

The Promise and Pitfalls of Market Linkage

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“Compelling ideas from economics do not necessarily suspend the laws of politics.”

- Barry Rabe, *Can We Price Carbon?*

My research: The politics of carbon markets

- History of carbon markets and carbon accounting
- Role of non-state actors in global climate governance
- Current project, *The Existential Politics of Climate Change*

Rethinking Private Authority

Agents and Entrepreneurs
in Global Environmental
Governance

Jessica F. Green



Two compelling ideas

1. Linking jurisdictions with carbon pricing can help create a (more) global carbon market, accelerating emissions reductions.
2. Offsets can redistribute wealth and achieve emissions reductions where marginal costs of doing so are lowest.

Linkage looks good on paper...

1. Bigger market □ lower costs, greater liquidity, and perhaps, greater resilience against shocks
2. In turn, lower costs can allow for enhanced ambition
3. Article 6.2 of the Paris Agreement, “cooperative approaches that involve the use of internationally transferred mitigation outcomes towards nationally determined contributions.” ***Linkage can help achieve the goals of the Paris Agreement!***

But there are political challenges in practice

- Different levels of ambition
 - Generous caps or lowering ambition can create ripple effects through a market
- Loss of regulatory autonomy
- Potential for HUGE transfers of wealth – which could become politically contentious.
 - EX. Clean Development HFC Projects in China

Linkage and offsets

- Linkage almost certainly includes offset markets – Clean Development Mechanism (Kyoto) and now, Sustainable Development Mechanism (Paris)
- But **offset markets have serious integrity issues**

The trouble with offsets

- Offsets quantify and sell the hypothesized absence of emissions.
- Accounting challenges make it prone to gaming – especially leakage and inflated baselines.
 - Inflated baselines and over-crediting
 - Leakage
- Incentives for *all* parties involved to finance projects that were only marginally unlikely to happen anyway (Cullenward and Victor 2020)

Offset problems are even worse in the voluntary market

'Worthless': Chevron's carbon offsets are mostly junk and some may harm, research says

Exclusive: investigation finds energy giant's efforts to offset its huge emissions rely on schemes with little impact

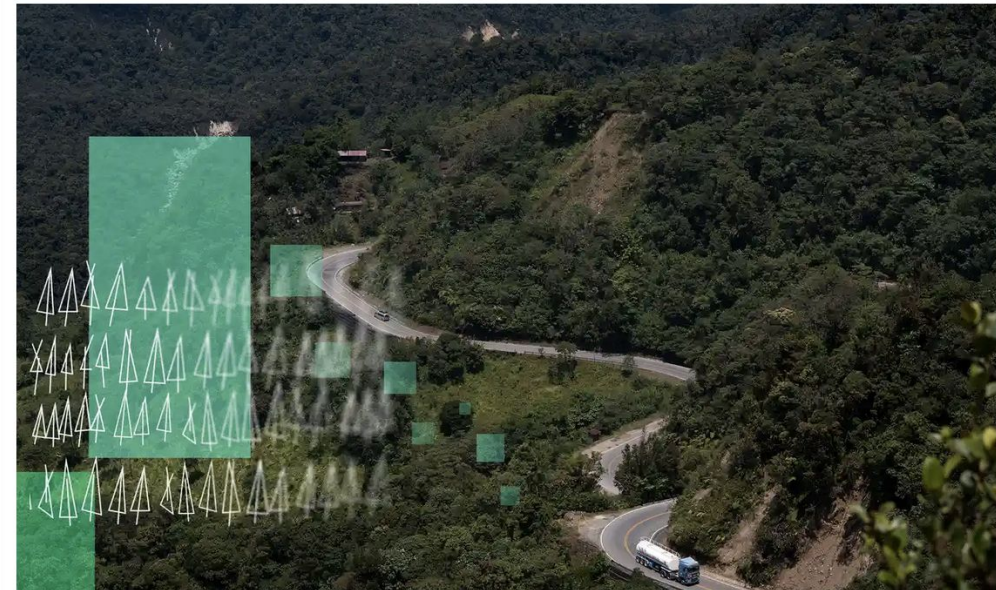


📺 New research finds that more than 90% of the company's carbon offsets should be classified as worthless or junk. Composite: The Guardian/Getty Images

Revealed: more than 90% of rainforest carbon offsets by biggest certifier are worthless, analysis shows

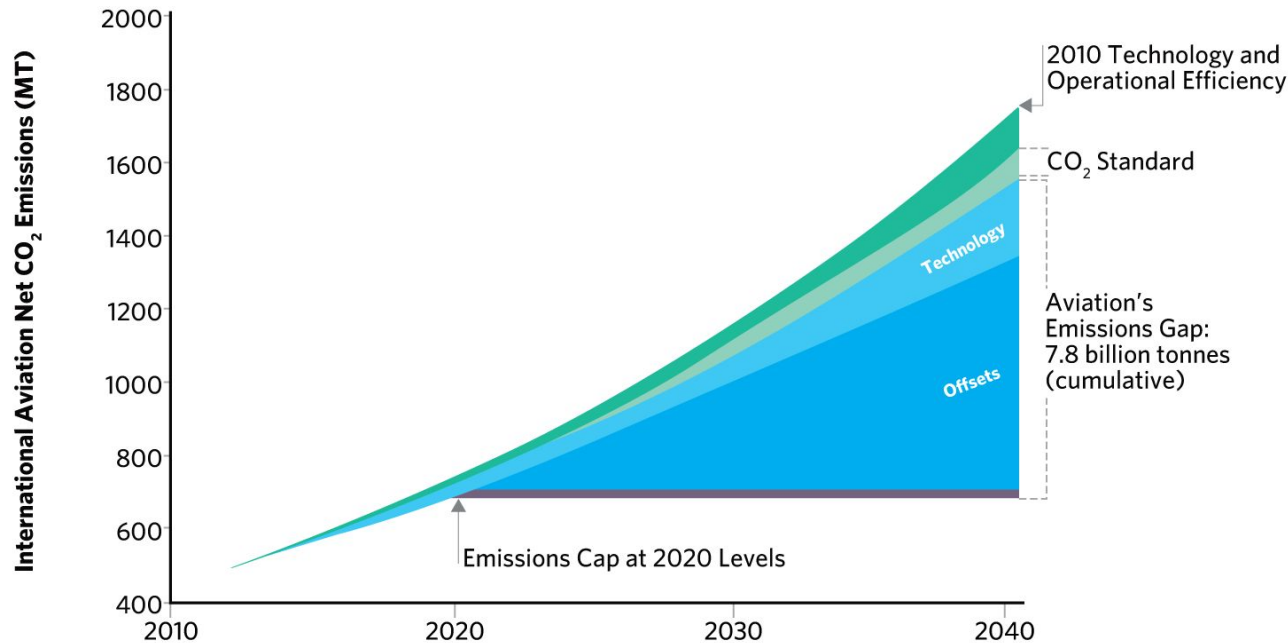
Investigation into Verra carbon standard finds most are 'phantom credits' and may worsen global heating

- **'Nowhere else to go': Alto Mayo, Peru, at centre of conservation row**
- **Greenwashing or a net zero necessity? Scientists on carbon offsetting**
- **Carbon offsets flawed but we are in a climate emergency**



CORSIA

PROJECTED AVIATION EMISSIONS, PRESENT-2040

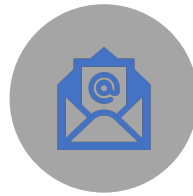


- Mandatory from 2027, aims to “cap” international aviation emissions at 2020 levels.
- Aviation currently about 2.5% of global emissions, and not regulated by the Paris Agreement.
- Offsets from voluntary market are accepted as compliance-grade.

THANK YOU



Comments welcome



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“But we
need all the
tools in the
toolbox...”

Do we?

Is carbon pricing a good use of finite political resources?

And if not, what do we do instead?



What to do instead

Follow the Money

How Reforming Tax and Trade Rules Can Fight Climate Change

By [Jessica F. Green](#) November 12, 2021



Protesting the oil company Chevron in New York, October 2013
Carlo Allegri / Reuters

Carrots, *then* sticks

FIRST, green industrial
policy to provide
benefits and build
political coalitions

THEN, carbon pricing

Focus on regulating dollars rather than tons

At the global level this means shifting the focus from the UNFCCC to trade, investment and tax institutions as key fora for climate policy.

1. Reform Investor-State Dispute Settlement System
2. Reform WTO rules to allow for local content requirements, protection of fledgling renewables industry.
3. Close loopholes in OECD global minimum corporate tax proposal.
4. Levy windfall taxes on energy companies.