

Compensations to curb deforestation efficiently can also reward environmental merit

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Abstract : The international community recently agreed on a mechanism called REDD+ to reduce deforestation in tropical countries. However the mechanism, by its very nature, has no reason to induce a Pareto optimal reduction of deforestation. Inspired by the compensation mechanism (Varian, 1994), the aim of this article is to propose an alternative class of mechanisms for negative externalities that implements Pareto optimal outcomes as Subgame Perfect Nash Equilibria, and that satisfies some fairness properties, in particular two new axioms of Merit in Preserved Forest. Outcomes are individually rational and the scheme does take into account environmental responsibility in the sense of our two axioms. However, envy freeness, even in a weak form adapted to the deforestation problem, turns out to be hard to achieve without dropping the other properties.