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Thinking aloud about fresh alternatives :
Fairer Distribution of Common Resources : the pros and
cons of carbon trading

Participants in some Local SP Adopters' Groups have been examining if and how SP could address the issue of **climate change**. They are thus aware of the challenges faced by negotiators during the Montreal conference on this issue (Dec 2005) which has demonstrated how difficult it is for national representatives to find common ground for agreement on technical issues.

In this article **James Robertson** explains why currently favoured trading schemes involving the rationing of carbon emissions may fail to achieve their objectives. He suggests we should take a wider view of the longer-term issues at stake. Thus he argues in favour of shifts in tax and public spending within nations, and globally, through treating "the value of global common resources ... as global revenue" yielding per capita shares "as a kind of global citizen's income." Though a fundamental alternative to rationing, citizens could find this proposal easier to understand and accept.

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Contraction and Convergence

Contraction and Convergence (C&C) has been around for a while, and has been discussed in an SP context in earlier issues of this newsletter. I certainly didn't invent it, but already in 1983 I was able to report (*The Sane Alternative*, page 41) that "the SHE (sane, humane, ecological) path of development will lead the peoples of the world's rich and poor countries to converge around an adequate and sustainable level of material consumption" — in contrast to the HE scenario that the richest countries would continue to lead the rest along a "hyperexpansionist" path. The need for C&C is more obvious now. The question is how to implement it? By rationing particular resources, or a more general reconstruction of taxation and public spending?

Rationing schemes

A resource in the spotlight today is the capacity of the environment to absorb carbon emissions in the context of climate change. Global and national schemes to ration them have been put forward.

The global scheme developed by Aubrey Meyer and actually called Contraction and Convergenceⁱ involves reaching international agreement on:

- 1) the overall limit to the sustainable quantity of CO₂ in the atmosphere;
- 2) the date by which current global emissions should fall to that target;
- 3) the year-by-year allocation of permits to countries to emit CO₂ to achieve that global target; and
- 4) the principle that all countries should then be entitled to an equal per capita level of CO₂ emissions.

Countries needing more than their allocated limit would be able to buy permits from those which do not need all theirs.

David Fleming has developed a comparable national scheme to reduce CO₂ emissions and distribute oil, gas and electric power fairly during supply shortages.ⁱⁱ

- 1) Every adult would be given Tradable Energy Quotas (TEQs) of an equal number of units, whereas Industry and Government would have to bid to buy units at a weekly Tender.
- 2) To start with, a full year's supply of units would be issued. Then every week as units were used, the number in circulation would be topped up with a further week's supply.
- 3) Units could be traded, between those who needed less and those who needed more than the allocation.
- 4) When you bought energy, e.g. electricity for your household, units would be deducted automatically from your TEQ.
- 5) The total number of units in circulation would be decided by an independent Energy Policy Committee in a TEQs Budget, looking 20 years ahead. The number would go down week-by-week, step-by-step.
- 6) The Government would itself be bound by the scheme. It would learn to live within it, and how to help the rest of us to do so too.

Rationing schemes: problems

Those schemes are the outcome of dedicated skilled work. On paper they are logical, clear and impressive. But following up the 1997 Kyoto Protocol has been a hard grind, and the European Union Greenhouse Gas Emissions Trading Schemeⁱⁱⁱ, which began operating under it only in January 2005, is already under fire. The heavy corporate carbon emitters to whom National Allocation Plans give big quotas will easily reduce emissions and have surplus permits to sell; polluter will be paid instead of "polluter pays"^{iv}

Some of the practical problems of rationing and trading schemes are:

- 1) The target for the total sustainable use of a particular resource, and the date for achieving it, will be disputed.
- 2) So will the question of who the scheme should include.
- 3) So will decisions about who gets what rations: should more important people (like leaders in government and business, and workers in public services) get higher rations than other people? — a huge potential source of dispute, corruption and mistrust.
- 4) What enforcing system will ensure that rations are not exceeded and trading them is free from fraud?
- 5) Will similar rationing schemes proliferate for other resources?
- 6) Will letting the rich buy surpluses be accepted as fair?

A preferable alternative?

Will the principle of C&C be implemented more effectively and comprehensively by shifts in tax and public spending within nations, and by comparable new procedures for global taxing and spending? Friends of the Earth have put forward immediate proposals^v.

For the longer term we need: to shift sources of public revenue

- away from taxing the rewards (incomes, profits, value added, etc.) people and businesses get for contributing to the common wealth,
- to making people and businesses pay for the value they take from common resources (such as the value of land, the value of energy in its unextracted state, and the value from creating the public money supply);

and to shift public spending

- away from perverse subsidies for unsustainable activities and projects, and from payments to businesses for providing public services,
- to a Citizen's Income, reflecting every citizen's right to a share in the value of common resources.

At the global level, the need to develop the collection of public revenue and management of public spending (e.g. on UN programmes) is recognised as urgent. The value of global common resources should be treated as global revenue, not only to support global public spending programmes but also the distribution between nations of converging per capita shares in their value, as a kind of global citizen's income^{vi}.

This might both be a wider, more fundamental change than rationing, and also easier for people to understand and accept.

Conclusion

People who care for the world's future, as SP Adopters do, should consider whether these alternative policies are compatible. Should we support both, or one of them rather than the other?

ⁱ Aubrey Meyer: *Contraction and Convergence: The Global Solution to Climate Change*, Schumacher Briefing No. 5, Green Books, Dartington, UK, 2000, 96pp, paperback

ⁱⁱ David Fleming: *Energy and the Common Purpose: Descending the Energy Staircase with Tradable Energy Quotas (TEQs)*, The Lean Economy Connection, P.O. Box 52449, London NW3 9AN, 2005, 38pp, booklet - <http://www.teqs.net>

ⁱⁱⁱ <http://europa.eu.int/comm/environment/climat/emission.htm>

^{iv} http://www.via3.net/pooled/articles/BF_NEWSART/view.asp?Q=BF_NEWSART_131083

^v *Tackling Climate Change through the Budget*, December 2005. http://www.foe.co.uk/resource/press_releases/budget_lacks_climate_chang_05122005.html

^{vi} For more detail see "The future of money: If we want a better game of economic life, we'll have to change the scoring system" in the Dec 2005 issue of *Soundings* - <http://www.jamesrobertson.com/articles.htm#soundings>. Also "The Role of Money and Finance: Changing a Central Part of the Problem into a Central Part of the Solution" -- <http://www.jamesrobertson.com/articles.htm#roleofmoney>.