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Response to:
‘State and Local Climate Policy under a National Emissions Floor’
by D. Burtraw and B. Shobe

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Climate Change Policy: Insights from the US and Europe
Paris, 23-24 March 2009





- **Relevance of the issue**
 - **Climate Change Actions (CCA) should be wide and comprehensive, given our carbon dependence**
 - **CCA are related to most public policies**
 - **CCA should be taken at all jurisdictional levels**
 - **Most countries have (at least) a three-level institutional context**
 - **This is clearly the case of US, the EU and other major GHG emitters**
 - **It is possible to learn from internal institutional linkage for global climate change governance**



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- **Main messages from the paper**
 - **Climate change policy seems a clear candidate for centralization**
 - **Economists and practice favour cap & trade approaches**
 - **Yet a federal cap & trade system may have negative effects on state initiatives in the field**
 - **Subnational governments are increasingly active in climate change policies and should be (policy innovation, type of responsibilities)**
 - **Some remedies should be taken to preserve state actions within a general federal policy: Global Climate Federalism**



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■ **Some general issues**

- ❑ **Why decentralize? Preferences, jurisdictional competition, competitiveness, equity**
- ❑ **Preferences: global public goods vs. local goods (ancillary benefits)**
- ❑ **Adaptation at the local level (variable spatial impacts of Climate Change)**
- ❑ **Autonomy and jurisdictional competition: Policy interactions (complementarities & overlaps)**
- ❑ **Variable spatial incidence of policy instruments**
- ❑ **Role for different levels of government (Fiscal Federalism)**



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- **More issues**
 - **Sub-central policies may complement central pricing policies through pricing (example: EU)**
 - **Sub-central policies may complement central pricing through other regulatory approaches (CAC, voluntary agreements)**
 - **Barriers and opportunities for technological development with decentralized policies**
 - **Revenue raising and policy design in a federation**



- **A curious federal example: Spain**
 - **Central government without interest in market-based instruments and regional behaviour**
 - **A case for policy (positive and negative) interactions: EU ETS and regional energy taxation**
 - **A case of carrots and sticks: central renewable promotion and capture of rents by regions**
 - **Revenue raising motives seem to be always present**



- **Maintaining Incentives in a Federal System**
 - **Global approach to GHG control but with role for :**
 - **'Iterative' Federalism in US (super states-federation) and EU (Council) that keeps role for innovation, coordination and reinforcing actions**
 - **Keeping different spheres for different agents, no interactions (e.g. municipal urban planning, transport for states) under an overall cap. A sectoral approach?**



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Thank you

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