

Policy Mapping: Approaches and Lessons Learned.

Partnership for Market Readiness (PMR)

**Fifth PMR Technical Workshop: Policy Mapping & Effective Instruments
for GHG Mitigation in Urban Transport**

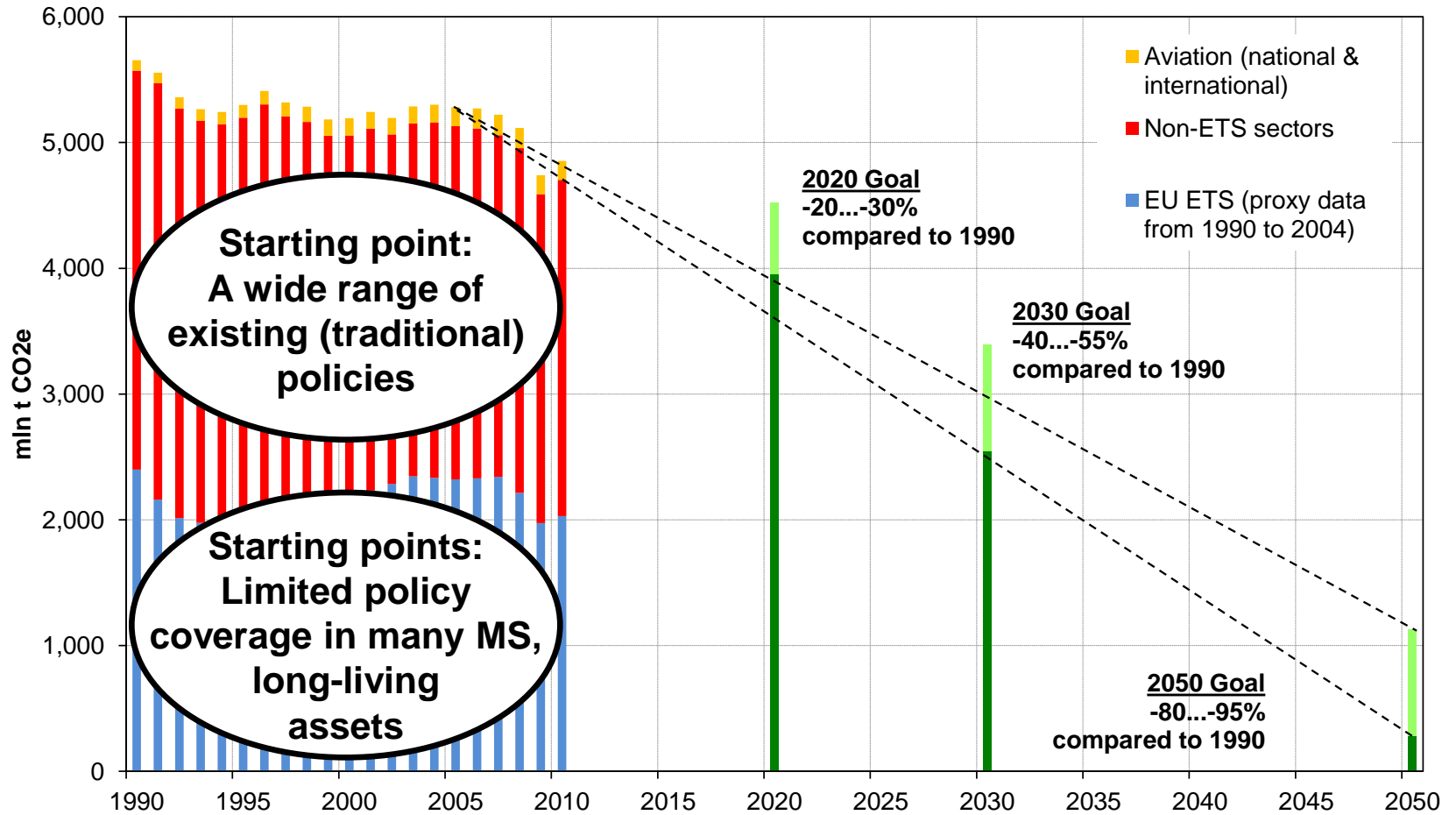
Dr. Felix Chr. Matthes

Washington DC, 14 March 2013

- **The views and opinions presented here are partly based on results from research commissioned by the German Federal Ministry for the Environment, Nature Protection and Reactor Safety, the German Federal Environment Agency and the European Commission.**
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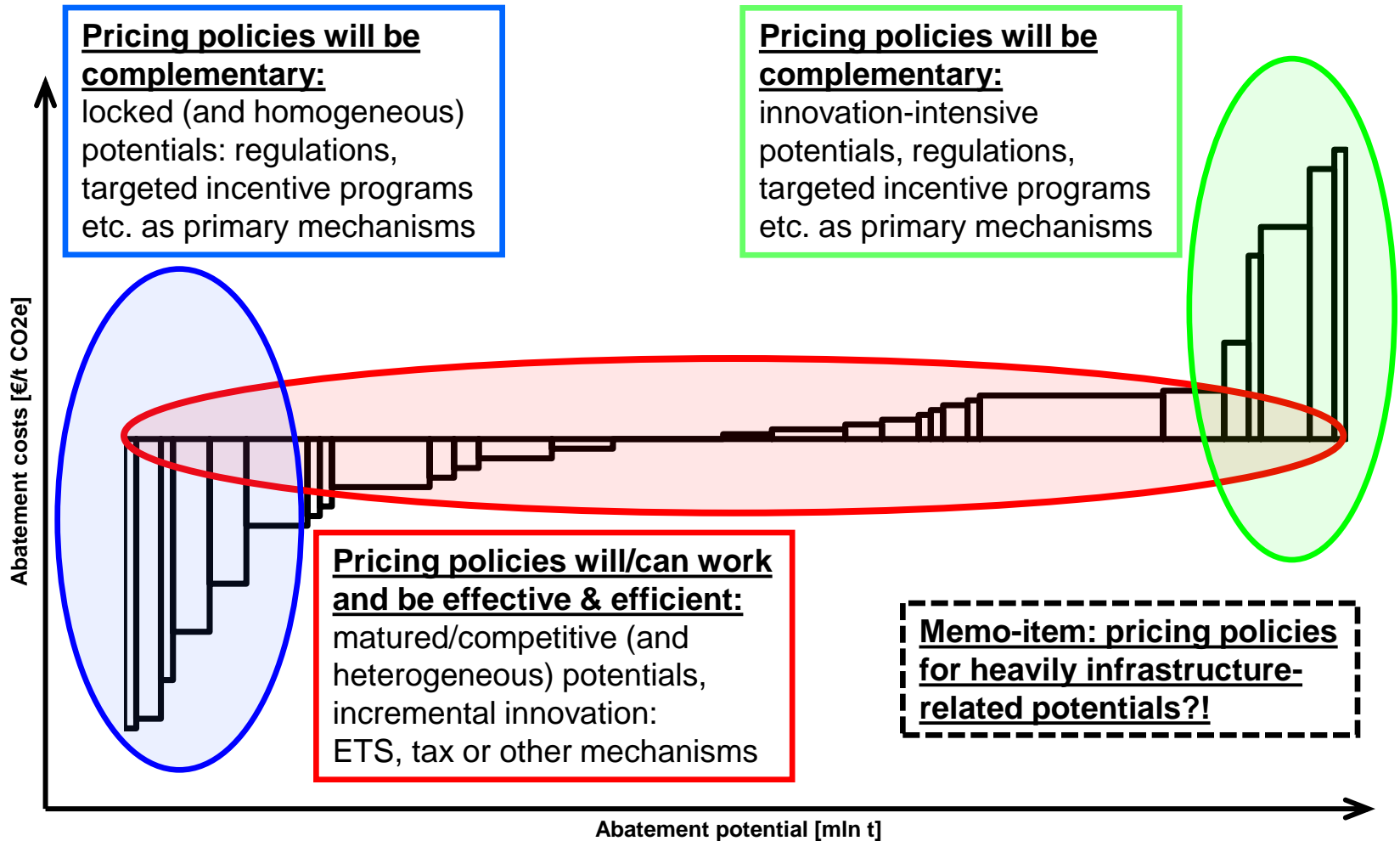
- **Policy mapping is an important step on the way towards (market based) climate policy instruments**
 - Identifying the need for policy instruments
 - Specifying the role of (market based) climate policy instruments in the policy mix
- **Policy mapping is an important element for the design of (market based) climate policy instruments**
 - Considering the role of policy interactions
- **Policy mapping must consider economic basics, the real world framework – and political preferences**
 - It is a complex and often controversial exercise
 - It is worth to be done in a systematic manner

Policy mix depends on the specifics of political goals: Time horizon & capital stocks



- **Generic (economical) assessments, e.g.**
 - Effectiveness
 - Economic efficiency
- **The nature of the (climate) policy goals, e.g.**
 - Level of ambition
 - Timing
- **Other policy goals, e.g.**
 - Energy policies (energy efficiency, renewables etc.)
 - Distributional policies
- **The political and regulatory framework, e.g.**
 - Governance capabilities & traditions
 - National, regional & international market structures

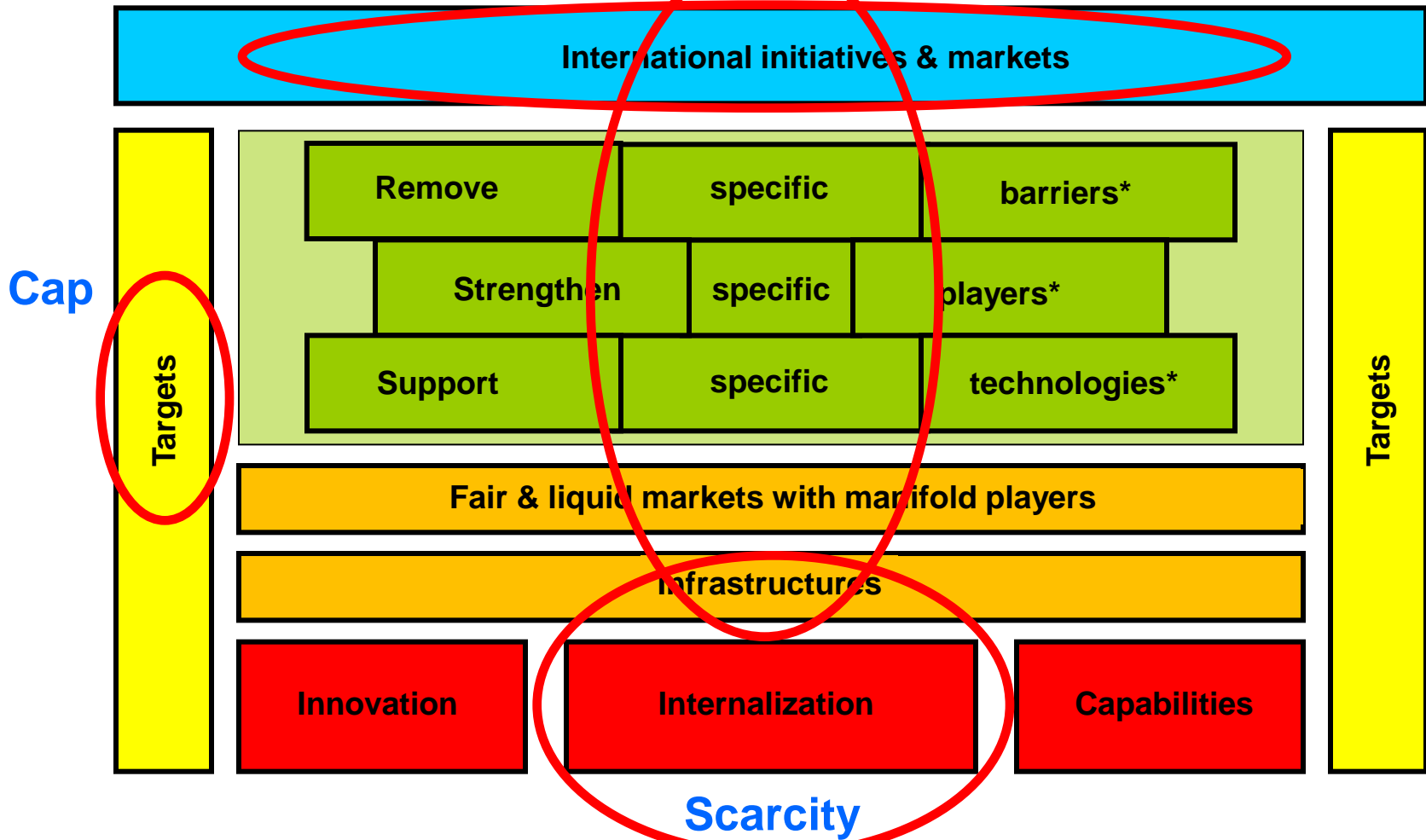
Advancing the policy mix needs a careful look into (mitigation) potentials



Climate policy = Carbon pricing & more

$T \cdot (I^2+C) \cdot I \cdot m (F,L, P) + s(B,P,T) + (I_i+M_i)$

Linking Allocation Auctions & revenue spending



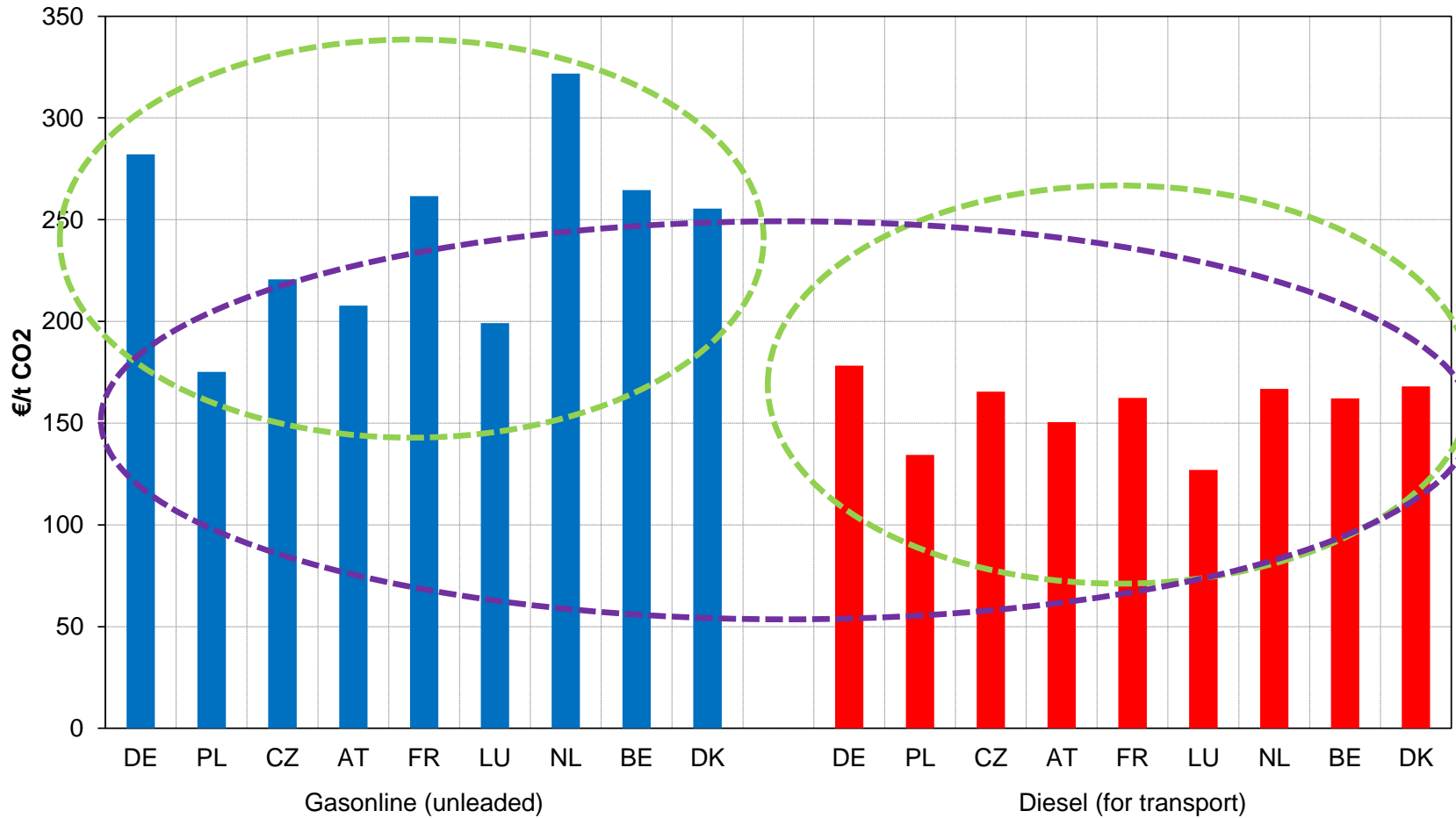
* Evaluate, modify & eliminate specific policies, if necessary

- **In the real world there will/should be a policy mix**
 - Different political goals (not necessarily consistent)
 - Different capabilities of different policy mechanisms
 - Market structures & regulatory framework
 - Different governance capabilities & political traditions
- **However, the different policies will (significantly) interact**
 - Analysis of policy interactions is a crucial element for designing/adjusting the policy mix
 - Analysis of policy interaction is an crucial element of preparation for advanced pricing mechanisms, especially those targeting quantity control
 - Policy interactions should be reflected in the relevant design features of advanced pricing mechanisms

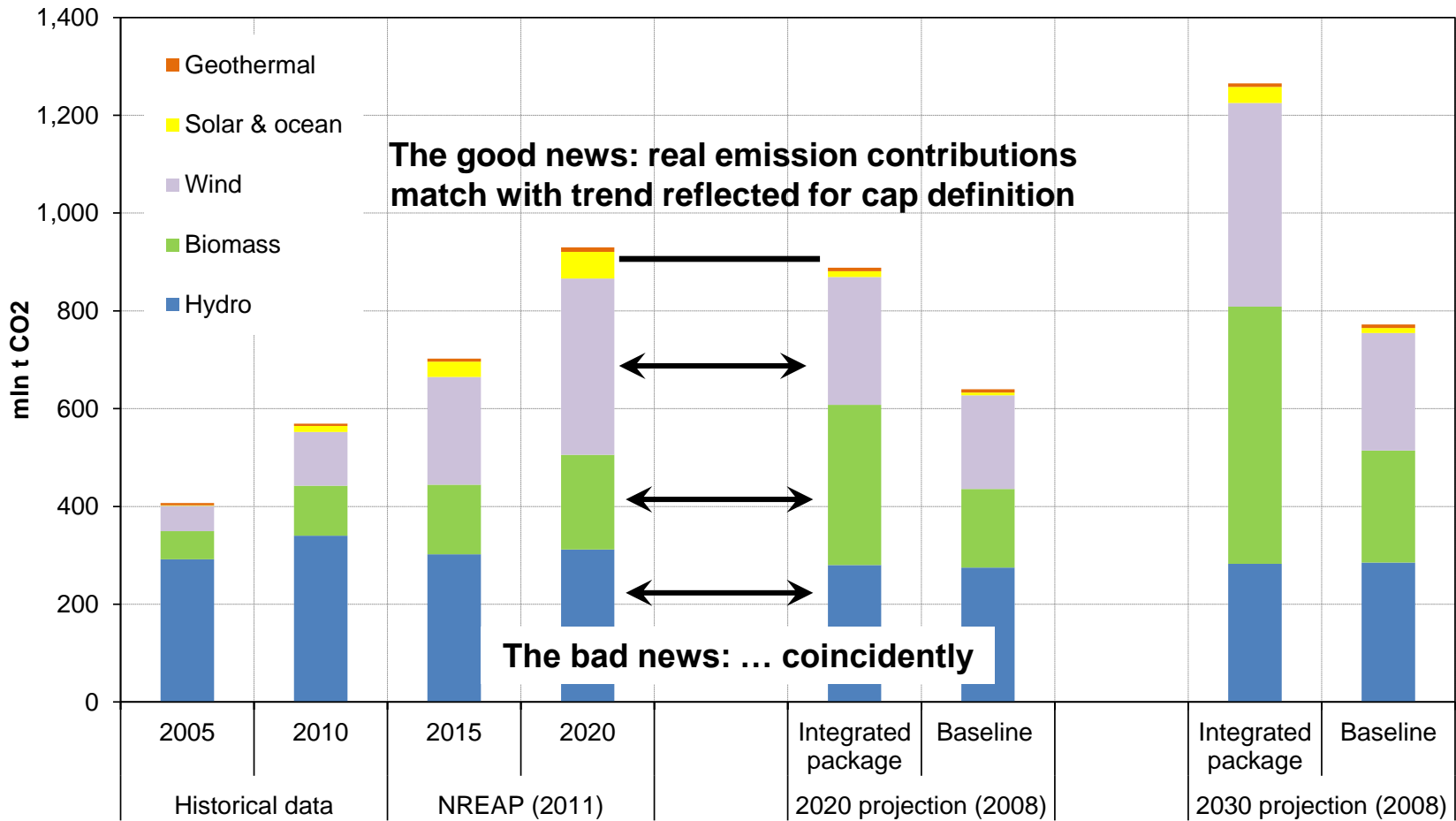
Economic efficiency results from a uniform (!) price: Implicit CO2 prices from other policies

Uniform CO2 prices: neither among (EU) jurisdictions ...

... nor for (different) commodities



Policy interactions: emission reductions from renewables under the EU ETS



- **Policymakers (should) prefer emissions trading ...**
 - because it is an extremely transparent tool to achieve climate policy objectives (the cap provides accountability)
 - because they can deal with distributional issues (allocation)
 - because they raise funds for (climate) policies (from auctions)
- **Epistemic communities (should) prefer emissions trading ...**
 - Because cost-effectiveness is built into the system
- **Companies (should) prefer/accept emissions trading ...**
 - because they have the flexibility (choice) to implement emissions abatement measures or to buy allowances (which is cheaper than many alternative climate policy instrument)
 - because they must improve their respective management capabilities and get an indicator (the carbon price) which helps to make more rational internal decisions

**Thank you
very much**

**Dr. Felix Chr. Matthes
Energy & Climate Division
Büro Berlin
Schicklerstraße 5-7
D-10179 Berlin
f.matthes@oeko.de
www.oeko.de**

