

Pollution-Credit Trade Plan Would Include 'Central Bank'  
AP-Dow Jones News Service

NEW YORK — The author of a plan to exchange pollution credit worldwide wants to have the program monitored by a sort of central bank overseeing borrowing and lending of the credits.

The plan, put forth by Columbia University professor Graciela Chichilnisky, is similar to one that the U.S. delegation intends to take to the conference that starts next Monday in Kyoto, Japan, with the aim of reaching an agreement for cutting greenhouse emissions. Chichilnisky also plans to attend.

President Clinton in October touted a pollution-credit system as part of a U.S. proposal to cut worldwide emissions of greenhouse gases such as carbon dioxide, methane and nitrogen oxides.

The U.S.' proposal for Kyoto also includes the goal of cutting emissions back to 1990 levels by 2012. This has been seen by some as too moderate, especially next to the European Union idea of a cut in emissions equal to 15% of 1990 levels by 2010.

Chichilnisky presented her pollution-credit ideas to reporters Friday at a briefing organized by the Columbia's Earth Institute. She said pollution-credit trading has moved from an isolated proposal to the forefront of the debate over global warming.

'We are no longer out there on the outskirts,' she said. 'We are now mainstream.'

Chichilnisky said the pollution-credit idea brings market approaches to the effort of cutting pollution. She said it would work in a way similar to the Chicago Board of Trade's market for sulfur dioxide-emission allowances.

Under that system, allowance owners can emit SO<sub>2</sub>. If they cut emissions, they can sell the allowances. If they emit too much, they must pay a penalty.

The greenhouse credits could be sold through auction and traded among nations or companies, Chichilnisky said.

She acknowledged that developing nations are skeptical about a market-based anti-pollution system for fear of it favoring developed nations.

Developing nations' concerns are that developed nations emit about 60% of the world's greenhouse gases and that they might not be able to manipulate the market in their favor, she said.

But the market would be regulated to avert manipulation, she said. So would emissions. 'Measuring emissions is not difficult,' said the professor of mathematics and economics, adding that the vast majority of CO<sub>2</sub> emissions come from oil and coal use.

'We are proposing a process, not a final solution.'

The bank proposed by Chichilnisky would be called the International Bank for Environmental Settlements. It would function as a clearing house and mediate the borrowing and lending of credits. It also would regulate and monitor compliance.

Groups opposed to mandated cuts in emissions - such as the American Petroleum Institute - have attacked the validity of science that ties emissions to global warming.

'Science at this point has no crystal ball. Science is uncertain,' Chichilnisky acknowledged. 'But there are costs associated with doing nothing.'

By Christopher Harder; 201-938-4431

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