

# **Emission trading, linking, offsetting .... how do they interact with complementary policies and support mechanisms ?**

**Berlin Seminar on Energy & Climate Policy  
Climate Policy Initiative (CPI)**

**Felix Chr. Matthes  
Berlin, 18 March 2010**

# GHG Emissions Trading

## Different dimensions (1)

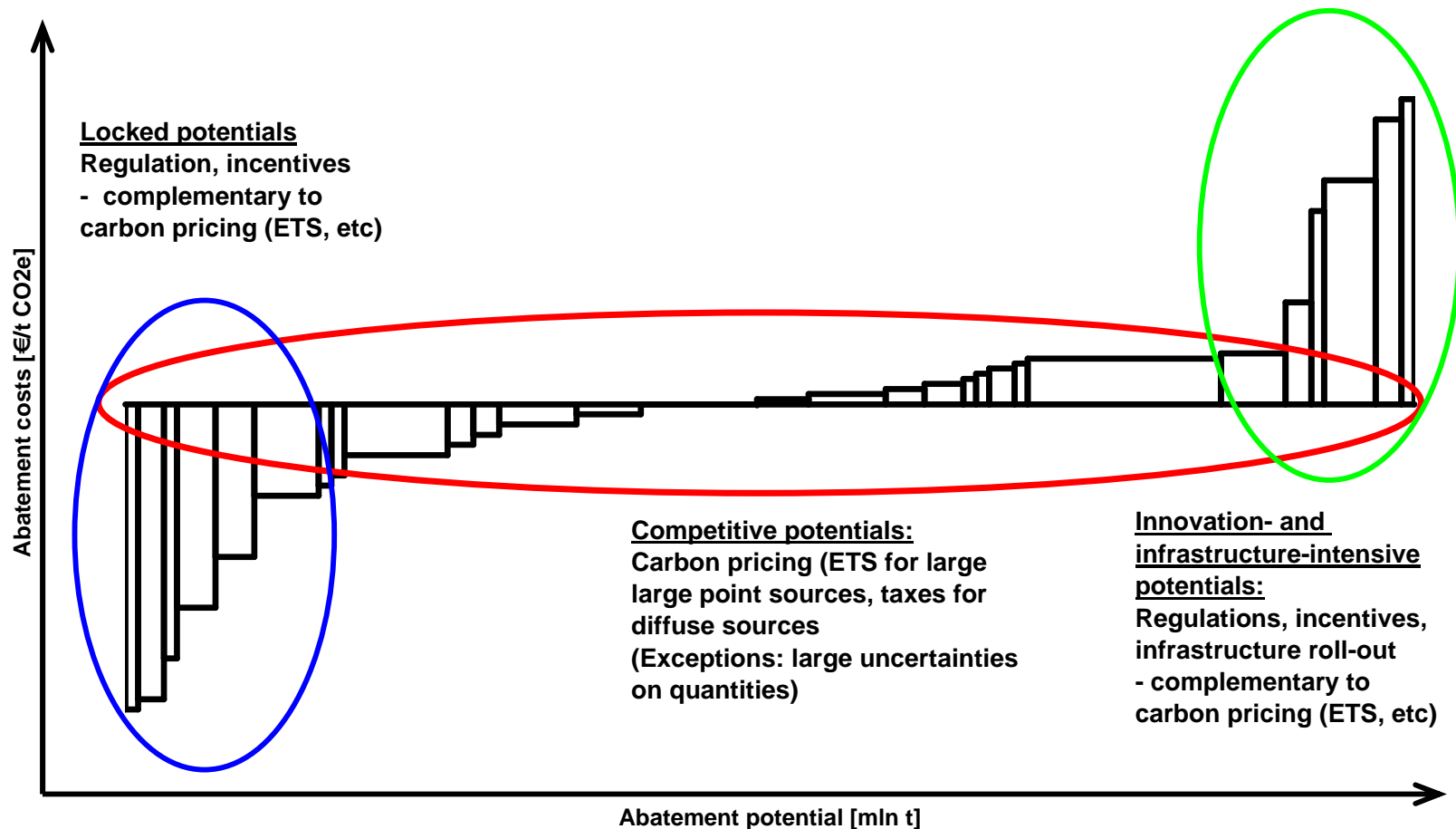
- **ETS as a “domestic” policy tool**
  - Effective Carbon pricing as key feature
  - What scarcity signals can ETS provide
    - ETS as (important) medium-term clearing mechanism!
    - ETS as mechanism to provide long-term scarcity signals?
  - In which sectors ETS really will make the difference
    - Downstream vs upstream (cost pass-through?!)
    - Economy-wide vs partial
      - Real world abatement costs
      - Inframarginal distributional effects
    - Innovation & infrastructure-related emission abatement
  - What is the necessary regulatory framework
    - Data quality
    - Governance accountability (and quality ...)

# GHG Emissions Trading

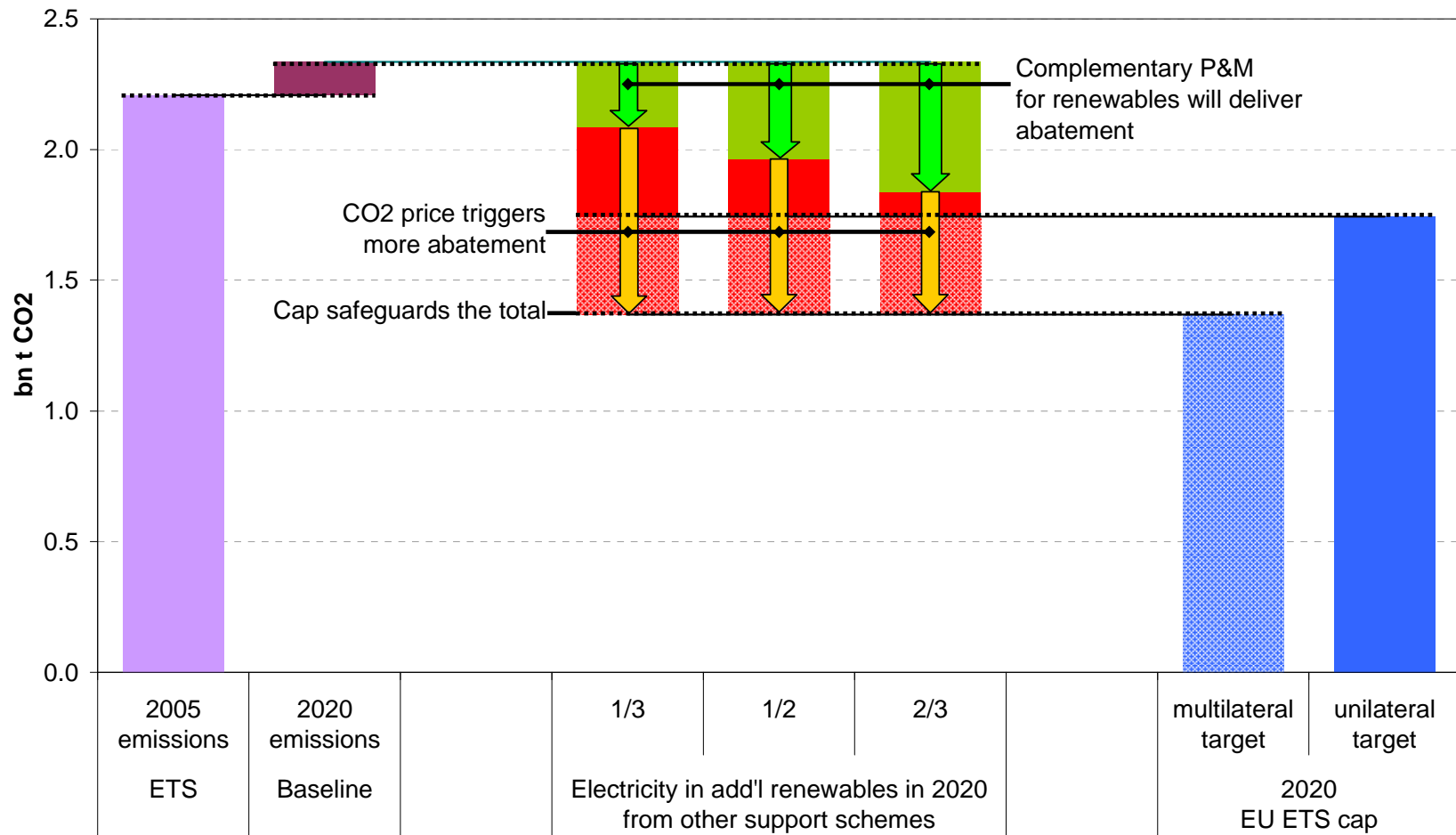
## Different dimensions (2)

- **ETS as a key tool of global climate policy**
  - Accountable cap(s) as key feature
  - What are the regulated (and trading) entities
    - States only
    - Private entities – to what extent
- **What are the links – what is the potential of linking?**
  - Linking of ETS!!!
    - Level of ambition
    - Environmental integrity
    - Market integrity
  - Offsets???
    - Integrity (additionality) of project-based offsets and their alternatives
    - Substitution of of domestic policies (in host donor parties)?

# An inclusive policy mix will be key - especially under uncertainties

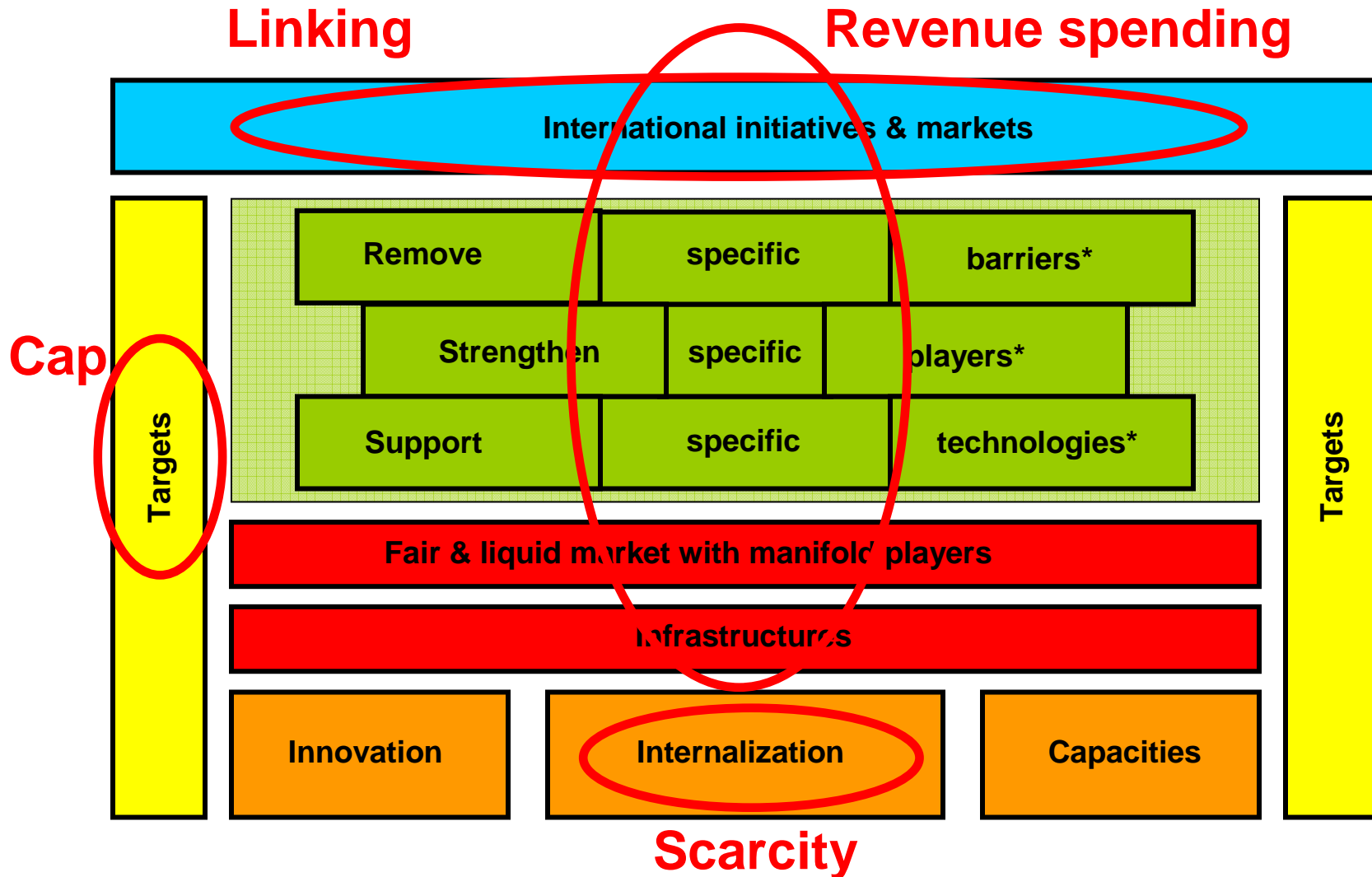


# An inclusive policy mix requires consistent design & analytical capacities



# Climate policy = ETS & more

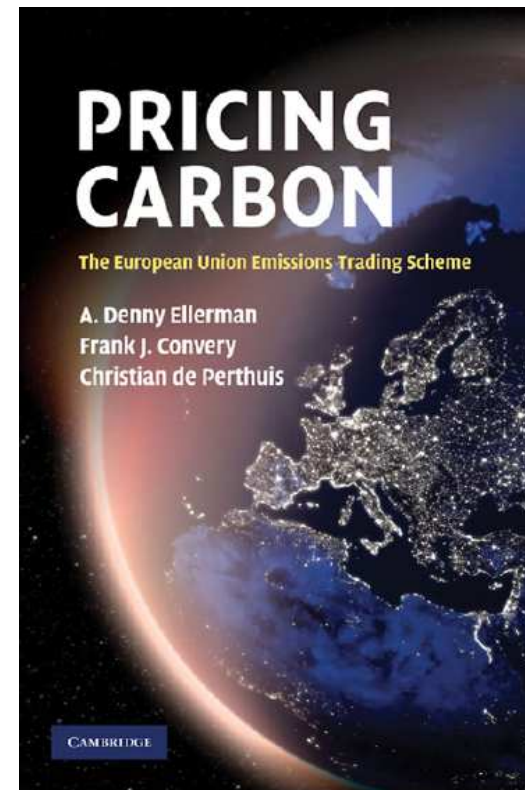
$$T \cdot (I^2+C) \cdot I \cdot m (F,L, P) + s(B,P,T) + (I_i+M_i)$$



\* Evaluate, modify & eliminate specific policies, if necessary

**Thank you  
very much**

**Dr. Felix Chr. Matthes  
Energy & Climate Division  
Berlin Branch  
Novalisstrasse 10  
D-10115 Berlin  
f.matthes@oeko.de  
www.oeko.de**



**Cambridge University Press, 2010  
A. Denny Ellerman, Frank J. Convery,  
Christian de Perthuis, Emilie Alberola,  
Richard Baron, Barbara K. Buchner,  
Anaïs Delbosc, Cate Hight, Jan Keppler  
Felix Chr. Matthes**