million metric tons)

BaU Scenario



4. Framework for Mitigation Policy

Is there agreement on main elements of the policy framework?

- getting prices right
- putting markets to work
- other domestic policies in the mix
- monitoring and assessment
- institutional support and change
- international co-operation

Getting the Prices Right

How to level the playing field and ensure that prices reflect climate objectives?

- subsidies -- reform to improve emission performance and economic welfare
 - energy sector -- 1-8% reductions CO₂ (e.g. coal-producer and price support)
 - transport -- 10-15% emission reductions (e.g. parking and infrastructure subsidies)
- energy market liberalisation -- need accompanying environmental policies
- green taxes and restructuring existing taxes

Putting Markets to Work: domestic emission trading

Why use emission trading at the domestic level?

- delivers a fixed GHG objective, at lowest cost.
- well-suited to GHG -- where flexibility, not hindered by existing regulations
- may be particularly useful for large fixed sources (rather than small emitters)
- challenge: clear rules, reliable monitoring, consistent with international system

Other Policies in the Mix

Why do we need them? To overcome market barriers, accelerate clean technology diffusion and development.

- voluntary agreements
- product and materials policies, e.g.
 - standards
 - extended producer responsibility
- green government purchasing
- research and development

Monitoring and Assessment

Are countries able to provide quality information on GHG performance?

- inventories: national, industry and emitter
- consider historical trends, develop outlooks
- national systems to assess and confirm policy choices, strengthen instruments
- feedback for policy learning
- build confidence in the agreement

Institutions for change

Are institutions in OECD countries up to the task?

- climate change solutions relate to other environmental and development challenges -- require policy integration
- coherency among sector policies -- transport, energy, agriculture, but also in fiscal and economic policies
- need leadership and administrative capacity
- education and public awareness programmes

International co-operation

- *How to identify and promote good practice among countries and accelerate the policy learning?*
- *What the ancillary benefits of GHG reduction and how should they be considered?*
- *How to better integrate climate change objectives into core policy work of the OECD? e.g. investment and environment; fiscal policies; technology, industry and innovation policy?*

5. Conclusions

- governments are on the learning curve
- no single formula to domestic responses
 - prioritise market, subsidy, fiscal reform;
 - advance green taxes and emission trading
 - other policies in the mix (e.g. VA, materials and energy efficiency, R&D, education)
- integrated policies - across sectors, among levels of government, across global issues
- Kyoto targets require action now