



Introduction: Policy Instruments for Low Emissions Development

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New technologies and approaches



Climate Finance



Policy Instruments



Policy instruments : The economists' talk



Primary market failure

- Environmental Externality

GHG emissions have no cost, even though they result in costly environmental damage

Secondary market failure

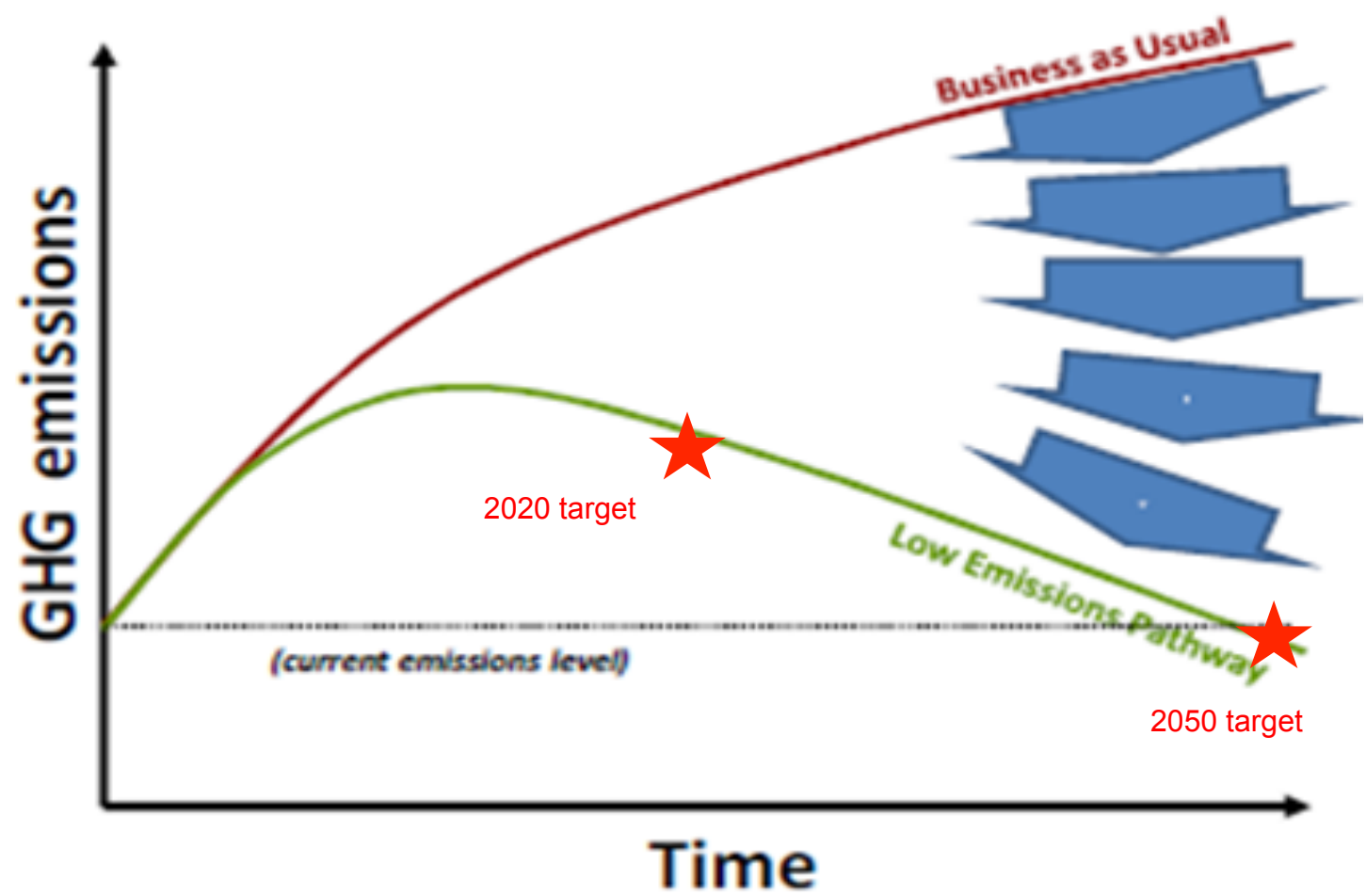
- Information Asymmetries
- Split Incentives
- Social Returns on Innovation

Firms and households don't have full information on the benefits of efficient technologies

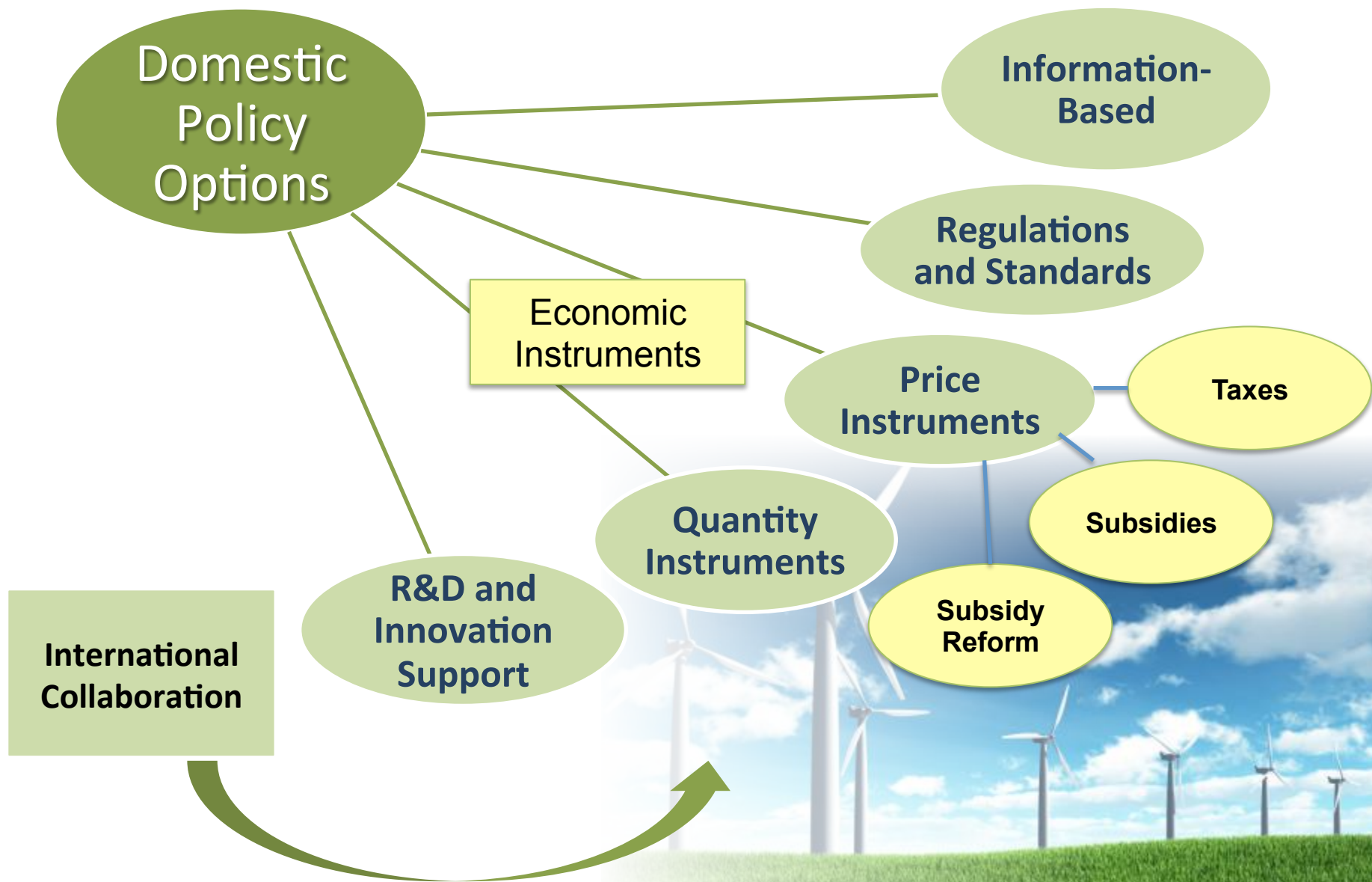
Operators may not pay costs (e.g., renters pay a fixed heating bills)

Benefits of new innovations are partially captured by competitors

LED Pathway to short and long-term targets



Policy Instruments for Low Emissions Development



The need for multiple, complementary instruments

Full coverage of the GHG emissions in the economy

Residential Commercial / Institutional Electricity generation / Utilities Industry Transportation

Need for multiple instruments to address multiple market failures

