

INTERNATIONAL GHG TRADE SYSTEM - DRAFT CONCEPT

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Thesis:

International GHG emission trade system is an attractive concept for regulation of problem

Situation:

Current mechanisms - ineffective because:

- defined emission limits are very politically agreed without strong socio-economic reasons,
- there are no proposed efficacy mechanisms guiding to establishing of the international reduction price.

New institutions

makes acceleration of emission reduction possible:

Create process of countries internal regulation systems development for GHG emission reduction value.

Do that in the way which allows to:

- make local economical verification compared with global interest for GHG emission reduction,
- prepare base for future more matured international institutions and mechanisms.

Gradually eliminate charging of GHG emission reduction by costs spent for other reasons (avoid cross subsidies).

Resources allocation system

Create system of funds for investment allocation.

Levels: National, Local.

Establish national fund for country & international activities

Multiply number of local - in country funds

Develop local fund capacity for project operation

Develop domestic systems of international obligations control

Transform local funds for international activities

Country funds have enough economical rent - interest of host country is secure

MATURE SITUATION

Separate countries funds operate on the international market under common rules

FUNDS:

- Managed by professionals - high efficiency and commercial profits under competition,
- Controlled by host country government - consistency with government criteria and allowances,
- Co-investing for marginally effective projects and incremental costs.

INTERNATIONAL TRADE

- Not object of duties, fees and additional taxes,
- Volume can be limited according to countries policy,
- Secondary trade of GHG obligations is allowed.

DOMESTIC TRADE

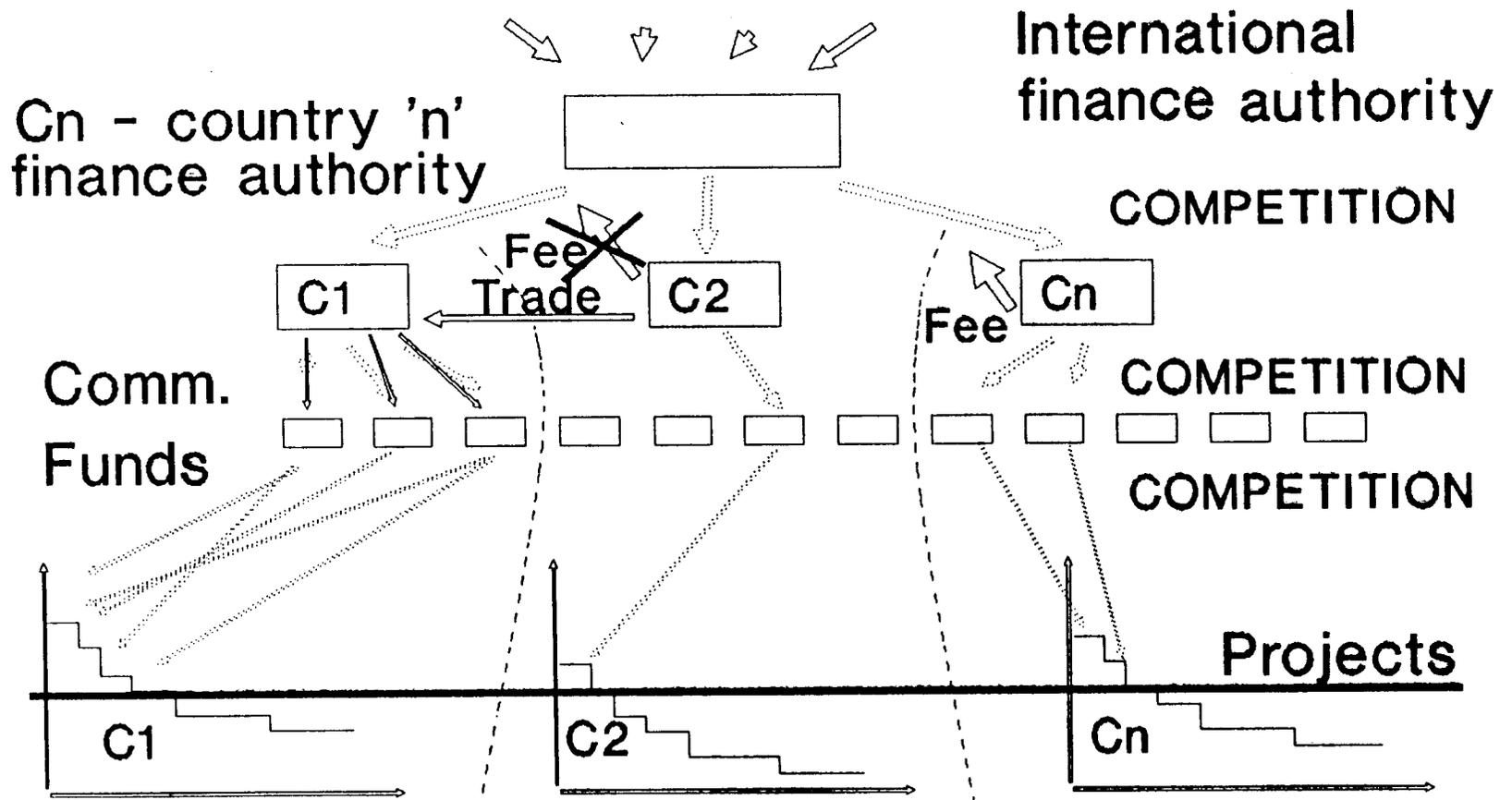
- Competition between funds is recommended,
- Guaranties and insurance is also recommended,

Secondary guarantee system for international level - reasonable

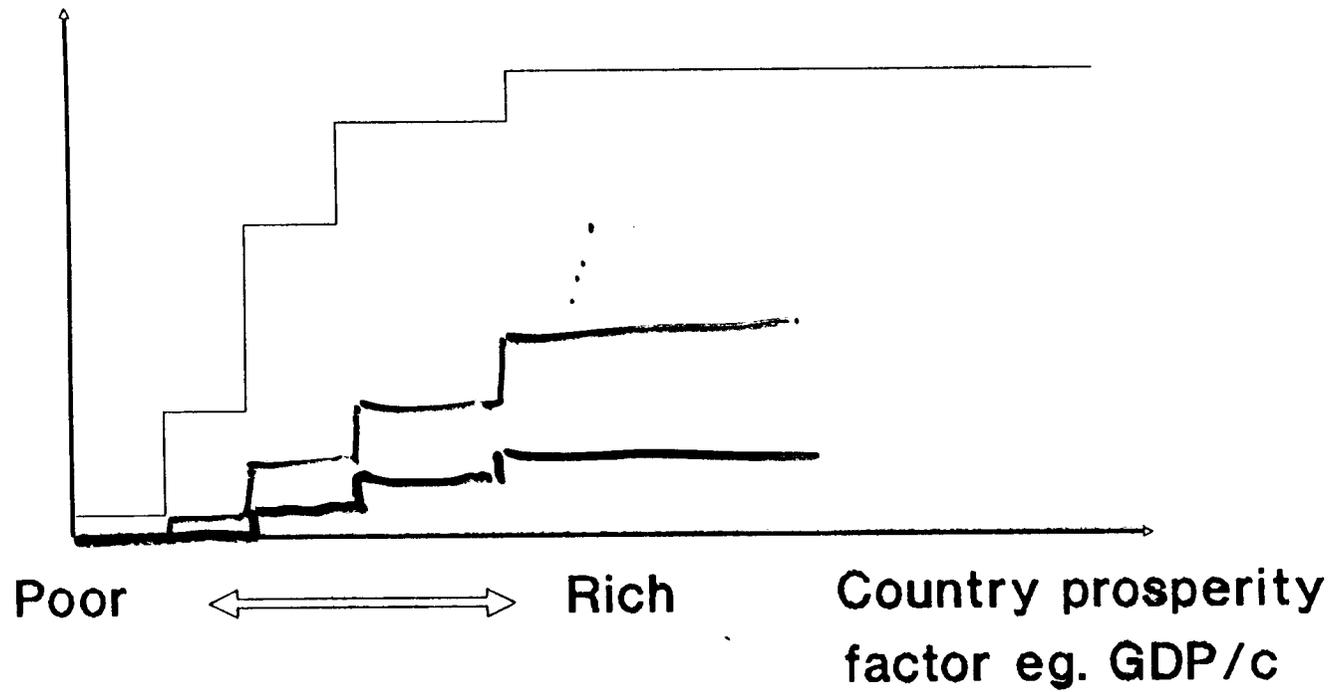
FIRST, TRANSITIONAL STAGE

- ☞ Multilateral formula of JI in place of bilateral JI concept.
- ☞ International resources collected in chosen local funds through national funds.
- ☞ Easy transformation to international competitive market in future.
 - resources "above" funds created by - members of FCCC, host country, multilateral finance institutions,
 - resources "below" funds anonymous for direct investment decisions or guaranties as well as for GHG effects,
 - share for primary finance of fund open,
 - direct effects of reduction are assign to primary investors according to fund share,
 - direct effects connected with the international grants assign to the host country,
 - funds operates under transparent bidding procedures,
 - audits, relied on integrated approach base of decisions,
 - secondary (revolving) resources reallocated according to funds criteria,
 - reduction effects from that revolving resources are assigned to the host country,
 - efficiency of national investments - signals for allocation of international means.

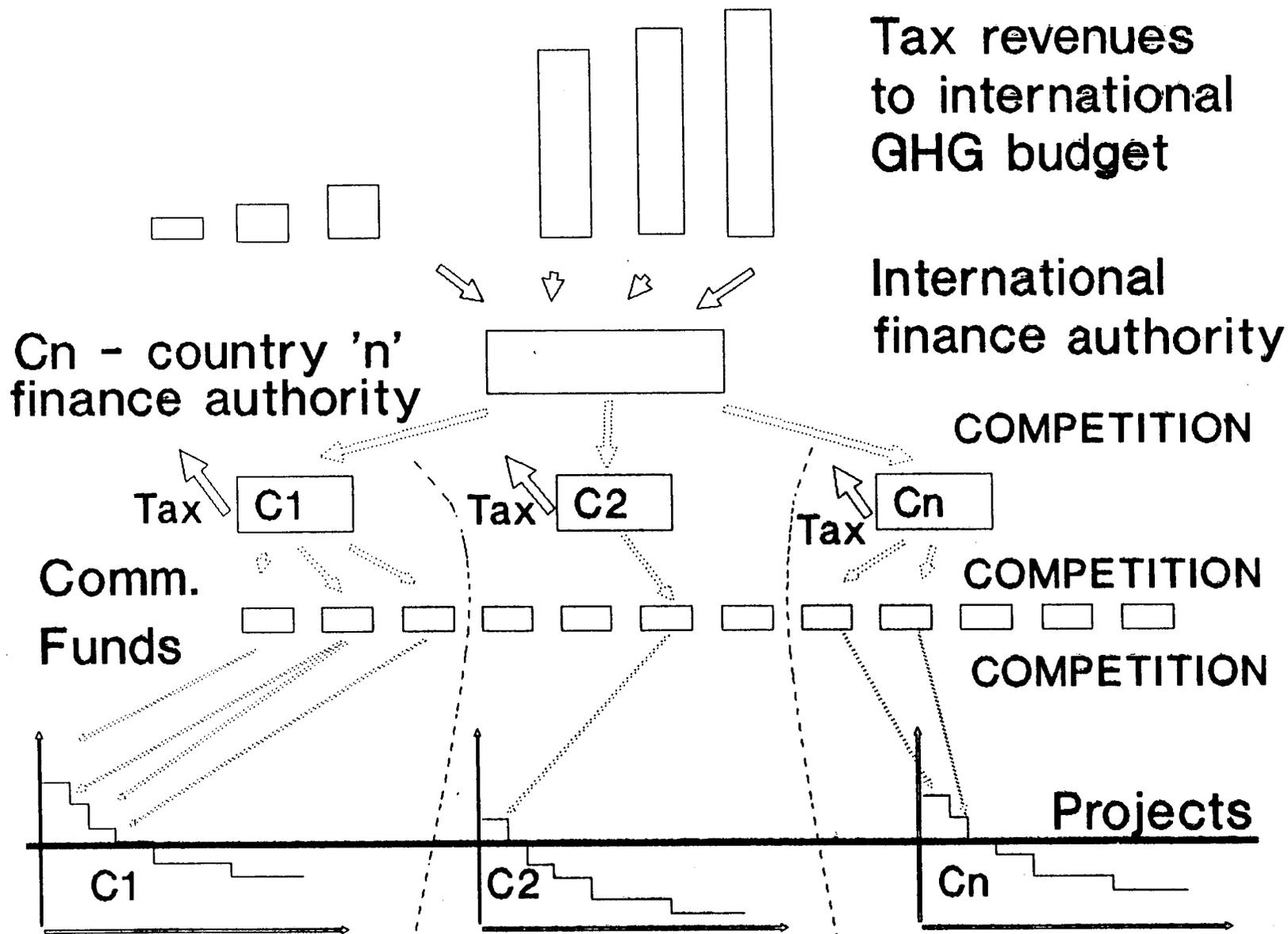
Penalty fee for permits violations to international GHG budget

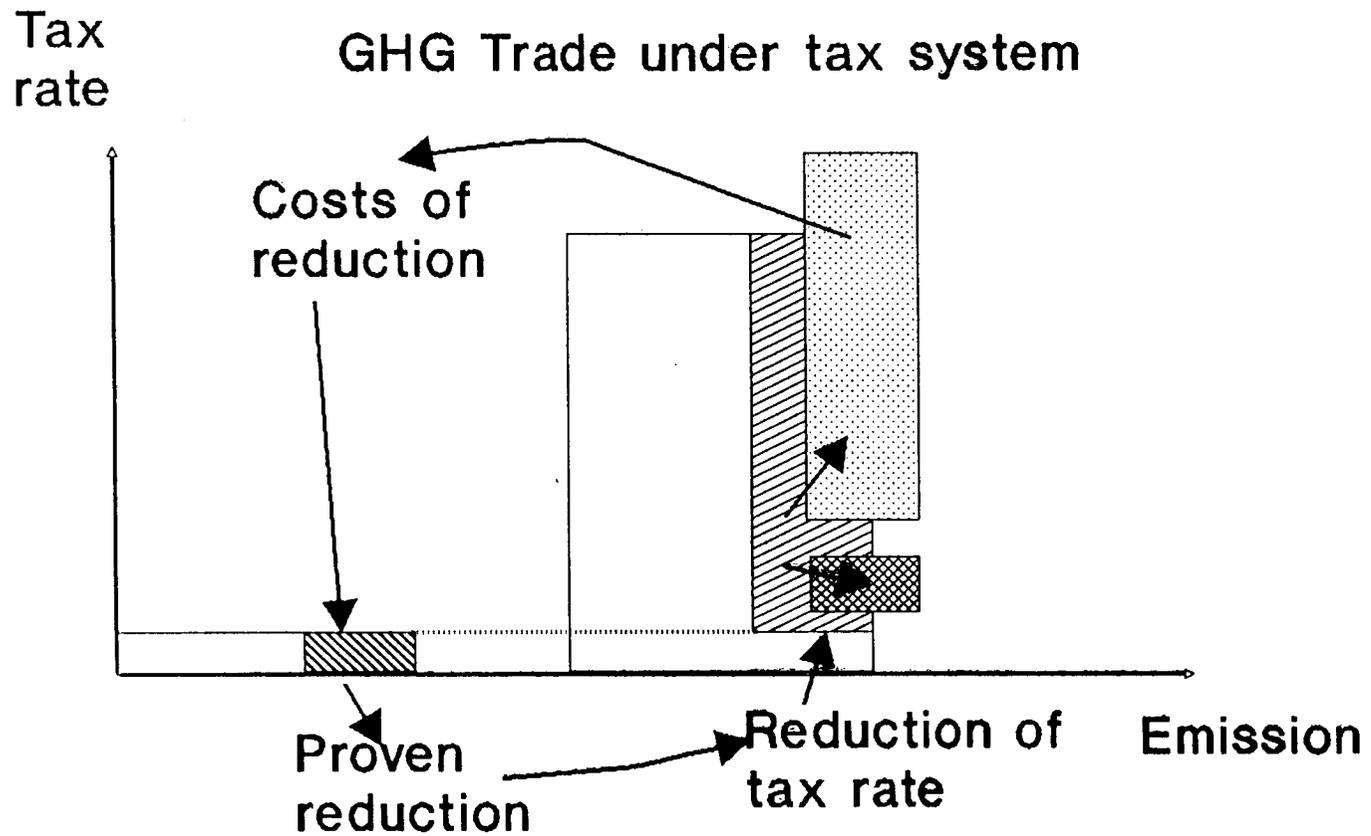


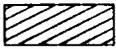
Tax rate

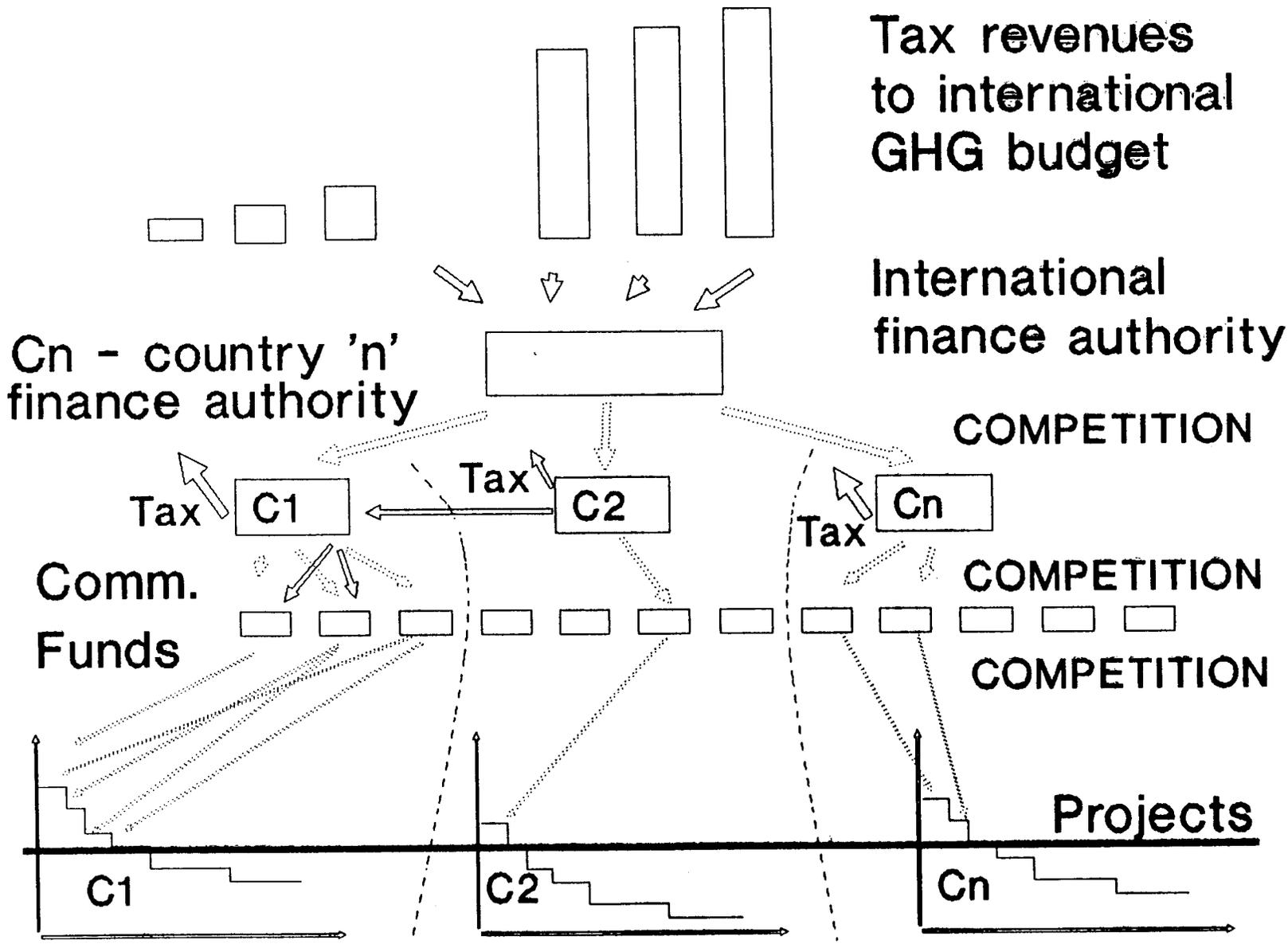


Tax rate = $f(\text{environment space utilisation rate})$





-  Reduction of GHG emission
-  Avoided tax cost
-  Net profit



Finance resources acquisition

- ☞ World wide GHG tax system - proposed
- ☞ Additional revenues due to penalty fee
- ☞ Budget - international fund of GHG
- ☞ Expectations of poor countries - tax rates vary on the welfare or environmental space base
- ☞ Activation of trade - effect of "tax trade"

Positive effects:

- GHG reduction costs limitation due to effects of scale,
- international equity due to diversification of tax rates,
- lower disturbances of existing market due to lower additional costs and reasonable taxation system,
- lower/controlled under international agreement disturbances for international competition
- lower "hot air" threat,
- flexibility due to agreement for rules against numbers,
- continuity of regulation,
- acceleration of transfer of technology
- easier negotiation process.