This article explores options for linking emissions trading systems. Combining markets could have many positive benefits (including reducing the costs of compliance), but there are drawbacks. In the short term, however, direct bilateral linkages will be difficult, and achieving the EU-objective of OECD-wide emissions trading by 2015 is therefore ambitious. International negotiations will overcome some of the barriers to linkages and expedite the integration of carbon markets. Michael Mehling of the Ecologic Institute in Washington DC co-authored this article.

Some barriers to linkage are easier to overcome than others. Barriers that are simpler to overcome include differences in: MRV (monitoring, reporting, and verification), banking, registries, compliance periods, and allocation methods. Other differences are more challenging, such as the stringency of targets and enforcement, the eligibility of offset credits, the use of intensity targets, and cost containment measures (offsets, borrowing, price caps). In the near future, prospects for links between systems are highest where nations already have close economic ties and a history of policy coordination (i.e. Europe, North America). Over
time, more ambitious long-term reduction targets, rising compliance costs, and impacts on economic competitiveness will refocus attention on linking systems. A framework for integrating systems is necessary and will take time to develop; the sooner the work begins to overcome these obstacles, the sooner systems can be linked.

Linking emissions trading schemes has attracted much interest as a means of reducing compliance costs, expanding market size and liquidity, and reducing price volatility. The latest issue of Climate Policy exclusively addresses the challenges and prospects of linkages between emissions trading systems.

The article is available online: "Linking Carbon Markets: Concepts, Case Studies and Pathways [2]."

**Main Link**


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- Linking Existing and Proposed GHG Emissions Trading Schemes in North America
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