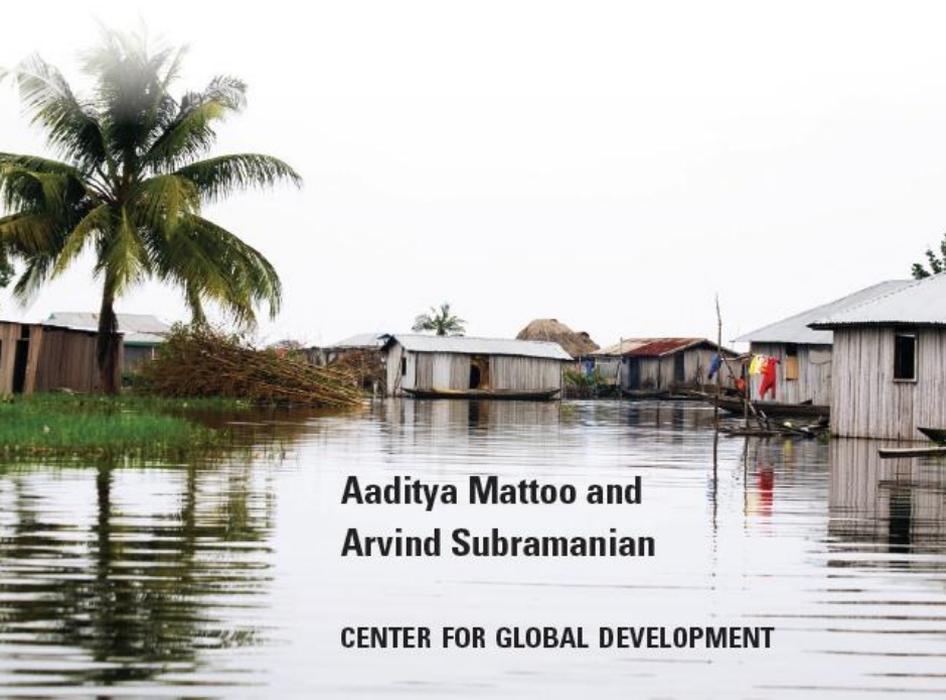




GREENPRINT

A New Approach to Cooperation on Climate Change



**Aaditya Mattoo and
Arvind Subramanian**

CENTER FOR GLOBAL DEVELOPMENT

**From Cutting
Emissions to
Generating Technology**

October 9, 2013

Finance and Climate Change: Outdated Premises

- International finance is important
- Finance is to compensate countries for emissions reductions
 - Finance as North-South Flow
- Finance is about finance
- Private finance to substitute for public finance

Addressing the Three Problems

Narrative

Who has the greatest stake in mitigation/prevention?

Adding-Up

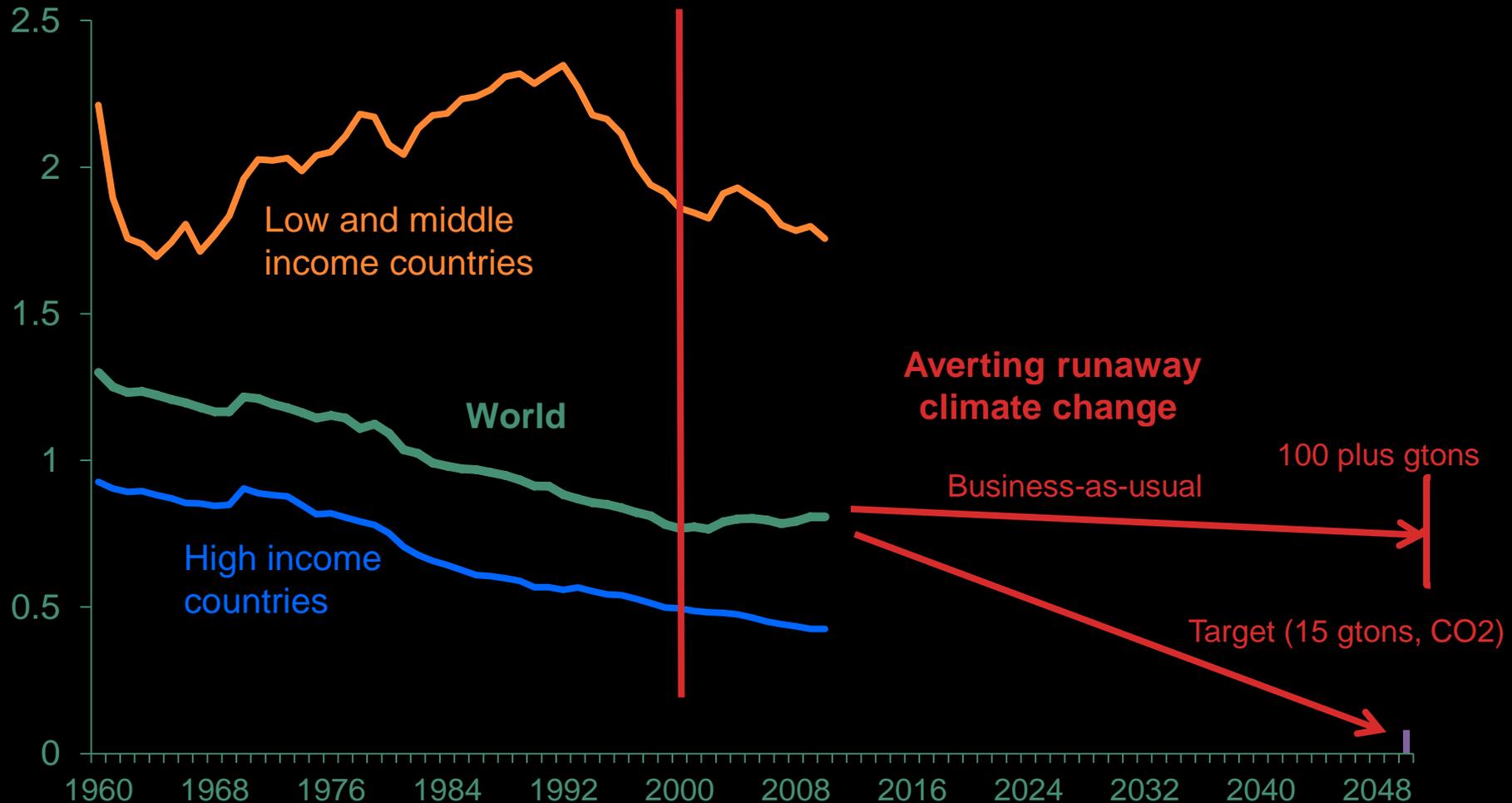
**Technology, Technology,
Technology**

New World

**Contributions calibrated to
economic situation**

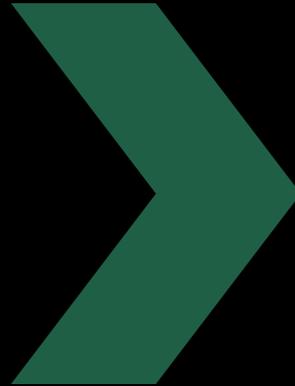
Where We Need to Get to? Technology, Technology, Technology

Global emissions/global GDP
(kgs/dollar of GDP in 2000 prices)



New World Problem

Cash for cuts

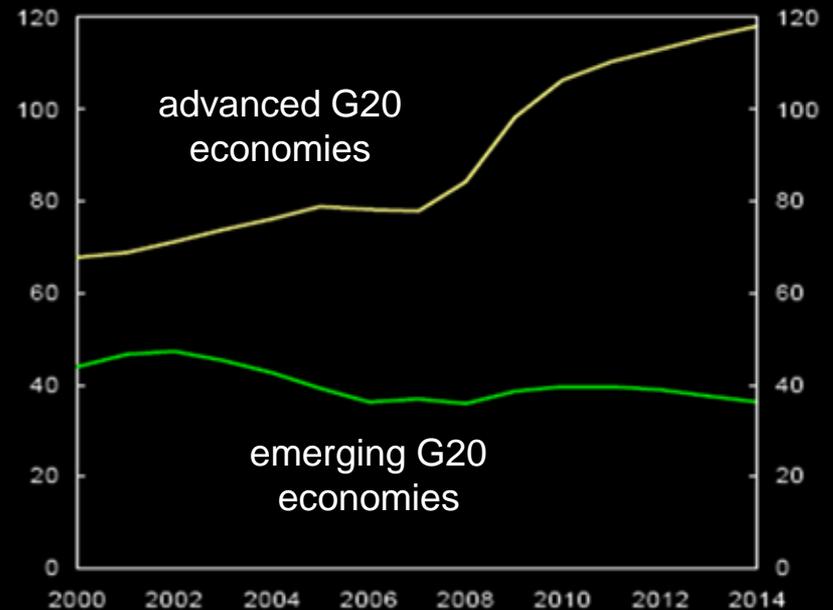


New World Problem

But debt-addled rich have no cash for the poor and not likely to transfer to the Chinas and Indias



General government debt ratios, 2000-2014, in percent of GDP



Finance for Technology

- More rich country spending on technology generation internally or on compensating for carbon price actions domestically
 - If consequence is less international finance, fine
- Allowing more developing country spending on green technologies—
 - Need to revisit trade rules (Mattoo and Subramanian, 2013)
 - Need to change ideology on government interventions (industrial policy, research)
- International green fund for technology generation and dissemination with contributions by ALL
- Finance for Adaptation: NO, NO, NO!

Generating a Technological Revolution: Who Does What?

How does the Rest facilitate?

**What does the
West do?**

**Key step: Raise
carbon price**

**Carbon
price-related
actions**

**Progressively eliminate consumer
subsidies**

**Commit to commit: “For every one dollar
increase in carbon price at T, we will raise
carbon price by \$X by T+Y”**

**Trade-related
actions**

Allow limited border tax adjustments

Eliminate constraints on green subsidies

**Technology-
Related
Actions**

Contribute to global technology fund

**Raise protection of IPRs related to green
energy and technology**

Role reversal: The Rest Leads and Facilitates West's Contribution

Carbon price-related actions

Progressively eliminate consumer subsidies

Commit to commit: "For every one dollar increase in carbon price at T, we will raise carbon price by \$X by T+Y"

Trade-related actions

Allow limited border tax adjustments

Eliminate constraints on green subsidies

Technology-Related Actions

Contribute to global technology fund

Raise protection of IPRs related to green energy and technology

Key step: Raising carbon price in industrial countries

Political Economy/Plausibility?

Carbon price-related Actions

Progressively eliminate consumer subsidies

Begun in India and China

Commit to commit: “For every one dollar increase in carbon price at T, we will raise carbon price by \$X by T+Y”:

China Started

Trade-related actions

Allow limited border tax adjustments

WTO Rules almost there

Eliminate constraints on green subsidies

West that must Agree

Technology-related actions

Contribute to global technology fund

Broaden Green Fund

Ensure strong protection of IPRs related to green energy and technology

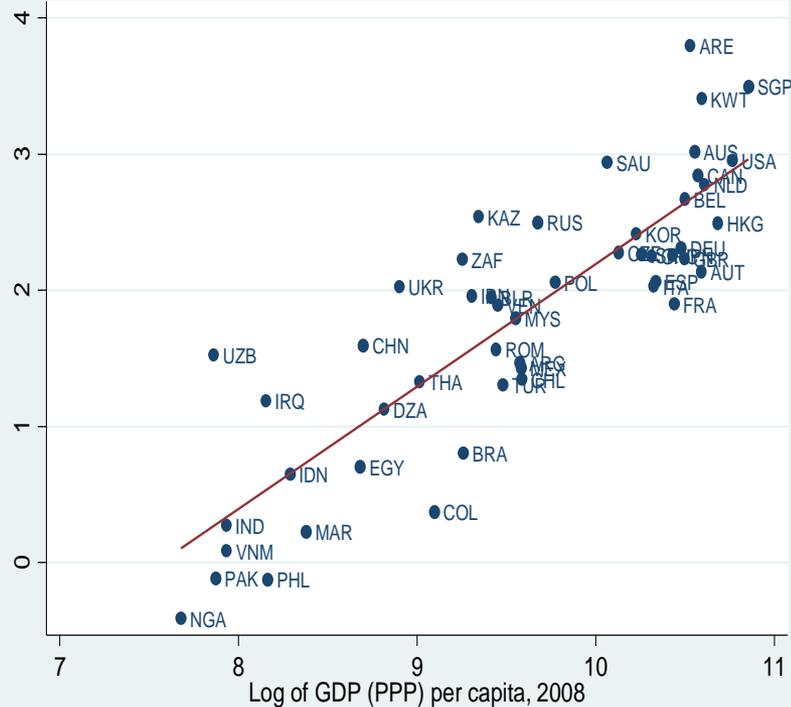
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Not There Yet: Little more domestic imperative for action

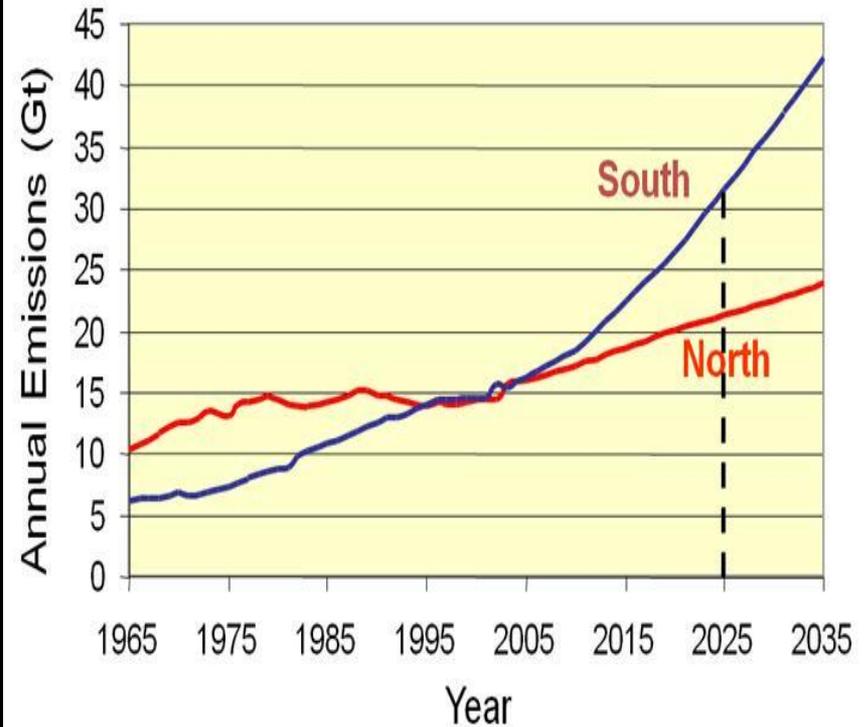


Narrative Problem

Rest: Focusing on past



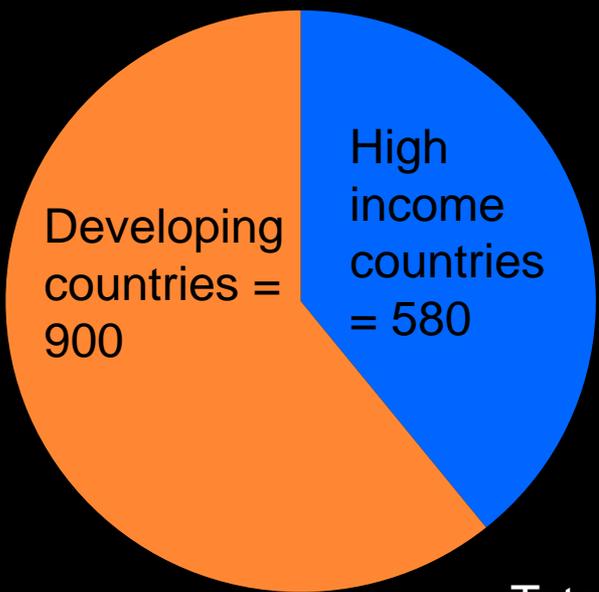
West: Focusing on future



The Adding-Up Problem

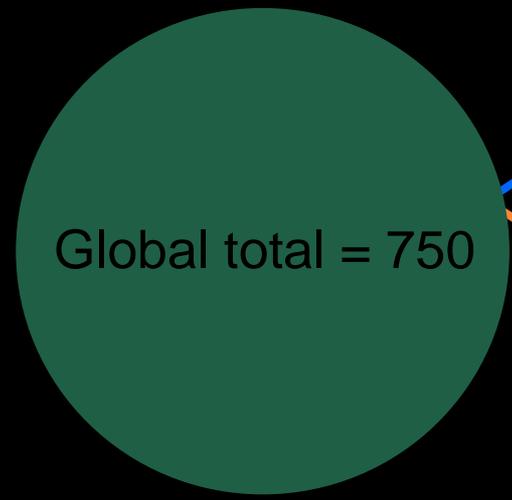
**Business-as-usual
CO2 needs**

Gtons (2005 to 2050)



Global CO2 budget

Gtons (2005 to 2050)



**Allocate budget to
high income**

Developing country emissions will satisfy only 20% of their emission needs

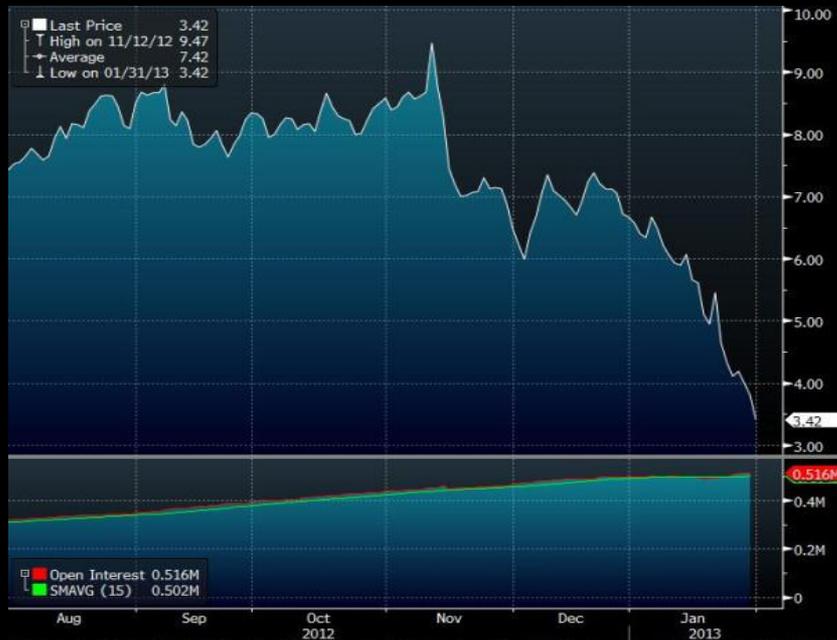
**Allocate budget to
developing**

Developing countries will satisfy only 85% of their emission needs, and

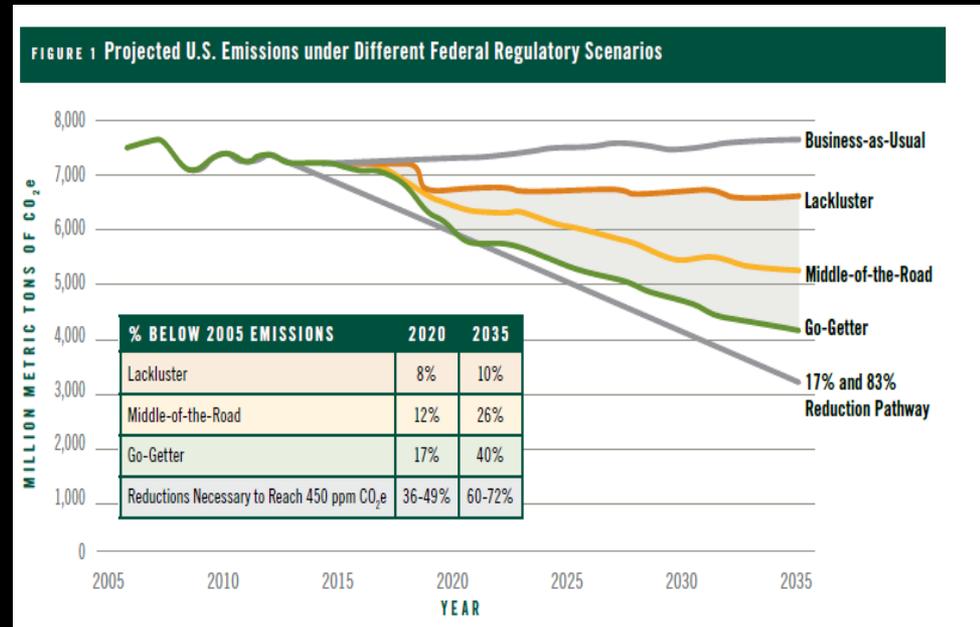
High income countries cannot consume any energy!

Unilateral Alternatives to Failed Cooperation:

EU Unilateral Action



US Unilateral Action



Are We Making Progress?

Global emissions/global GDP
(kgs/dollar of GDP in 2000 prices)

