

The role of economics in climate change policy

[Literature](#), [Russian Literature](#)



The paper "Climate Change Policy and Management" is an excellent example of an essay on environmental studies. Large efficiency gains from environmental conservations have always been thwarted due to the inefficient policy regulations and implementations regarding climate change. The employment of the right and efficient economic policy is presented by the opportunity of climate change which has since experienced little real action to date. Negotiations on the most modern means of climate change management under the leadership of the United Nations Framework Convention on Climate Change has led to the establishment of the Kyoto Protocol. The document has proven to be politically impractical and economically flawed and as such has proven hard to implement (McKibbin, Warwick J., and Peter J. Wilcoxon, 2002). The uncertainties that come with climate change has proven to posit potentially enormous distributional effects which are neither nor of the standard market-based environmental policy instruments. As such, economic studies have found that a tradable permit system has become inefficient as the emissions tax has also been politically unachievable. The most effective economic policy on climate change, therefore, would be a combination of both the two policies into a hybrid policy that can give climate change.

The concentration of greenhouse gases has increased as a result of human activities. The question of which countries to be held responsible for increased climate change has not provided sufficient answers that can aid solve the problem. It has been agreed that international agreements should be designed explicitly to enable governments to address the local distributional concerns in a transparent manner. Tradable permits policy

allows the governments a distributional instrument which is an initial allocation of permits that can be absent in a pure emissions tax (McKibbin. et. al. 2002).

Tradable permits empower the governments to provide “ transition relief” in an easy and transparent manner to the industry through granting firms permits in covering a large share of initial emissions. The industry’s point of view regards policy as a flexible form of grandfathering. The international policy of pure emissions tax provides a compensation scheme as a system of side payments. This would make it almost entirely separate from the treaty and as a result, would be more difficult to negotiate at a domestic level and far less transparent in the international standards.

The uncertainties associated climate change provides the necessity for a prudent approach in a bating the emissions at the modest cost where possible. Cost minimization for abating the greenhouse emissions calls for all sources to clean up the amount that causing the marginal costs of abatement to be equated. The achievement of such an initiative requires a standard economic policy prescription that is a market-based instrument like a tax on emissions or a tradable permit system for emission rights.

In conclusion, the efficient level of abatement can be achieved in the absence of uncertainty through a policy even though the distributional effects of tax and emissions trading policies can be different. The situation often becomes more complicated under the policy. It has been shown by economists that “ taxes and permits are not equivalent when marginal benefits and costs are uncertain and that the relative slopes of the two curves determine which policy will be better.” (McKibbin. et. al. 2002)