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

Xavier Labandeira
FEDEA and University of Vigo, Spain

Climate Change Policy: Insights from the US and Europe
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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
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
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)
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?
Thank you

http://webs.uvigo.es/xavier

xavier@uvigo.es