

OUT OF TOUCH:
GREENHOUSE GASES TRADING PROPOSALS
AND
THE POLITICS OF GLOBAL WARMING

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Abstract

The idea of an international emissions trading system has been proposed as a tool to stop or slow down global warming. This system attempts to take advantage of the discrepancy between less developed countries (LDC) and developed countries (DC) use of energy use patterns. DCs whose emissions are very expensive to control would acquire permits to emit greenhouse gases (GHG) from sources in LDCs where emission reductions can be achieved less expensively.

Despite some enthusiasm for this proposal, particularly before the Conference of Rio, neither the Framework Convention on Climate Change, nor the treaty follow-up have set a clear path toward the establishment of a GHGs emission permit market. *Why have tradable GHG emission proposals not found real significance in the negotiation process?*

The economic rationale that states that an emissions permit market would yield to a least cost result has not been at all convincing. On the contrary, the process of negotiation before and after the Rio Conference has been obstructed by arguments founded in equity and real politick. LDCs had (and some still have) the perception that DCs will use permit trading to neglect their own treaty obligations, and to continue their path toward development, while blocking LDCs own road to economic progress.

Most of the suggestions for environmental markets rely more on general political economy approaches than on a sound comprehension of

environmental and political systems. In particular, no emissions trading proposal has dealt adequately with the issue of how to allocate initial permit entitlements. Many LDCs remain unconvinced that they will benefit at all from the system, especially after having seen the benefits produced by a greater use of energy and rapid economic growth in the developed world.

Tradable permit proposals has been working out the details of a system before the international community has decided that a policy of this kind will be implemented at all. These proposals fail to solve the actual deadlock in the negotiations: Stalemate based on the unresolved equity issues associated with the initial allocation of entitlements, and on the lack of real commitments to slow global warming.

Table of Contents

Introduction.....	1
The Precedents.....	9
The Role of the U.S. Experience.....	14
Some Lessons.....	21
The Montreal Example.....	29
Trading Permits Proposals before the Rio Conference.....	33
1989 Grubb Proposal.....	33
1992 OECD Report.....	37
1992 UNCTAD Report.....	39
Allocation, a Common Concern.....	44
Politics and The Framework Convention on Climate Change.....	46
The Position of Developed Countries.....	51
Developing Countries' Perspectives.....	55
Negotiations Outcome.....	58
Joint Implementation as the FCCC Result.....	62
Joint Implementation and Developing Countries.....	67
Berlin Agreement, First Steps Toward a Global GHG Trading System?....	71
JI National Programs.....	76
UNCTAD Proposal, an Experimental CO2 Emission Trading Scheme.....	81
Tradable Permits Proposals, a Commentary.....	85
BIBLIOGRAPHY.....	92