

“Synergies between Development and Climate Policies”

Prof. Andreas Freytag

Friedrich-Schiller-Universität Jena

Economic development and climate change represent two of today’s predominant challenges. Policy makers have addressed matters of development cooperation for decades. Empirical evidence suggests that the effectiveness of the efforts has remained disappointing. As a consequence, many developing countries face serious problems, mainly with respect to governance. Such a pattern also affects their ability to master current challenges such as climate change.

Current trends in international climate cooperation follow a similar approach based on the financing of single (and partial) projects. If it cannot be ruled out that ineffectiveness observed in development cooperation is likely to occur in international climate cooperation similarly, political efforts may prove insufficient to meet designated objectives.

Therefore, it is critical to think about reforms to improve the effectiveness of such policies. We approach this issue by proposing a global Emission Trading Scheme (ETS) that links development and climate cooperation by using donor countries’ development aid contributions to finance allowances that are given to recipient countries. The solution offers a range of advantages over current measures which will be discussed. Despite the potential to increase the effectiveness, the political feasibility seems to be the critical bottleneck for this climate instrument. We suggest that issue linkage with international development policy can deliver an important contribution to resolve this problem.

For understanding the challenges for the implementation of the ETS, we adopt a political economy approach. This helps to explain the governance structures in both policy fields and observed deficiencies, yet mainly in the development cooperation.

Based on those considerations, we identify the critical institutional criteria to make the ETS operative. We, furthermore, discuss potential problems and limitations of the ETS. Finally, we provide a preliminary draft for the allocation mechanism of free allowances for developing countries.

References:

- Freytag, Andreas, Matthias Menter, Hauke Jan Montag, and Sebastian Schuhmann. 2022. “The Political Economy of a Development and Climate Policy - Challenges for an Emission Trading Scheme as Development and Climate Policy Tool.” Paper to be presented at the Australasian Public Choice Society Meeting, Perth 23-24 February 2023, the PCS Meeting Seattle 16-18 March 2023, and the EPCS Meeting, Hannover 22-25 March, 2023..
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