Improving Paris: Credibility, Technology, and Conservation

based on ongoing research

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Overview of (possible) topics

• Ways forward for Paris: How update, link account, include forests, revise, enforce, sanction, sticks vs carrots, how negotiate, conditional, UDP,

• Important for climate: bundle coal, gas, RD..., forests, leakages, monitoring, enforcement...

• Own research: UDP, FI, NT:g,neg,RD,holdup,coalition-size. CMP: RD as commitment. PE of treaties. Conservation: FB, CT, CT-t, ti-problem. Conservation

• Key words: Treaties, Negotiations, revising, renegotiations, R&D, technology, enforcement, conditionality, political economy, credibility, conservation, the supply side

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Basic Principles of Negotiations

- I’m willing to contribute *if* you contribute
  - .... “conditional on...”
  - ...if I trust that you will...
Revisions and Renegotiations

- Offers (to contribute) are largest if they can be conditional on whether others *also* contribute more.
- Negotiating conditional offers are time-consuming/costly.
- Furthermore: A series of short-term commitment periods lead to hold-up/under-investments in “green” technology.

- **Solutions:**
  - Revised pledges/commitments should be “automatic” or according to pre-specified formulas (as in international trade).
  - The default should be very ambitious and long-lasting commitments (i.e: renegotiate to weaker commitments).
Sanctions

• Prisoner dilemma: I contribute if you contribute
• This requires that I trust that you will
  ➢ Trade sanctions (for non-compliance) may establish such trust, even if they are never used in equilibrium

• Trade sanctions may also be necessary to motivate compliance and to ensure participation

• Can be framed positively as MFN (“most favored nation” status for participants/compliers)
Tropical deforestation

- Deforestation is a major contributor to $\text{CO}_2$
- It also leads to loss of biodiversity and culture

- At the same time, reducing deforestation in the tropics may be one of the most cost-effective climate change policies

- It is urgently needed to credit reduced deforestation:
  - Owners log today if they anticipate expropriation or low demand tomorrow
  - Owners *conserve* today if they expect compensation in the future
Global Demand = Global Supply

- If Paris works, regulating supply has no consequence
- If Paris might fail, regulating supply ≈ insurance
  - Large upside – no downside (to regulate supply in addition)

- Incentives to cheat/defect are also smaller when \( p \) is high
- Regulating both sides of the market stabilizes \( p \): “fair”?  
- A supply-side policy (contributing to a larger \( p \)) is easier to agree on among exporters (middle east), and it will motivate R&D even in free-riding countries.

- Can OPEC contribute to this task (and thus to climate)?