

# Preface

During the past decades there has been a wide debate on which economic instruments are more suitable to fight climate change in a way that is both economically efficient and legally rigorous. Among the various instruments, Emission Trading has gained increasing importance worldwide. Following the example of the European Emission Trading System (henceforth EU ETS), which set up in 2005 the first international carbon market, many other countries have decided to set up their own ETS at the national or regional level, generating a sort of rapid sprawling of the ETSs around the world. Given the difficulties encountered in the post-Kyoto phase (and actually during the Kyoto phase too) to pursue a multilateral solution to climate change problems, many scholars and policy-makers started looking at linking ETSs as a possible way to progressively achieve a common instrument to reduce polluting emissions. Linking ETSs implies deep economic and legal difficulties: it requires a rigorous legal framework for its proper economic functioning. Still, it might become one of the main routes to fight climate change in the near future.

To get a deeper understanding on this issue, this book provides a detailed analysis of the main ETSs from both the legal and economic perspectives with the intent to compare their features and examine whether and how to link them in the future.

It is the effort of a joint legal and economic team based at the University of Siena where we collaborate within the research group R4S—Regulation for Sustainability.

The book is divided into four parts. Chapter 1 is devoted to the analysis of the EU ETS, which has played a pioneering role in establishing a large international carbon market. Chapter 2 examines what we call the followers, namely, the main ETSs that have been set up in various regions after the EU ETS. In particular, we selected three ETSs (California, RGGI and Quebec) that we regard as crucially important not only for their dimensions but also for their actual or potential capacity to set up bilateral or multilateral ETS agreements. We originally examined also other ETSs that could play an important role in the future carbon markets, such as Australia and China. But we decided to exclude them from the final version because

the Australian government eventually abandoned its ETS project, while the Chinese pilot ETSs are still at their early stages with no sufficient data available for a proper analysis. The first two chapters provide the foundations for the following two. In particular, Chap. 3 performs a comparative analysis of the ETSs examined above providing some critical insights on the lessons learnt from the leader (i.e. the EU ETS) and its followers. Finally, Chap. 4 investigates the pros and cons of linking various ETSs, discussing the requirements for a successful linking and the alternative ways in which this can be realised.

The book originates from a research project entitled “The future of carbon trading regulation in the post-2012 international climate change negotiations” supported by Enel Foundation. We are indebted to Enel Foundation for its financial support which gave us the opportunity to conduct a deep analysis of the subject. We are also thankful to many scholars and seminar participants who provided numerous insights and suggestions as our research evolved over time beyond the original project along with the continuous changes in the ETS legislation and in the international scenarios. In particular, preliminary drafts of single parts of this book were presented at the Tsinghua University in Beijing, the School of Oriental and African Studies in London and the University of Siena. We would like to thank seminar participants for stimulating discussions that helped us improve the analysis. We take this opportunity to thank also Sebastiano Cupertino, Michele Marini and Francesca Volpe for providing valuable research assistance in searching for relevant data and legislative sources, and two anonymous referees for their helpful and constructive indications.

Finally, Simone Borghesi and Massimiliano Montini would like to thank the Department of Land Economy at the University of Cambridge where they were hosted as Visiting Professors during the Spring semester 2015. Moreover, they gratefully acknowledge the receipt of the financial support from MIUR (Italian Ministry of the University and Research) for the PRIN 2010-11 National Research Project (Grant No. 2010S2LHSE) and from the project FESSUD (*Financialisation, Economy, Society and Sustainable Development*) (Grant Agreement No. 266800), funded under the European Union VII Research Framework Programme.

Simone Borghesi  
Massimiliano Montini  
Alessandra Barreca

The European Emission Trading System and Its  
Followers

Comparative Analysis and Linking Perspectives

Borghesi, S.; Montini, M.; Barreca, A.

2016, XII, 110 p. 17 illus. in color., Softcover

ISBN: 978-3-319-31185-2