Index

Abatement. See Emission abatement Activities implemented jointly (AIJ), 220-223, 222n10, 223n12 African Development Bank, 197 AGBM. See Berlin Mandate (AGBM) AIJ. See Activities implemented jointly (AIJ) AIJ Uniform Reporting Framework, 222n10 Allocations: efficient allocations of users' rights, 208-216; grandfathered allocation for trading emissions from 2000-2050, 213; mixed allocation criterion for trading emission from 2000-2050, 215; Pareto efficiency in allocation of resources, 85-88, 90-91, 111; population-based allocation for trading emissions 2000-2050, 214; quota allocations of tradable emissions, 29, 31 Anti-carbon coalition, 150n16 Antigua, 180n, 198n32 Anyl Agarwal, 137n4 Arrow, K. J., 22n5 Article 12, 233-241 Ashe, J., 180n, 198n32 Asian Development Bank, 197 Asian Tigers, 2, 200 Atkinson, A. B., 3, 191n21 Australia, 188 Baba, James, 180n

Bangalore, 200n36
Bangladesh, 188
Banks. See International Bank for Environmental Settlements (IBES); Regional banks; World Bank; and other specific banks
Barbados, 200

Barbuda, 180n, 198n32 Barker, T., 144 Baumol, W. J., 127, 164n13 Beaumais, O., 144 Berlin Conference of the Parties, 185-186 Berlin Mandate (AGBM), 186, 228, 230 Biodiversity: destruction of, 5; and forests, 170; preservation of, 14, 22-23; securitization of, 199 Biosphere: and financial institution for managing environmental assets, 169; financing of, 172–174; and formal analysis of securitization and privatization of watershed, 175-179; investing in, 170-171; privatization of, 172, 175-179; securitizing of, 169-179 Black, D., 120n7 Bohm, P., 69, 139, 158n5 Bowen, H., 3, 119n6, 242, 245 Brazil, 173, 187, 194, 228-231, 229-230n34. See also Rio de Janeiro Brazilian Clean Development Fund, 229-231, 229-230n34 Bretton Woods institutions, 180, 182, 183.188 British Petroleum, 169 Brokers, 33 BTU tax proposal, 19 Bubbles, 84n7, 250 Buenos Aires, 173, 182, 188 Burniaux, J.-M., 157n1 California, 196 Carbon dioxide: abatement treaty, 40-42; as by-product of fossil fuels, 126-127; and climate change, 1-2, 36,

46n1, 110, 126-127, 156; and emis-

sions abatement, 7-8, 46-48, 68-80;

288 • Index

Carbon dioxide (continued)

emissions worldwide from 1980– 2050, 212; and equalization of marginal abatement costs, 68; and fossil fuels burning, 1; and global carbon taxes, 6, 156; global trade in carbon dioxide emissions, 46–65; and global warming, 113n2; industrial countries' emissions of, 185n10; knowledgesector production share of, 205; and Kyoto Protocol, 5; as public bad, 47n5; as public good, 27, 27n6; scientific understanding of effects of, 23– 24; statistics on emissions of, 16, 185n10; threshold effects of, 22

Carbon sequestration, 170-171

- Carbon taxes. See Differentiated carbon taxes; Emission taxes; Uniform carbon taxes
- Catastrophe (CAT) Futures, 196n31
- Catskill Mountains, 10
- CDM. See Clean Development Mechanism (CDM)
- Certified emissions reductions (CERs), 234, 239
- CGE. *See* Computable general equilibrium (CGE)
- Chao, H., 69, 167
- Chapuis, R., 149
- Cherzow Factory, 227
- Chicago Board of Trade, 3, 17, 42, 181, 195, 196n31, 242
- Chichilnisky, G., 1–67, 6n3, 126–134, 137, 139, 156, 158n5, 163nn11–12, 164, 165, 169–217, 242–246
- China: abatement scenarios for, 161, 162; and adoption of financial institution for managing environmental assets., 169; and anti-carbon coalition, 150n16; and Clean Development
 Mechanism (CDM) funding, 229; as developing country, 188; endorsement of Brazilian Proposed Elements of Protocol, 230; and global warming treating, 41; income discrepancy in, 74, 130; as major carbon producer, 160–161; as major emitter, 160–161;

productivity in, 211; and projectbased JI, 228; real income loss over 2000–2050, 216

- Clean Air Act of 1990: Acid Rain Provision, 84n6; and rights to emit sulfur dioxide, 5, 17; and trade of emissions permits, 3, 195–196
- Clean development mechanism (CDM): administrative expenses and adaptation costs, 240-241; and Article 12, 233-241; basic principles and features of, 232-233, 252-253; certification, auditing, and verification, 237-241; and compliance, 226-227, 239-240; conceptual roots of, 219-223; and European Union, 231; exchanging benefits for right to use, 236-237; funding of, 224-227, 229; and Global Environment Facility (GEF), 224-227, 238; governance of, 234-241; initial positions on projectbased JI, 227-228; and International Bank for Environmental Settlements (IBES), 219n5; and Kyoto Protocol, 11; in Kyoto Protocol, 11; and Kyoto Protocol, 187, 218-241; in Kyoto Protocol, 218-241; and Kyoto Protocol, 231-233; in Kyoto Protocol, 252-253; limitations on use of, 239-240; negotiating history of, 227-233; penalties for noncompliance with, 229; and project-based joint implementation, 219-223 Clean industrialization, 189, 199 Climate as public good, 138-140 Climate change: carbon dioxide's effect on, 1-2, 36, 46n1, 110, 126-127, 156; economics of, 14-15, 189-193,
 - 206, 208; and emission taxes, 140– 144; and greenhouse effect, 82–83; and hurricanes, 196; as large-scale negative effect, 17–19; and low-income population, 31; and no-regret climate strategy, 143–144; as problem for global community, 82; scientific understanding of, 23; and uniform carbon taxes, 138

Climate Convention, 199

Cline, W. R., 82n1

CNT. See Consolidated Negotiating Text (CNT)

CO2. See Carbon dioxide

Coase, R. H., 2, 17-19, 47n4, 83

Cobb-Douglas utilities, 9

Committee of the Whole (COW), 231 Commodity Futures Trading Commis-

sion, 195

Compaq, 169

Competitive equilibrium, 114

Compliance and noncompliance, 38–39, 226–227, 229, 239–240, 253

Computable general equilibrium (CGE), 157–162

Conference of Parties 1 (COP1), 220, 226

Conference of Parties 2 (COP2), 149, 186

Conference of Parties 3 (COP3), 135, 186, 221, 231

Conference of Parties 4 (COP4), 182, 188

Conference of parties/meeting of parties (COP/MOP), 232, 233, 234, 237–240

Consolidated Negotiating Text (CNT), 228, 228n32

Constant-ratio mechanism: as based on people, 113n3; and distribution of tradable emission permits, 110–124; and emissions quotas, 167; implementation of, 119–121; and Pareto efficiency, 113–119

Convention on Biological Diversity, 224

COP. See Conference of Parties headings

Coppel, J., 127, 138, 150n

Costa Rica, 170-171, 174, 228

Costs: abatement cost models, 157–162; of emission taxes, 32, 34; of establishing markets, 32–33; heterogeneity of utilities and abatement costs, 141– 143; logical stages of, 111–112; marginal abatement costs, 68, 74, 157– 159; and Pareto efficiency, 9–10, 47– 48; private costs of external effects, 18; relative costs of abatement of industrial and developing countries, 191–192; social costs of external effects, 18; of tradable quota system, 32–34, 40–41; of transacting in markets, 33. *See also* Marginal costs Country-specific production frontiers,

163–165

COW. See Committee of the Whole (COW)

Daily, G., 173

Dales, J. H., 2, 8, 84

Dasgupta, P. S., 22n5

Dessus, B., 151n18

Developing countries: and allocation of quotas, 31; and emissions abatement, 6–10, 69, 126; fear of imposition of emission limits, 14, 187–188; OPEC on, 188; overseas development assistance (ODA) targets, 194n29; productivity in, 211; as recipients of Global Environment Facility funds, 225– 226, 226n22; relative costs of emission abatement, 191–192. See also specific countries

Differentiated carbon taxes: and costs of meeting target emission levels, 151n18; and low-emitting countries, 151; main argument against, 152; theoretical evidences and procedural constraints regarding, 135–154

Distribution of emissions permits: efficiency properties of constant-ratio mechanism for, 110–124; and efficiency regarding public goods, 27; and efficiency regarding tradable emission quotas (TEQs), 25–32; fixed ratio distribution, 69; importance of, 55–56; initial distribution, 8, 68, 90, 96–98

Dow Chemical, 169

Drèze, J., 69

Dupont, 169

Dwyer, D., 69

Earth Summit in Rio de Janeiro (1992), 13–15, 126, 136, 185, 224 Economics: of climate change, 14–15, 189–193, 206, 208; of emission permits trading, 84; and exports, 2; of knowledge sector, 199–208; resource-intensive versus knowledgeintensive growth, 199–200

Ecuador, 194

Edmonds, J. A., 163n11

- Efficiency: and allocation of privately produced public goods, 244-246; characterization of efficient permit markets, 94-98; in computable models of carbon emission abatement, 156-167; as crucial, 180; and distribution of emission rights, 68-69; and distribution of tradable emission quotas (TEQs), 25-32; efficiency property of constant-ratio mechanism for distribution of tradable emission permits, 110-124; efficient allocations of users' rights, 208-216; emissionconstrained efficiency, 72-75; in environmental markets, 46-65; and equity, vii, 46-65; industrial countries' favor of, 193; and international emissions, 48-49, 82-108; and marginal costs, 10; and markets, 1, 25-32; and property rights, 5, 48; and public goods, 27; and welfare weights, 164-165. See also Pareto efficiency
- Efficient abatement distribution (permits distribution), 95
- Efficient abatement level, 94-95
- Efficient abatement technology, 94
- Emission: constraints on, 68-80, 159-
 - 165, 189–193; determination of emission limits, 189–193; establishing global levels of, 119–121, 162–163; international emissions, 48–49; knowledge-sector production share of, 205; origin of, 166–167, 185; right to emit gases, 4–5; securitization of, 199; statistics on, 126; world carbon dioxide emissions from 1980–2050, 212. *See also* Carbon dioxide; Sulfur dioxide; Tradable emission quotas (TEQs); and other headings beginning with Emission

- Emission abatement: allocation of responsibility for, 188, 190-191; and Berlin Mandate, 186; and COP/MOP, 232; cost models of, 157-162; and country-specific production frontiers, 163-165; determining responsibility for, 126-133; and developing countries, 6-10, 69, 126; efficiency in, 46-48, 156-167; and equity and efficiency, 46-48; global production frontiers, 165-166; and income transfers, 167; joint implementation of, 16-17; marginal abatement costs, 68, 74, 157-159; and marginal costs, 68-80, 164; model for permit market, 56-60, 61-62, 64-65, 70-71; and Nash equilibrium, 53n19; optimal abatement levels, 127; optimal abatement models, 162-166; policies for, 6-9, 14-15; present practice, 15-16; and quota allocations, 29; scenarios for, 161, 162; short-term approach to, 189
- Emission constraints: and abatement, 68–80; and balance of trade, 76; and efficiency, 75–76, 159–165; and emission permits, 75–80; standard conditions, 77–78
- Emission permits: abatement scenarios using, 162; and constant-ratio mechanism, 110-124; distribution of, 8, 25-32, 55-56, 68, 69, 90, 96-98, 110-124; economics of trading of, 84; and emission constraints, 75-80; export of, 35, 95-96; initial distribution of, 8, 47; and Lindahl equilibrium, 48, 62-64; models for permit markets, 56-60, 61-62, 64-65, 70-71, 111-112; Pareto efficiency and reallocation of emission permits, 60-62; and private endowments, 98-101; sulfur dioxide emissions permits, 3; trading of emissions permits, 3, 5, 8, 13-43, 46-65, 68-80
- Emission quotas. *See* Tradable emission quotas (TEQs)
- Emission rights: borrow-lend spread for, 198; distribution of, 68–69; and

emission trading, 192–193; and International Bank for Environmental Settlements (IBES), 186, 187, 198–199; lending of, 198; market rate of interest for, 198; for sulfur dioxide, 5, 17. *See also* Property rights

- Emission taxes: and abatement scenarios, 161; accounting for side effects of, 147-148; administrative costs for, 137; as alternative to TEOs, 13; climate change and, 140-144; climate policies and limits of first-best framework, 138-144; cost-benefit uncertainty about, 20-22; costs of, 32, 34; differentiated carbon taxes, 135-154: efficiency characteristics of, 156-157; in Europe, 20, 136n1; and future regulation uncertainty, 23-24; global carbon taxes, 6; and global consumption, 26; heterogeneity of utilities and abatement costs and, 141-143; implementation of, 83: and international tradable emission permits system (ITEPS), 137; and marginal costs, 21n4, 68-80, 164; and mixed domestic policy regimes, 24-25; models for, 145-148; and no-regret climate strategy, 143-144; one-energy model of, 145-147; and option values, 22-23; policy implications of, 148-152; and preferences for energy services and development patterns model, 152-154; and real income loss 2000-2050, 216; and threshold effects, 21-22; tradable emission quotas (TEQs) as alternative to, 13, 18-25; uniform carbon taxes, 135-154
- Emission trading: and Clean Development Mechanism (CDM), 220; and establishment of user's rights, 192– 193; and grandfathering allocation from 2000–2050, 213; under mixed allocation criterion from 2000–2050, 215; original concept of, 84; policy recommendations for, 198–199; with population-based allocations from 2000–2050, 214; simulation on emissions trading in GREEN/PIR, 210–

216. See also Tradable emission quotas (TEQs) Energy services and development patterns, preferences for, 152-154 Environment conscious, 94 Environmental assets, 31-32, 194 Environmental Defense Fund, 238n50 Environmental markets: characterization of efficient permit markets, 94-98; competitive emission permits market, 88-91; definition of, 2-3; and efficient allocation of users' rights, 208-216; equity and efficiency in, 46-65, 55-62; global emissions markets, vii, 52-55, 181-182, 242-243; importance of distribution in, 55-56; industrial countries' use of, 198; international emission markets, 52-55; and Kyoto Protocol, 181-182; and Lindahl equilibrium, 48, 62-64; models for permit markets, 56-62, 64-65, 70-71, 111-112; and Nash equilibrium, 91-94; and North-South divide, 183-184, 187-189; and onedimensional manifold of efficient users' rights, 208–209; and privately produced public goods, 3, 190; and public goods, 3; role of, 181; and separation of equity and market efficiency, vii; trading environmental risks, 196; and trading permits for emissions, 3, 5, 13-43, 52-55, 68-80; unique characteristics of, 47; and water markets, 5. See also Markets; Tradable emission quotas (TEQs)

- Environmental Protection Agency (EPA), 84n7, 170
- Environmental Resources Trust, 238n50
- Environmental risks trading, 196
- EPA. See Environmental Protection Agency (EPA)
- Equity: and abatement agreements, 92; as crucial to permit markets, 94; and efficiency regarding carbon dioxide abatement, 46–48; in environmental markets, 46–65; and market efficiency, vii
- Essen summit, 136

Estrada-Oyuela, R., 11, 180n, 198n32, 219, 247-254 Europe, 18-20, 136n1, 151n18 European Commission, 144 European Community, 216, 250 European Union, 136, 228, 231, 247, 248 Executive board of clean development mechanism, 234-235 Exports, 2 External effects, costs of, 17-19 Eyckmans, J., 47n6, 165n15 FCCC. See Framework Convention on Climate Change (FCCC) First Conference of Parties. See Conference of Parties 1 (COP1) Fisher, A. C., 22n5 Foley, D., 3 Forests, 36, 170 Fossil fuels, 126-127 Framework Convention on Climate Change (FCCC): and global emissions markets, 243; and IBES, 180n, 184; and implementation of Earth Summit 1992 goals, 14, 82; and International Bank of Environmental Settlements (IBES), 219n5; and Kyoto Protocol, 247-254; and market of tradable rights to emit greenhouse gases, 186; responsibilities of, 181; and uniform report format for AIJ, 221 France, 144, 152n19 G-77. See Group of 77 (G-77) GATT. See General Agreement on Tariffs and Trade (GATT) GEF. See Global Environment Facility (GEF) General Agreement on Tariffs and Trade (GATT), 180 Geneva, 186, 192 Germany, 144 Gibbard, A., 119 Gilotte, L., 9-10, 135-55, 163n12

Global environment, vii, 14-17, 32-38

Global Environment Facility (GEF): and bioprospecting deals, 170-171; and carbon taxes, 143; and clean development mechanism (CDM), 224-226, 238; and compliance issues, 226-227; funding from, 225-226, 226nn22-23; and global environmental benefit generation, 237-238; and IBES, 180n; and implementation of Earth Summit 1992 goals, 14-15; and voluntary contributions, 194 Global production frontiers, 165-166 Global warming potential (GWP), 250-251Global warming treaty, 40-42 Godard, O., 138n5, 144 Goulder, L. H., 152n19 Grandfathering allocations from 2000-2050, 213, 216 "Grassy stunt" virus, 171 "Green Bank," 229n34 GREEN model of OECD, 157, 160, 210 - 216Greenhouse effect, 82-83, 82n1 Greenhouse gases: CO2 statistics for industrial countries, 185n10; cooperative ventures between countries for decrease in, 15-16; and FCCC, 181 Gross Domestic Product of U.S., 201-205, 207 Gross National Product of U.S., 1 Group of 77 (G-77), 169, 222, 228, 230, 231 Grubb, M., 83n5 GWP. See Global warming potential (GWP) Habitat fragmentation, 5 Hahn, R. W., 84 Harberger triangle, 138 Heal, G., 1-109, 126-134, 137, 156, 158n5, 163n12, 164, 165, 169-179, 191-193nn, 196, 199n35, 208, 210, 242 Henry, C., 22n5 Hoel, M., 83n5

Hoeller, P., 138 Hong Kong, 200 Hourcade, J. C., 9–10, 135–55, 163n12 Humanitarian disaster aid, 194 Hurricanes, 196

IADP. See Interamerican Development Bank (IADP)

IBES. See International Bank for Environmental Settlements (IBES)

ICAO, 249

IEA and Kyoto Protocol, 247

IMO, 249

INBIO, 196n31

Income: in China, 74, 130; climate change and low-income population, 31; emission abatement and income transfers, 167; and emission taxes, 139; and environmental assets, 31– 32; and environmental rights, 182; in India, 74, 130; and national funds allocated to emission abatement, 128; Pareto efficiency and percentage of nation's income allotted to emission abatement, 132–133; real income loss from 2000–2050 with various allocations of emission abatement strategies, 216; and wealth redistribution, 25, 31–32

Income transfers, 98–101, 167 Incyte, 174

India: abatement scenarios for, 161, 162, 191; and anti-carbon coalition, 150n16; cooperative environmental venture with Netherlands, 15; as developing country, 188; and equalization of marginal abatement costs, 74; and global warming treaty, 41; income discrepancy in, 74, 130; in knowledge-intensive sector, 200; as major emitter, 160–161; real income loss over 2000–2050, 216

Indonesia, 188

Industrial countries: and allocation of quotas, 31; efficiency favored by, 193; and emission production, 185, 185n10; and emissions abatement, 6–10, 126, 182, 190; fear of population growth in developing countries, 14, 187–188; and Kyoto Protocol, 190–191, 192; productivity in, 211; relative costs of emission abatement, 191–192 Intellectual property, 2, 6, 242–246

Interamerican Development Bank (IADP), 197

Interface, 169

Intergovernmental Negotiating Committee (INC), 180n

Intergovernmental Panel on Climate Change (IPCC), 82, 149n15, 185n9, 229

- International Bank for Environmental Settlements (IBES): and Clean Development Mechanism, 219n5; and clean industrialization, 199; development of, 180n; and environmental assets as collateral, 194; and equity and efficiency in emission markets, 180-216; and financial incentives for environmental conservation, 182; and global warming potential (GWP) concept, 250-251; mandate of, 197; policy recommendations for, 198-199; purpose of, 10, 183-184; and regional banks, 196-197; as self-funding mechanism, 193-195; structure of, 195-196; and trading emission rights, 186, 187
- International markets, 1, 52–55, 82–108. *See also* Environmental markets; Markets
- International Monetary Fund (IMF), 43, 180
- International Rice Research Institute, 171, 174

International tradable emission permits system (ITEPS), 137

IPCC. *See* Intergovernmental Panel on Climate Change (IPCC)

Iran, 228

Jaffe, A. B., 142n9

- Japan, 144, 151n18, 188, 216, 247
- JI. See Joint implementation (JI)

- Joint implementation (JI): and activities implemented jointly (AIJ), 220–223, 222n10, 223n12; and Clean Development Mechanism, 220; concepts of, 219–220; definition of, 186n12; of global markets for emissions rights, 198; and Kyoto Protocol., 251; project-based joint implementation, 220–223, 227–231, 233–234
- Knowledge and knowledge sector, 83n3, 199–208, 242–246
- Korea, Republic of, 200
- Kristrom, B., 31n10
- Krugman, P., 144n12
- Kyoto Protocol: additions to Annex B, 254; adoption of, 218n2; and all parties commitments, 252; and bubbles, 250; and carbon dioxide emission reduction, 5, 46, 182; and Clean Development Mechanism (CDM), 11, 218-241, 252-253; commentary on, 247-254; contents of, 247-248; and creation of emission's markets, 187; and emission constraints on industrial countries, 190-191, 192; and executive board (EB), 234-235; financial mechanism provisions, 252; flexibility mechanisms of, 251; and global environmental markets, vii, 181-182, 242-243; and global financial institutions, 194; implementation of, 199-200; and institutional economy, 253; inventories, communications, and reviews, 251-252; and joint implementation, 251; methodologies of, 250-251; and noncompliance, 253; policies and measures (P&M), 248-249; and quantified emissions limitation and reduction (QELROS), 249-250; ratification of, 188; text of, 255-279; and trading, 253; and value of emission reduction certificates, 197; volume of emissions required to enter force, 254
- Laffont, J.-J., 6, 47n6, 83n4, 139, 165, 242n1

Law of the Sea conference, 25

Lin, Y., 69, 82-108

Lindahl, 3–4, 242

- Lindahl equilibrium: definition of, 55; and emission constraints, 75; Lindahlpricing equilibrium, 101; and *M* private goods, 101–107; and Pareto efficiency, 101; and permit markets, 48, 62–64; and "personalized prices," 28n7
- Lindahl-Bowen-Samuelson conditions, 25, 87, 166
- Lindahl-pricing equilibrium, 101
- Lump-sum transfers, 50–51, 50n13, 74–75, 139
- M private goods, 101-107
- MAC. See Marginal abatement costs (MAC)
- Malaysia, 198n32
- Maldives, 188
- Mäler, K.-G., 69
- Mann, A. S., 149
- Manne, A., 69, 166-167
- Marginal abatement costs (MAC), 68, 74, 157–159
- Marginal costs: and abatement technology, 95; and carbon tax, 21n4, 68–80, 164; and CGE model, 157–159; and efficient outcomes, 10; and emission abatement, 68–80, 164; equality of, 51–52; and Pareto efficiency, 9–10, 47–48, 92, 127–130; of tradable quota system, 32–34, 40–41. *See also* Costs
- Marginal willingness-to-pay function, 115
- Markets: and competition, 234; costs of establishing, 32–33; derivative markets, 17; and efficiency, vii, 1, 25–32; global emissions markets, vii, 1, 52– 55, 181–182, 242–243; and "personalized prices," 4; with privately produced public goods, 243–244; properties of efficient markets, 26; and property rights, 27; as social institutions, 1; and technology-intensive products, 2; for tradable emission

quotas (TEQs), 24, 25, 32-43; welfare theorum in, 8. See also Environmental markets Marshall Islands, 188 Mata Atlantica, 173 Meira Filho, L. G., 228n34 Merck, 170, 174, 196n31 Mexico, 15, 200 Ministry of Trade and Investment (MITI) of Japan, 247 MITI. See Ministry of Trade and Investment (MITI) of Japan Mixed allocation criterion from 2000-2050, 215, 216 Monsanto, 169 Montgomery, W. D., 84 Montreal Protocol on Substances that Deplete the Ozone Layer, 224n16 Nash equilibrium, 9, 53n19, 85, 91-94, 103-105 Natural capital, 169-170 Natural ecosystems, privatization and securitization of, 10 Natural resources: excessive use of, 1: property rights to, 2-3. See also Environmental markets; and Emission headings Nature, 10 Negotiating Text by the Chairman (NTC), 227, 227-228n26 Netherlands, 15 Netting, 84n7 New York City, 170-171 New York Law School, 180n Nicoletti, G., 157n1 Niue, 229 Noll, R., 84 Noncompliance. See Compliance and noncompliance Nordhaus, W. D., 163n No-regret climate strategy, 143-144, 149n14 North: economic production in, 2; and environmental markets, 183-184, 187-189; and reporting for JI, 221-222. See also Industrial countries Norway, 15, 220

Norwegian/World Bank AIJ Program, NOX. See SO2 nitrous oxides (NOX) Oates, W., 127, 164n13 ODA. See Overseas development assistance (ODA) OECD: and anti-carbon coalition, 150n16; conference on economics, 9; and equality of abatement costs, 74; and global carbon taxes, 6; and global warming treaty, 41; GREEN model of, 157, 160, 210-211, 216; and Kyoto Protocol, 247; and no-regret climate strategy, 151; "polluter pays" system, 19 Official development assistance, 223n12 Oliveira Martins, J., 7, 10, 156-168 One-dimensional manifold of users' rights, 208-209 **OPEC**, 188 Option values, 22-23 Overseas development assistance (ODA), 194n29. See also Developing countries Ozone layer, 224n16

Pareto efficiency: and abatement strategies, 128-133; in allocation of resources, 85-88; and allocation of users' rights, 209, 211; characterization of, 49-52; and competitiveequilibrium allocation, 111; conditions required for, 87-88, 91-92; and constant-ratio mechanism, 113-119; definition of, 8, 50, 50n12, 244; and emissions abatement policies, 7; and Lindahl-pricing equilibrium, 101; and lump-sum transfers, 50-51, 50n13; and M private goods, 102-105; and marginal costs of abatement, 9-10, 47-48, 92, 127-130; and market solutions, 54-55, 68; and Nash equilibrium, 85, 103-104; Paretoefficient allocations, 87-88, 90-91, 114; and percentage of nation's income allotted to emission abatement, 132-133; and property rights, 211;

- Pareto efficiency (continued)
 - and reallocation of emissions permits, 60–62; without lump-sum transfers, 51, 72–74
- Pareto efficient allocations, 87–88, 90– 91, 114
- Peck, S. C., 69, 163, 267
- Permit markets. See Environmental markets
- Permits. See Emission permits
- Permits distribution (efficient abatement distribution), 95
- "Personalized prices," 4, 28n7
- Pharabod, F., 151n18
- Philippines, 171
- Pigou, A. C., 17-19
- PIR. See Program on Information and Resources (PIR)
- Poland, 15
- Pollution: and biodiversity destruction, 5; policies historically, 19–20; "polluter pays" system, 19; and threshold effects, 21–22; and tradable quota system, 19. *See also* Carbon dioxide; Sulfur dioxide
- Pollution taxes. See Emission taxes
- Population-based allocations from 2000– 2050, 214, 216
- Prat, A., 69, 110-124
- Preferences for energy services and development patterns model, 152–154
- Prinn, R., 163n11
- Private costs of external effects, 18
- Private endowments, 98-101
- Private goods: *M* private goods and Lindahl equilibrium, 101–107; public goods versus, 27–28
- Private sector, and TEQ implementation, 34
- Privately produced public goods: atmospheric CO₂ as, 27, 27n6, 47; and carbon monoxide emissions abatement, 7–8; definition of, 3; efficiency conditions for allocation of, 244 246; emission markets trading of, 3, 190; and equity-efficiency interaction, 47; intellectual properties as, 6, 242 –

246; markets with, 243–244. *See also* Public goods

Privatization of biosphere, 172, 175–179 Program on Information and Resources

(PIR), 210–216, 243

- Project-based joint implementation: and Brazilian Clean Development Fund, 228–231; initial positions on, 227– 228; management of, 233–234; pilot phase for, 220–223
- Proost, S., 165n15
- Property rights: and constant-ratio mechanism, 111; and efficiency, 5, 48; and external effects, 18–19; and markets, 27; to natural resources, 2–3; and Pareto efficiency, 211; and social conflict, 5. See also Emission rights
- Proposed Elements of Protocol, 228–229
- Public bads, 47n5
- Public goods: allocation of privately produced public goods, 244–246; carbon dioxide as, 27, 27n6; climate as, 138– 140; definition of, 3, 27; efficiency and distribution of, 27; environmental markets and privately produced public goods, 3, 190; and greenhouse effect, 82–83; intellectual properties as, 6, 242–246; and knowledge, 83n3; markets with privately produced public goods, 243–244; and "personalized prices," 4; private goods differentiated from, 27–28. *See also* Privately produced public goods

QELROS. See Quantified emissions limitation and reduction (QELROS)

Quantified emissions limitation and reduction (QELROS), 249-250

- Quotas. See Tradable emission quotas (TEQs)
- Razali, H. E. Ismail, 180n, 198n32

Regional banks, 196–197

Regional economic integration organization (REIO), 250 REIO. See Regional economic integration organization (REIO) Republic of Korea, 200 Resource-intensive growth, 199-200 Revised Text Under Negotiation (RTUN), 230-231, 230nn39-40 Rice production, 171 Richels, R. G., 141n8, 143n10, 149 Rio de Janeiro, 14-15, 126, 136, 173, 185 Robinson, J., 141n8, 143n10 Royal Institute of International Affairs at Chattam House, 247 RTUN. See Revised Text Under Negotiation (RTUN) Russia, 150n16, 254 S.C. Johnson, 169 Samuelson, 3, 242, 245 Sandmo, A., 138 SBSTA. See Subsidiary Body on Scientific and Technological Advice (SBSTA) Schneider, S. H., 152n19 Schokkaert, E., 165n15 Securities and Exchange Commission, 33n11 Securitizing of biosphere, 169-179 Sersale de Serisano, Carlos, 198n32 SGS firm, 238n50 Singapore, 200 SO2. See Sulfur dioxide SO2 nitrous oxides (NOX), 195 Social costs of external effects, 18 South: and environmental markets, 183-184, 187-189; and natural resource exports, 2; and report for JI, 221-222. See also Developing countries Starret, D., 6, 8, 46-65, 68, 84, 111, 112, 163n12, 182, 191-193nn, 208, 242 Stavins, R., 33, 142n9 Stiglitz, J. E., 3, 191n21 Sturm, P., 7, 10, 156-168 Subsidiary Body on Scientific and Technological Advice (SBSTA), 221 Sulfur dioxide: and Clean Air Act of

1990, 5; emission permits for, 3, 84,

181; equivalent swaps of SO2 quotas, 35; as tradable, 17, 242 Sustainable development, 185, 185n8, 186, 189 Taiwan Province of China, 200 Taxes. See Differentiated carbon taxes; Emission taxes; Uniform carbon taxes Technology-intensive products, of Asian Tigers, 2 Teisberg, T. J., 163n TEQs. See Tradable emission quotas (TEQs) 3M. 169 Threshold effects, 21-22 Tietenberg, T., 84 Tirole, J., 83n4 Tradable emission quotas (TEQs): allocation of quotas, 29; borrowing and lending of, 42-43; carbon taxes as alternative to, 13, 18-25; cost-benefit uncertainty about, 20-22; costs of, 32-34, 40-41; countries participating in, 39-42; design of tradable quota, 36-37; efficiency and distribution of, 25-32; enforcement framework for, 38-39; equivalent swaps of, 35; export of, 35; and future regulation uncertainty, 23-24; global trade in carbon dioxide emissions, 46-65; historical experience with, 19-20; import of, 35; international trade of, 25; joint implementation potential, 16-17; market design for, 32-43; markets for tradable carbon dioxide emission quotas, 13-43; and mixed domestic policy regimes, 24-25; multilateral trading of, 16-17; and option values, 22-23; present practice with, 15-16; private sector involvement in implementation of, 34; and threshold effects, 21–22; and United States, 19-20; and wealth redistribution, 25. See also Emission trading; Environmental markets

298 • Index

Trading. See Emission trading; Tradable emission quotas (TEQs) Uganda, 180n, 198n32 UNCTAD. See United Nations Conference on Trade and Development (UNCTAD) UNESCO, 219n5 UNFCCC. See Framework Convention on Climate Change (FCCC) Uniform carbon taxes: appropriateness of, 135-136; and climate change issue, 138; criticism of, 138-104; theoretical evidences and procedural constraints regarding, 135-154 United Kingdom, 144 United Nations, 235n45. See also Kyoto Protocol; and other United Nations headings United Nations Agenda, 185 United Nations Climate Convention, vii United Nations Conference on Trade and Development (UNCTAD), 253 United Nations Educational, Scientific and Cultural Organization (UNESCO), 219n5 United States: abatement scenarios for, 191; and Brazilian Proposed Elements of Protocol, 230; and carbon tax, 144, 151n18; and control of external effects, 19; emission trading program for sulfur dioxides, 84; Gross Domestic Product of, 201-205, 207; Gross National Product of, 1; and international trade, 1; and Kyoto Protocol, 248, 254; as largest emitter, 188; and project-based JI, 228; and projects generating carbon offsets, 220; real income loss over 2000-2050, 216; securities markets of, 33n11; and Tradable emission quotas (TEQs), 19 - 20

U.S. Clean Air Act Amendment of 1990. See Clean Air Act of 1990 U.S. Department of Energy, 171-172 United States Initiative on Joint Implementation (USIJI), 221 University of Chicago, 19 Users' rights: efficient allocations of, 208-216; establishment of, 192-193; and Pareto efficiency, 209, 211 USIJI. See United States Initiative on Joint Implementation (USIJI) Uzawa, H., 69 Varian, H., 242n1 Voting on global emissions levels, 119-121.119n6 Walz, R., 144 Water markets, 5, 181, 196 Water pollution control, 84 Water purification, 170-171, 173-174 Watersheds, 170-171, 173-179, 199 Wealth redistribution, 25, 31–32. See also Income: Income transfers WEC. See World Energy Council (WEC) Weitzman, M. L., 20n3 Welfare weights, 164-165 Werksman, J., 11, 218-241 Weyant, J., 127 Weverhauser, 169 Wilson, E. O., 169 Wirth, T., 46n2, 186 Workshop on Joint Implementation, 180n World Bank, 10, 43, 180, 221, 253 World Bank Conference on Effective Financing for Sustainable Development, 186 World Energy Council (WEC), 151n18 World Resources Institute, 137n4 World Trade Organization (WTO), 180n1 WTO. See World Trade Organization (WTO)

Xialong Wang, 198n32