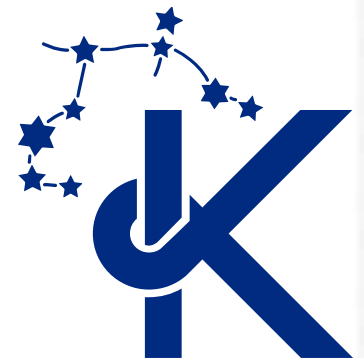


**Comments on**  
**Mehling, Metcalf, and Stavins**  
**“Linking Heterogeneous Climate Policies**  
**(Consistent with the Paris Agreement)”**

**Shiro Takeda (Kyoto Sangyo University, Japan)**

*International Cooperation in East Asia to Address Climate Change  
Research Workshop Sponsored by the Harvard Project on Climate  
Agreements , September 27, 2017,  
Harvard Center Shanghai*

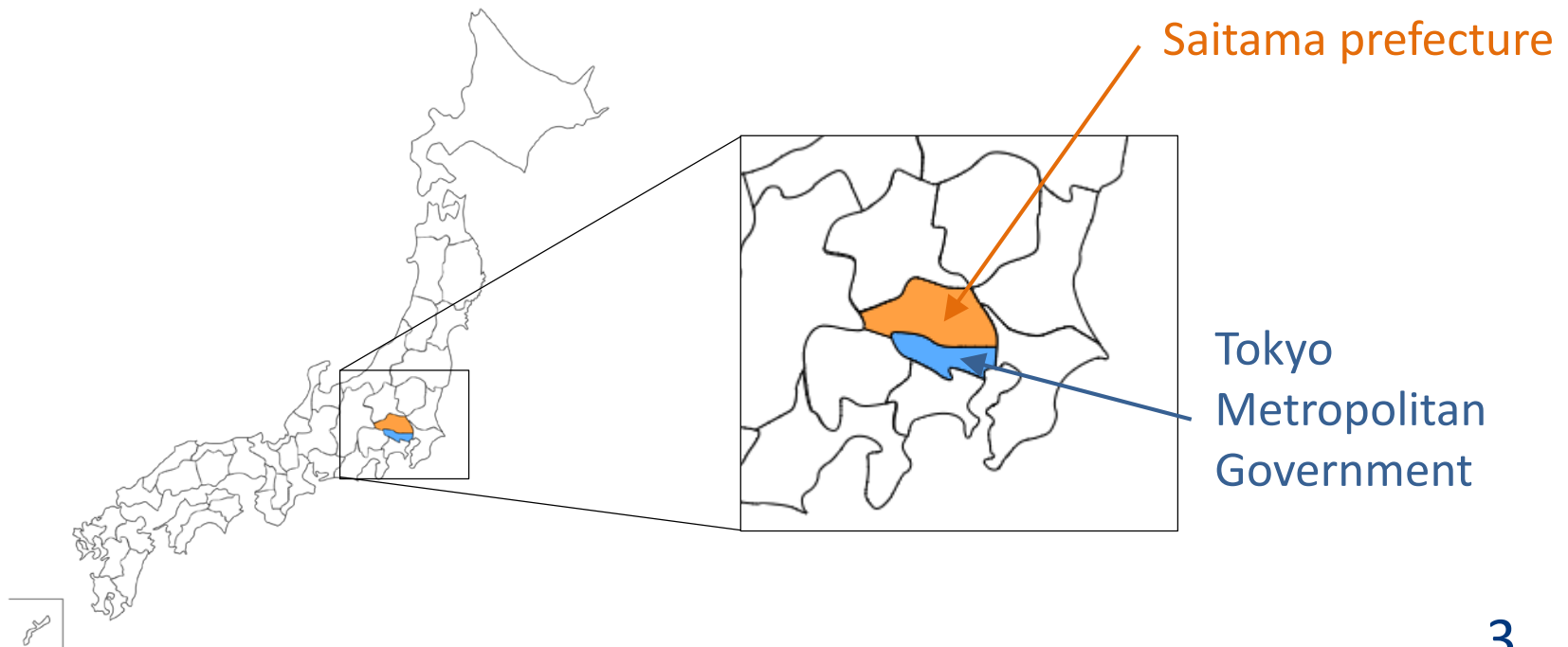


# Mehling, Metcalf, and Stavins Paper

- Mehling, Metcalf, and Stavins paper provides the comprehensive summary of
  - 1) current climate policies in the world and
  - 2) their linkages.
- In addition, the paper suggests the possible future directions of linkages.
- The paper provides valuable information and arguments for those who have interest in the future climate policies.

# Comments

- Importance of sub-national climate policy and its linkage
- Japan
  - ▶ No national-level emissions trading system
  - ▶ Two local jurisdictions (**Tokyo and Saitama**) have already adopted C&T.
- Tokyo and Saitama
  - ▶ Population share is 16% and GDP share is 22%



# Tokyo Cap-and-Trade System

- Periods
  - ▶ Phase 1: 2010-2014
  - ▶ Phase 2: 2015-2019
- Coverage
  - ▶ **Large Scale Facilities** that consume energy more than 1500kL of crude oil equivalent or more per year
  - ▶ Mainly large commercial and office buildings.
- Reduction target
  - ▶ Phase 1: **6~8% reduction** from base emissions
  - ▶ Phase 2: **15~18%**
- C&T in Saitama prefecture
  - ▶ Similar to the Tokyo C&T.
  - ▶ There is linkage between Tokyo and Saitama systems.

# Tokyo Cap-and-Trade System

- Ex-post analysis
  - ▶ 7 years since the start
  - ▶ Arimura and Abe (2017) empirically examined impacts of Tokyo Cap-and-Trade.
- The future of Tokyo C&T
  - ▶ The current Tokyo governor (Yuriko Koike) is the former Minister of the Environment.
  - ▶ The possibility that Tokyo will create a link with other regions is high (?)

# Comments

- Comments on linkage from Japan's point of view.
- Equity (or other objective criteria) in NDCs
  - ▶ Japan → An acquiring country of ITMO.
  - ▶ ITMO → Economically beneficial to Japan with high abatement costs.
  - ▶ **A very strong opposition in Japan to purchasing emissions allowances that are recognized as hot air.**
  - ▶ In addition, even if it is not hot air, ITMO may be regarded as unfair if NDCs do not guarantee some degree of equity across countries.

# Comments

- Quality of MRV
  - ▶ MRV organization and firms in Japan tend to be confident in quality of MRV in Japan.
  - ▶ However, they are skeptical about quality of MRV in developing countries.
- An attitude to linkage of some Japanese firms.
  - ▶ Japanese firms recognize that linkage can contribute to their cost reduction.
  - ▶ However, they think that if linkage reduces their costs, regulators are likely to seek to strengthen regulations.
  - ▶ For this reason, some Japanese firms tend to intentionally avoid the use of linkage that realizes cost reductions.

# Comments

- Buyer and Seller
  - ▶ Japan → Buyer
  - ▶ China → Seller
  - ▶ This difference in position leads to difference in attitude toward linkage?



# References

- T.H. Arimura & T. Abe (2017) ” An Empirical Study of Tokyo Emission Trading Scheme: An Ex-post Analysis of Emissions from Office (Commercial Buildings) and University Buildings” presented at IAEE European Conference, Vienna, Austria.