



# Quantifying Ambition and Credibility to Facilitate Linkage of Markets

By: Jennifer Austin

Harvard Kennedy School

Candidate for Masters in Public Administration  
and International Development

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# Question

- How to overcome barriers to facilitate linking of carbon markets?

## Barriers:

1. Ambition: Regulatory race to the bottom
2. Credibility: Lack of international enforcement

- *Lessons for linking other types of policies?*



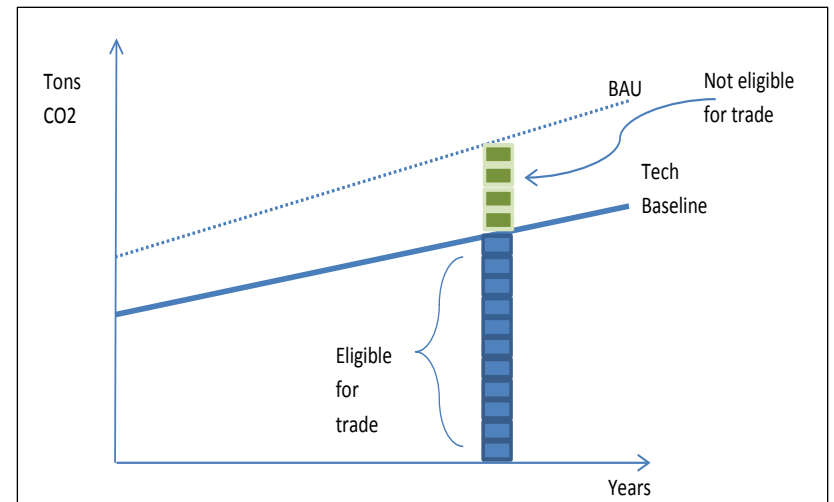
# Ambition

## Analysis

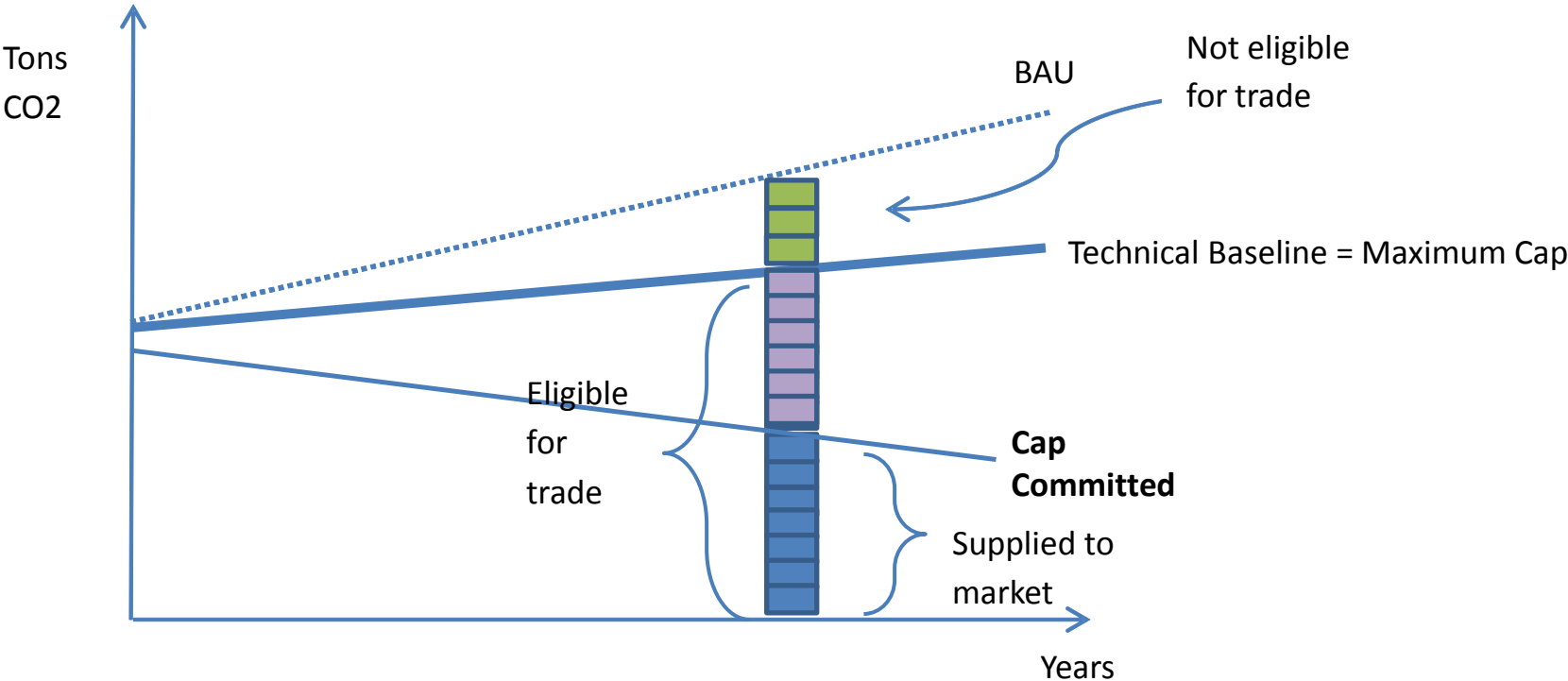
- Rate or quantify ambition without reconciling historical, current, per capita emissions debate.
- Avoid race to the bottom, free-riding, mimicry
- Parallel to additionality of CDM and voluntary markets
- Central authority to establish and enforce?

## Recommendation

- Benchmark to objective standard to determine trade eligibility.



# Ambition: Technical Baseline



# Credibility

## Analysis

- No international enforcement
- Performance relative to commitment
- Parallel in offsets and voluntary markets where reversal is a risk
- Buyer liability likely to dampen activity
- More efficient than discounting, because reserves can carry forward
- Central authority to establish and enforce?

## Recommendation

- Assign credit ratings
  - Criteria:
    - strength of binding domestic laws
    - transparency of data monitoring and reporting
    - history of compliance
- Require contingency reserve of “insurance allowances” dependent on rating



# Policy Implications

- Establish *International Carbon Market Committee*:
  - Establish and verify technical baselines
  - Assign Credit Ratings and reserve requirements
  - Monitor reserves and compliance
  - Work closely with international transaction data management system



# Thank you!

Questions?

Comments?

Jennifer Austin

Harvard Kennedy School, MPAID 2015

Jennifer\_austin@hks15.harvard.edu

