

Closed-Door: Should the Global South be able to join the EU Emissions Trading System?

Time and Location:

Tuesday, May 7, 14:00-14:45h, Room “Palace View”, ESMT, Schlossplatz 1, Berlin

Teaser:

The session discusses whether and how countries of the Global South could join the EU Emission Trading System (ETS), receiving a free allocation of emission certificates, to enhance the global efficiency of climate mitigation.

Description:

In advanced markets, climate mitigation costs are higher due to declining carbon reduction margins, less efficient green technologies (such as due to fewer sunshine hours), and expenses associated with replacing more costly brown technologies. However, in countries of the Global South, green investments face significant hurdles such as scarce and expensive capital and uncertain revenue streams. Does it make sense that while the EU spends billions to reduce emissions at home, the Global South struggles to finance green investments and builds its growth on brown technologies, including coal?

Trade theory suggests that trading carbon emission certificates between the EU and countries of the Global South promises significant benefits. The session will therefore discuss whether countries of the Global South, such as North Africa, should be able to join the EU Emissions Trading system and how.

Access to the EU ETS would avoid the obstacles and drawbacks of linking national schemes. In the end, both partners would benefit. The free allocation of emission certificates, if channeled through appropriate institutions, would support development and make green investments in the Global South profitable. A larger share of global emissions would be captured by emission trading systems, the most efficient and effective way towards net zero. The efficiency gains would get reflected in the certificate prices, reducing costs for other trading partners. In addition, countries joining the ETS would be spared from the EU Carbon Border Adjustment Mechanism (CBAM).

Through fostering this dialogue and cooperation between advanced markets such as the EU and countries of the Global South, the aim is to unlock the potential for sustainable development while mitigating climate change on a global scale.

Guiding questions:

How could integrating countries of the Global South into the EU ETS work?

What and who should determine the allotment of free certificates and their path towards net zero?

What mechanisms can ensure that the efficiency gains from the integrated carbon trade serve development purposes and facilitate leapfrogging?



How can we make sure that introducing emissions trading does not stifle the local economy in countries of the Global South?

What institutions, infrastructure and governance are for the proper functioning of ETS in the Global South?

Speakers:

Dr. Jochen Andritzky, Co-Founder Zukunft-Fabrik.2050

Dr. Michael Pahle, Potsdam Institute for Climate

Stephanie La Hoz Theuer, International Carbon Action Partnership