Improving Paris: Credibility, Technology, and Conservation

based on ongoing research

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Overview of (possible) topics

- Ways forward for Paris: How update, link account, include forests, revise, enforce, sanction, sticks vs carrots, how negotiate, conditional, UDP,
- Important for climate: bundle coal, gas, RD…, forests, leakages, monitoring, enforcement…
- Own research: UDP, FI, NT:g,neg,RD,holdup,coalition-size. CMP: RD as commitment. PE of treaties. Conservation: FB, CT, CT-t, ti-problem. Conservation

- Key words: Treaties, Negotiations, revising, renegotiations, R&D, technology, enforcement, conditionality, political economy, credibility, conservation, the supply side
- Improving Paris: Credibility, Technology, and Conservation

Basic Principles of Negotiations

- ❖ **I'm willing to contribute *if* you contribute**
- **…. "conditional on…"**
- **…if I trust that you will…**

Revisions and Renegotiations

- Offers (to contribute) are largest if they can be conditional on whether others *also* contribute more
- Negotiating conditional offers are time-consuming/costly
- Furthermore: A series of short-term commitment periods lead to hold-up/under-investments in "green" technology

❖ Solutions:

➢ Revised pledges/commitments should be "automatic" or according to pre-specified formulas (as in international trade)

➢ The default should be very ambitious and long-lasting commitments (i.e: renegotiate to weaker commitments)

Sanctions

- Prisoner dilemma: I contribute if you contribute
- This requires that I trust that you will
- ➢ Trade sanctions (for non-compliance) may establish such trust, even if they are never used in equilibrium

- Trade sanctions may also be necessary to motivate compliance and to ensure participation

- Can be framed positively as MFN ("most favored nation" status for participants/compliers)

Tropical deforestation

- Deforestation is a major contributor to CO_2
- It also leads to loss of biodiversity and culture

❖ At the same time, reducing deforestation in the tropics may be one of the most cost-effective climate change policies

➢ It is urgently needed to credit reduced deforestation:
  - Owners log today if they anticipate expropriation or low demand tomorrow
  - Owners *conserve* today if they expect compensation in the future

Global Demand = Global Supply

- If Paris works, regulating supply has no consequence
- If Paris might fail, regulating supply ≈ insurance

➢ Large upside – no downside (to regulate supply in addition)

- Incentives to cheat/defect are also smaller when *p* is high
- Regulating both sides of the market stabilizes *p*: "fair"?
- A supply-side policy (contributing to a larger *p*) is easer to agree on among exporters (middle east), and it will motivate R&D even in free-riding countries.

➢ Can OPEC contribute to this task (and thus to climate)?