



Overview and purpose of today

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Stern Review

Background on Stern Review

- Reports in autumn this year to Chancellor and Prime Minister
- Headed by Sir Nicholas Stern, head of Government Economic Service and Government adviser on climate change and development
- Terms of reference:
 - Impact of climate change, especially on developing countries, and how to adapt to it
 - Costs and benefits of mitigation, including impact on economic growth
 - Features of policy instruments for mitigation
 - International cooperation on climate change

See: www.sternreview.org.uk

Purpose of today

- To inform the work of the Stern Review team and others with an interest in this area.
- Discussion should focus on:
 - road transport
 - tax and trade
 - economics of issue
 - international context

Metrics for comparing tax and trade

- Suggested criteria for focusing discussion:
 - Cost effectiveness/efficiency
 - Stimulating innovation
 - Public finance
 - Impact on stability of permit price
 - Ability to secure emission cuts from transport
 - Competitiveness and carbon leakage
 - Travel behaviour
 - Fit with other transport policy measures
 - Fit with strategic objectives of EU ETS

Emission trading: currently operating schemes

| Scheme | Coverage of scheme |
|----------------------------|---|
| EU ETS | Mandatory cap and trade scheme for 11, 400 installations in the EU 25, covers biggest point sources of CO ₂ , covering 46% of European CO ₂ emissions. Will cover non-CO ₂ in Phase II |
| New South Wales, Australia | Mandatory baseline and credit scheme for CO ₂ emissions from electricity retailers in New South Wales, Australia |
| Japan | Pilot voluntary scheme for 32 companies from energy, glass, manufacturing, auto-components, ceramics. All GHG |
| South Korea | Pilot voluntary simulation of trading between 5 power generation companies. |
| Norway | CO ₂ only. Mandatory, covers ferrous metals, cement, energy utilities and refineries. |
| Chicago Climate Exchange | Pilot voluntary scheme. All GHG- members take a binding commitment to reduce emissions 6% below baseline |

Agenda: am

- 9.30am – **tax Vs trade – perspectives from economic theory** [Simon Dietz, Stern Review team]
- 10.30am – **applying the theory to road transport** [Sophie Cruickshank, Stern Review team]
- 11.30am – coffee break
- 11.45am – **policy issues for including road transport in the EU ETS** [Laura Fellowes and colleagues, Department for Transport]

Agenda: pm

- 12.45pm – lunch
- 1.45pm – **break out discussion groups**
- Group 1: If transport is included in an emissions trading scheme, what is the impact on **competitiveness and carbon leakage?**
- Group 2: If road transport is included in an emissions trading scheme, what is the impact on the **permit market** and the **road transport market?**
- Group 3: How does including transport in the EU ETS fit with our **strategic objectives?**
- 2.45pm – coffee
- 3pm – **report back** from groups and round up.
- 4pm – close.