

The story of cap and trade

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RODGER A PAYNE, DEC 17 2009

The ongoing negotiations in Copenhagen, which are slated to end Friday, are apparently at a “critical juncture” according to U.S. Secretary of State Hillary Clinton. The United States inched closer to the views of its European allies today by agreeing that it is “prepared to work with other countries toward a goal of jointly mobilizing \$100 billion a year to address the climate change needs of developing countries.”

Whether the money would be used for reparations or adaptation, this is a positive development. After reading pessimistic reports all week, I’ll take what good news I can get.

If the negotiators reach a deal, it will likely allow for (or even encourage) a global “cap and trade” system. The bill passed earlier in the year by the House of Representatives includes a U.S. cap and trade system and any forthcoming Senate bill is likely to include this plan too.

Want to know what that means on a national and global level? Annie Leonard, of “The Story of Stuff” fame has produced a new animated video that explains “The Story of Cap and Trade.” The video was recommend to readers of a valuable academic listserv on global environmental politics and many faculty are apparently sharing it with students. Leonard is critical of cap and trade for some of the same investment bubble reasons I’ve mentioned previously. Check it out, but keep in mind that some of her criticisms can be remedied by better system design. Don’t give away permits, for example. Sell them from the beginning.

Some major environmental groups like EDF (Environmental Defense Fund) favor cap and trade, as do mainstream political analysts like Thomas Friedman. If you are puzzled and want to read the pragmatic argument, Robert Stavins of Harvard offers a useful defense that is grounded in both economic theory and political reality.

My hope is that the debate about cap and trade will matter. Before the nuts and bolts are determined, the world has to agree to reduce emissions — and to provide funding for the Global South.

We’ll apparently know a lot more in 24 hours.

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