



Institute
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Consumption-based emissions policies: some problems, and some options

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Carbon-CAP first stakeholder workshop

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Consumption emissions accounting and policies: some problems

- UNFCCC and Kyoto approach to accounting for emissions is not an accident; it's the most straightforward and reliable approach.
- Consumption-based metrics pose additional problems not just of measurement and attribution, but of moral responsibility: who “owns” the emissions from a trade to which there are two willing parties?
- The gap between consumption-based emissions and production emissions is a real problem; but if we are going to be successful in tackling climate change, it is a temporary one.

Some policymaker reasons for hesitation

However, we have known for a while that there is currently a gap between the delivery of lower production emissions, and our economy's overall impact on climate change through consumption. Why have policymakers been slow to respond?

- Compatibility with effective design of a global system
- Concerns over weakening the signals for investment in domestic decarbonisation
- Recognition of the importance of mitigation through process efficiency
- Difficulty of developing simple policy instruments that don't just tinker round the edges
- Difficulty of developing consumption policies alongside instruments which control production emissions

Some (less admissible) reasons for hesitation

- Reluctance to admit to weaknesses in policy design
- Concern about revealing the higher costs of effective global action
- Focused on individual consumption decisions, and likely to be more contentious politically
- Limited responsiveness of the consumption emissions metric to domestic action

What design criteria for policies on consumption?

- We should be confident that policies have a reasonably direct impact on short-term emissions reductions
- Policies should be directed at impacts that those affected by policies can reasonably be expected to influence
- Policies should be framed to maximise a sense of agency among consumers
- Avoid discrimination between imports and domestic production

Food: a good (but controversial) sector to start with

- Applying a GHG price through production constraints is difficult:
 - MRV issues and uncertainties
 - Relatively high risk of leakage
- Consumption instruments therefore technically likely to be better – but politically and culturally challenging
- One option: a simple volume-based tax on meat (particularly ruminants) and dairy
- Tax calibrated on a trajectory for consumption compatible with decarbonisation targets
- Proceeds from consumption up to that consumption level hypothecated to agri-environment grants for low-carbon
- Proceeds above that level used to buy and retire ETS credits



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