

# TABLE OF CONTENTS

<b>PREFACE</b> .....	9
<i>Chapter 1</i>	
<b>POTENTIAL COSTS OF ADAPTING TO SEA LEVEL RISE IN OECD COUNTRIES</b> by Frank Rijsberman	
<b>INTRODUCTION</b> .....	13
<b>BASIC ASSUMPTIONS AND POINTS OF DEPARTURE</b> .....	16
Sea level rise scenario .....	16
Definition of terms .....	18
Economic analysis .....	20
<b>IDENTIFICATION OF IMPACT CLASSES</b> .....	21
Primary impacts .....	21
Secondary impacts .....	21
<b>DAMAGES IN OECD COUNTRIES</b> .....	22
Loss of coastal wetlands .....	24
Drowning of coral reefs .....	26
Inundation and erosion of coastal beaches and barrier islands .....	26
Flooding and inundation of rural dryland, cities, and harbors .....	27
Saltwater intrusion .....	32
Damages in other areas .....	33
<b>ADAPTIVE ACTIONS PER DAMAGE CLASS</b> .....	33
Loss of coastal wetlands .....	33
Inundation and erosion of coastal beaches and barrier islands .....	34
Flooding and inundation of rural dryland, cities, and harbors .....	35
Saltwater intrusion .....	37
<b>ADAPTIVE POLICIES AND THEIR COSTS</b> .....	38
Retreat .....	38
Accommodate .....	39
Protect .....	41
Discussion .....	42
<b>CONCLUSIONS</b> .....	44
The analysis .....	44
Assumptions .....	45
Impacts .....	45

Base case scenario . . . . .	45
Policies . . . . .	45
“Soft” engineering . . . . .	46
Cities . . . . .	46
Floodplain development . . . . .	46
Future research . . . . .	47
<b>REFERENCES . . . . .</b>	<b>48</b>

*Chapter 2*

**ECONOMIC INSTRUMENTS FOR CLIMATE CHANGE POLICY**

by Scott Barrett

<b>BACKGROUND . . . . .</b>	<b>53</b>
<b>INTRODUCTION AND SUMMARY . . . . .</b>	<b>53</b>
<b>PROPERTIES OF ECONOMIC INSTRUMENTS . . . . .</b>	<b>57</b>
Efficiency . . . . .	57
Dynamic efficiency . . . . .	58
Revenue collection . . . . .	58
Equity . . . . .	59
Prices vs. quantities . . . . .	60
<b>PROPERTIES OF AN EFFICIENT GLOBAL WARMING POLICY . . . . .</b>	<b>61</b>
Optimality . . . . .	62
Cost-effectiveness . . . . .	63
A comprehensive environmental policy . . . . .	67
Sources . . . . .	68
<b>IMPLEMENTATION USING ECONOMIC INSTRUMENTS . . . . .</b>	<b>69</b>
Implementing the fully efficient policy . . . . .	69
Practical difficulties . . . . .	70
Partially efficient policies . . . . .	71
<b>THE CARBON TAX . . . . .</b>	<b>73</b>
Setting the tax . . . . .	73
The power of a carbon tax . . . . .	74
Demand-side responses . . . . .	76
Supply-side responses . . . . .	78
Revenue-neutral carbon tax . . . . .	79
Implications for growth . . . . .	80
Research and development . . . . .	82
Implications for conventional pollutants . . . . .	82
Trade . . . . .	83
Welfare implications of alternative global tax policies . . . . .	83
The carbon subsidy . . . . .	84
<b>TRADEABLE CARBON PERMITS . . . . .</b>	<b>85</b>
The offset proposal . . . . .	85
Proposals for international trading . . . . .	86
Efficiency . . . . .	87
Allocation of permits . . . . .	90

Compliance . . . . .	92
Penalties for free-riders . . . . .	93
Conclusion . . . . .	93
<b>OTHER POLICIES . . . . .</b>	<b>94</b>
Energy conservation . . . . .	95
Environmental costs and energy prices . . . . .	97
Emission of methane by landfills . . . . .	98
Deforestation . . . . .	98
<b>APPENDIX . . . . .</b>	<b>100</b>
<b>NOTES . . . . .</b>	<b>103</b>
<b>REFERENCES . . . . .</b>	<b>105</b>

*Chapter 3*

**ECONOMIC ANALYSIS OF INTERNATIONAL ENVIRONMENTAL AGREEMENTS:  
LESSONS FOR A GLOBAL WARMING TREATY**

by Scott Barrett

<b>BACKGROUND . . . . .</b>	<b>111</b>
<b>INTRODUCTION AND SUMMARY . . . . .</b>	<b>111</b>
<b>WHEN ARE IEA's NEEDED MOST? . . . . .</b>	<b>113</b>
<b>THE PROBLEM OF AGREEING ON OBLIGATIONS . . . . .</b>	<b>116</b>
Theory . . . . .	117
Obligations in practice . . . . .	124
Side payments in practice . . . . .	127
<b>THE PROBLEM OF FREE-RIDING . . . . .</b>	<b>128</b>
Detection . . . . .	128
The problem of punishing free-riders . . . . .	129
<b>CONCLUDING REMARKS . . . . .</b>	<b>133</b>
<b>APPENDIX . . . . .</b>	<b>137</b>
<b>NOTES . . . . .</b>	<b>145</b>
<b>REFERENCES . . . . .</b>	<b>148</b>