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## Graciela Chichilnisky: A Climate Deal through Compensation

by Howard Silverman  
November 16, 2009 08:52AM

Graciela Chichilnisky has been a lead author on Intergovernmental Panel on Climate Change (IPCC) reports and a designer of the Kyoto Protocol carbon market. Two recent articles by Chichilnisky set out a strategy for bridging international divides on climate negotiations.

From "[Forward Trading](#)," at Time.com:

“ The problem is clear: before it commits to reductions, the U.S. wants China to agree to limits — but the Chinese, who said this week they were ready to reduce the rate of growth of emissions by a "notable margin," rightly point out that Kyoto spares China and all developing nations from binding emissions-cuts targets unless they are compensated.

A way forward requires more than a split-the-difference compromise. The focus needs to shift. Fortunately, such a shift is possible through a more accurate interpretation of the existing agreement.

From "[Saving Kyoto](#)," at chinadialogue.com:

“ The UNFCCC [United Nations Framework Convention on Climate Change] does not say that China and the developing nations should never have limits: it says they should have no limits unless they are compensated. This is quite different. What we need is a form of “compensation” that fits the bill, and eliminates the opposition from both sides. Here I suggest trade – a term the United States is more comfortable with – rather than unilateral compensation. Nobody needs to be the first mover: a simultaneous financial solution makes this possible.

The United States can buy rights to reduce Chinese emissions in the future, thus obtaining what it wants, while providing “compensation” to China as is required by the UNFCCC. At the same time, China can secure a minimum price for the credits, ensuring that they would not be selling economic growth for a pittance. ... The entire transaction could involve little in terms of monetary exchange, but it would set emissions limits on both nations at the same time. Secondary markets can trade the corresponding options, thus providing liquidity and stability to the carbon market and its Clean Development Mechanism.

*Saving Kyoto* is also the title of Chichilnisky's new book, co-authored with my colleague Kristen Sheeran of the [E3 Network](#).



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