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Jean-Charles Hourcade, Antonin Pottier, Etienne Espagne

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Social value of mitigation activities and forms of carbon pricing

Jean-Charles Hourcade*, Antonin Pottier† and Etienne Espagne‡

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Abstract

In the Decision accompanying the Paris Agreement, the Conference of the Parties "recognizes the social, economic and environmental value of voluntary mitigation actions and their co-benefits to adaptation, health and sustainable development". This paper argues that this Social Value of Mitigation Activities (SVMA) can lay the ground to a new set of tools in climate policies, complementary to more traditional carbon pricing strategies. It first proposes a summary of the economic and political reasons which lead to this article 108 of the Paris Agreement, and the follow-up that emerged since December 2015. It then gives a theoretical back-up to this necessity of SVMA as a climate policy tool by deriving it from the more usual concepts of Social Cost of Carbon (SCC) and Shadow Price of Carbon (SPC). The use of such a value to help fund projects at the micro-level is proposed in a specific institutional arrangement, especially when carbon pricing strategies fail to be implemented at the optimal level. Its potential to bridge the macro-level funding gap between developed and developing or emerging countries is also developed. The last section concludes on the perspectives opened by the recent Stern-Stiglitz report and its corridor of carbon prices to the local and global implementation of SVMAs.

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*CIRED / CNRS, corresponding author hourcade@centre-cired.fr
†Université Paris 1
‡AFD

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