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SYNTHESIS

# Facilitating linkage of climate policies through the Paris outcome

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transferred units that can be counted for compliance purposes. Second, it could be silent on the topic of linkage, creating legal and regulatory uncertainty about whether international transfers are allowed. Third, it could expressly authorize linkage but not provide any further details about how linkage should occur, leaving it to future United Nations Framework Convention on Climate Change negotiating sessions to work out the details or to national governments to develop bilateral or multilateral linkage arrangements. Finally, the Paris outcome could establish institutional arrangements and rules that facilitate and promote linkage. We examine how a future international policy architecture could help facilitate the growth and operation of a robust system of international linkages. Several design elements merit serious consideration for inclusion in the Paris outcome, either in the core agreement or by establishing a process for subsequent international elaboration. At the same time, including detailed linkage rules in the core agreement is not desirable because this could make it difficult for rules to evolve in light of experience.

## Policy relevance

These findings have implications for the efficient and effective design of an international climate policy architecture by detailing the role that linkage can play in supporting heterogeneous climate policies at the regional, national, and sub-national levels.

Keywords



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authors, however, are fully responsible for any errors and all opinions expressed in this article.

## Disclosure statement

No potential conflict of interest was reported by the authors.

## Notes

1. Linkage is defined and examined in considerable detail in Jaffe, Ranson, and Stavins (2009), Metcalf and Weisbach (2012), and Ranson and Stavins (2013, 2015). We refer the reader to those articles for details on linkage design. Here, we briefly highlight some of the significant benefits and costs of linkage, again referring the reader to the articles above for a more extensive discussion of the issues.

2. Linkage in the context of cap-and-trade systems generally involves allowance and financial transfers among private parties facilitated by the linkage rules. This might occur in more heterogeneous linked systems as discussed in Metcalf and Weisbach (2012), but also might entail systems in which jurisdictions trade emission reduction obligations. Cs.

3. Although equalization may not

4. The fl linked systems

5. In (2012) exam reductions that if countries had, they have inc were not anticipat

6. Within anathan (2010) and Ranson and Stavins (2015).



7. In most cases, however, systems were delinked before linkage came into effect. New Jersey's exit from the Regional Greenhouse Gas Initiative (RGGI) was a notable exception.

8. Article 6.1 of the Kyoto Protocol states that 'The acquisition of emission reduction units [through trading] shall be supplemental to domestic actions for the purposes of meeting commitments under Article 3.' Likewise, Article 17 states that 'Any such trading shall be supplemental to domestic actions for the purpose of meeting quantified emission limitation and reduction commitments under that article.' Article 12.3.b states that 'Parties included in Annex I may use the certified emission reductions accruing from such project activities [under the Clean Development Mechanism] to contribute to compliance with part of their quantified emission limitation and reduction commitments under Article 3 ...' (UNFCCC, [1998](#)).

9. Variations on these two approaches could build on the flexibility mechanisms described in Bodansky and Diringer ([2014](#)). These include offering alternatives under which different states may operate to comply with overarching rules, offering default and opt-out clauses, offering opt-in procedures, providing contextual standards to provide flexibility where needed, and using guidelines that serve to set expectations (but not requirements) for behaviour and mechanism design.

10. In regard to market coverage, even a (homogeneous) set of national cap-and-trade systems will require coordination between jurisdictions. A single cap-and-trade system across the sector would require a high degree of harmonization, but this is not necessarily the best approach.

11. This approach would require a high degree of harmonization between jurisdictions.

12. For a single cap-and-trade system across the sector, a single unit type and mitigation level would be required. This would require a high degree of harmonization between jurisdictions.

13. Although a single cap-and-trade system across the sector would require a high degree of harmonization, it is not necessarily the best approach.

14. The OECD Model Tax Convention (OECDMTC) illustrate the role of default rules in lowering



transaction costs. The CISG provides a set of substantive rules that parties can use to prepare contracts; these have become a lingua franca of international commerce (Kröll et al., [2011](#)) and are enforceable in domestic courts. The OECD MTC serves as a basis for over 225 bilateral tax treaties (Miller & Oats, [2014](#)). Although the OECD MTC is not binding on any nation, the terms of the convention are so commonly adopted as part of bilateral treaties that they represent, in effect, default rules for bilateral linkages between tax systems.

15. In the US context, the Clean Air Task Force has proposed that the US Environmental Protection Agency issue a model rule for interstate emissions trading, under its proposed power plant rule under section 111(d) of the Clean Air Act (Clean Air Task Force, [2014](#)).

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