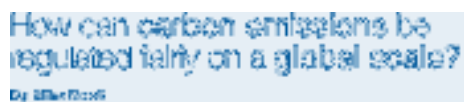




How can carbon emissions be regulated fairly on a global scale?

Editorial article



The carbon market has gone from nothing a few years ago to a predicted \$60bn in 2007 – an incredible achievement, but no-one would suggest that the current set-up is perfect.

While there is a functioning carbon market – the European Union’s Emissions Trading Scheme – its first phase, which concludes at the end of 2007, has been very much a learning process. Excessively generous emissions allowances meant businesses did not need to cut emissions to meet their targets.

Supporters of the scheme contend that the second phase will be more effective. Certainly, the National Allocation Plans have been stricter this time around, prompting the threat of court action from a number of member states but also supporting prices for allowances in the second phase.

The problem is that the EU ETS applies only to Europe. Other large emitters in the developed world such as the US and Australia failed to sign up to Kyoto and others that did sign, such as Canada, say they will not meet their targets. Meanwhile, emerging economies are growing at extraordinary rates with no brake on their emissions.

There is a global stand-off where the US won’t sign up to caps on its emissions unless China and India do, while those countries and the rest of the developing world say the problem is the West’s to sort out because it has benefited from the economic growth that accompanied the emissions that have pushed the amount of carbon in the atmosphere to 400ppm from about 270ppm before the start of the Industrial Revolution.

There are two problems with this – one is that most of the future growth in emissions is predicted to come from the developing world; the second is that it is the developing world that will suffer most from climate change.

There is a solution to this conundrum and a very elegant one at that. Developed by Aubrey Meyer of the Global Commons Institute, Contraction and Convergence proposes that every country has a carbon allowance and these add up collectively to less than current total emissions – that’s the Contraction part. Developed countries that emit too much CO2 have to cut emissions while developing countries that emit much less are allowed to increase theirs – up to a point – as their economies grow, so emissions from the developed and developing world converge. “The ideal scenario is that the whole of the developed world has targets for emissions that decline over time, while emerging markets like China and India have targets that are more of a constraint than the Business As Usual scenario,” says Guy Turner of New Carbon Finance.

However elegant and equitable the idea of contract and converge is, its adoption is not at all assured – it is the philosophical underpinning of the Kyoto Protocol and look what happened to that. “No Western government will ever remain in power on a ticket of worsening the lifestyles of voters so that China can grow,” says Andreas Arvanitakis, of analysts Point Carbon, while China and India have little incentive to sign up to a scheme that will cost them billions when they can currently emit at no cost.

The solution may be simple, but that does not mean it is easy.

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About the author



Mike Scott is a journalist specialising in energy, environment and business issues. He writes on these subjects for a number of publications, including the *Financial Times*, *New Energy Finance*, *Global Investor Magazine* and Brussels-based policy journal *Europe’s World*. He also writes and edits reports for a range of corporate clients.

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