



Department
of Energy &
Climate Change

The role of international and domestic carbon markets in the 2015 international climate agreement

IEA-IETA-EPRI Annual Workshop on Greenhouse Gas Emission Trading
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UK Carbon Market Vision

**An efficient global carbon market under a multilateral framework,
building upon a network of linked emissions trading systems**

Why?

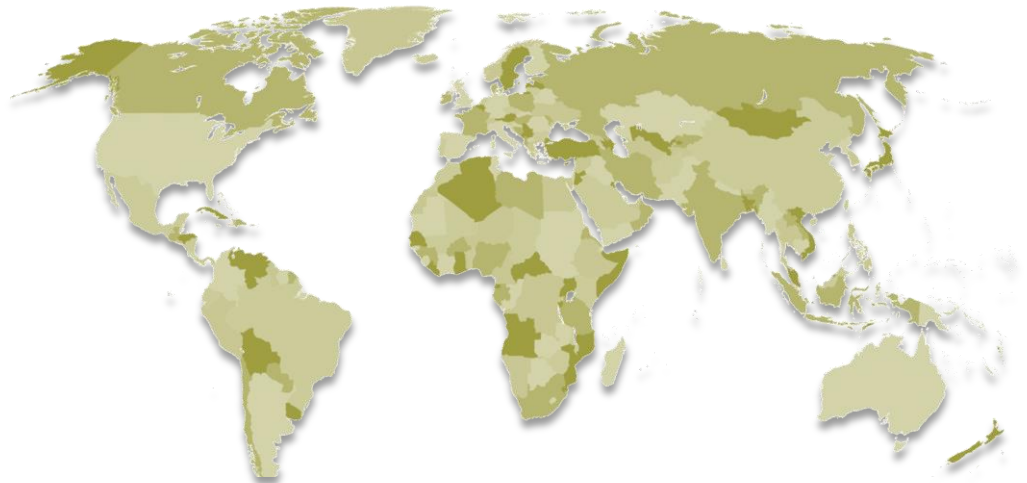
- Environmental certainty
- Lower the cost of mitigation
- Facilitate the flow of climate finance to developing countries





Markets no substitute for ambition

- Markets can only facilitate ambition – they are no substitute
- Essential to have ambitious mitigation targets
- In the EU 2030 negotiations the UK has called for access to international carbon markets only to help us go beyond ambitious domestic targets
- We need a robust international system for carbon markets in order to help increase ambition now and in the future
- Building a system for the long term



EU ambition in 2030

Table 1: EU 2030 GHG mitigation target in various 2°C effort share scenarios

Effort share approach	Resultant EU target for 2030
Income grouping based allocation	-50%
Income grouping based but with no separate Annex I grouping	-57%
Equal per-capita emissions by 2050	-50%
Equal relative costs	-54%

Recap: what does the Low Carbon Roadmap say?

- 40-44% **domestic** effort required in 2030;
- Takes us 79-82% – i.e. the **low end** of the 80-95% target agreed by European Council
- The 40-44% does not include contribution from international carbon offsets from carbon market.



What is the EU 2030 package?

European Commission White Paper

“The Commission proposes to set a greenhouse gas emission reduction target for domestic EU emissions of 40% in 2030 relative to emissions in 1990... The Commission sees no merit in proposing a higher "conditional target" ahead of the international negotiations. Should the outcome of the negotiations warrant a more ambitious target for the Union, this additional effort could be balanced by allowing access to international credits.”

March European Council

“In the light of the UN Climate Summit in September 2014 the specific EU target for 2030 for greenhouse gas emission reductions will be fully in line with the agreed ambitious EU objective for 2050...The European Council will take stock of progress made on these issues at its meeting in June, based inter alia on consultations with Member States, with a view to taking a final decision on the new policy framework as quickly as possible and no later than October 2014.”

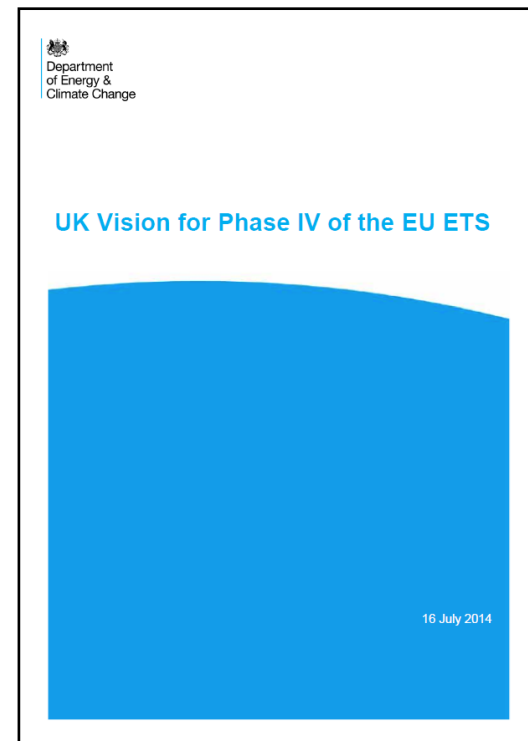


Domestic markets – the EU ETS

The UK published its vision for the future of the EU ETS in July 2014

Sets out the UK's current thinking on EU ETS reform and our priorities for its evolution beyond 2020:

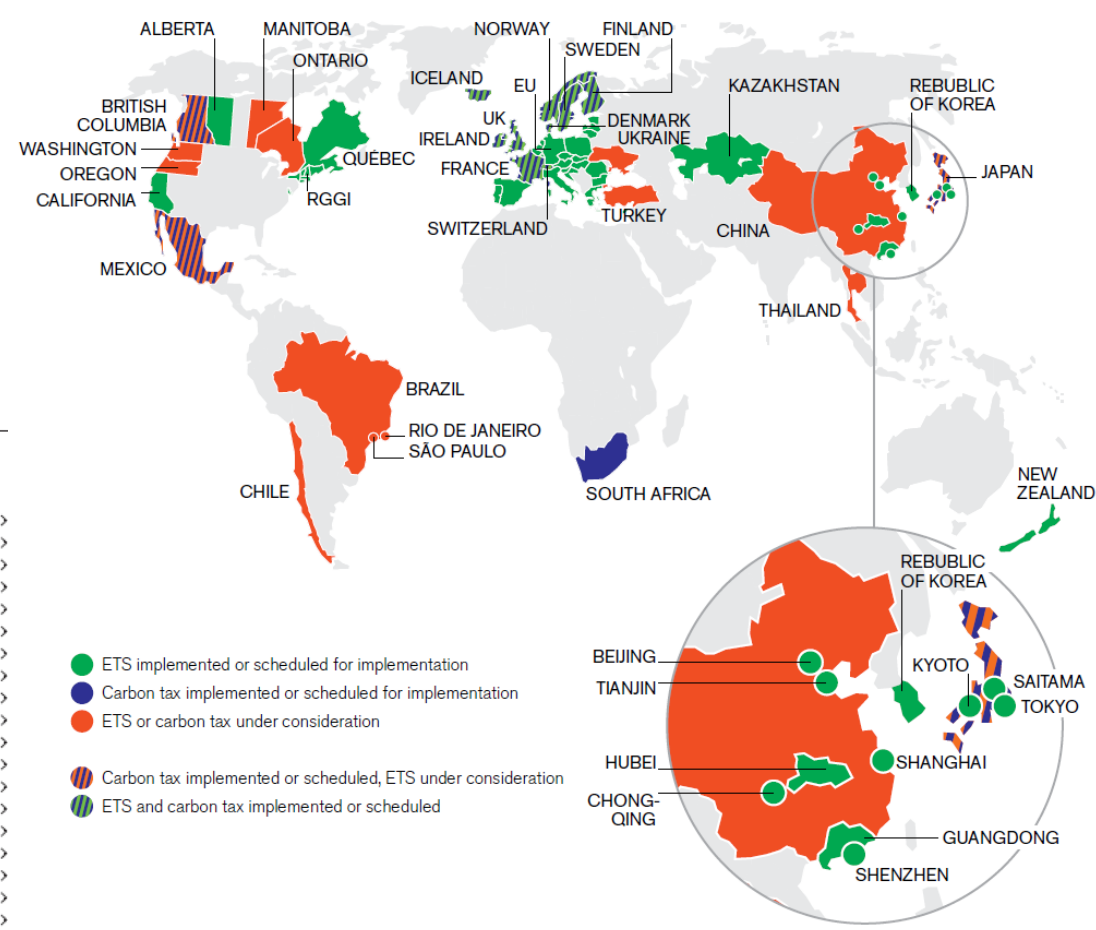
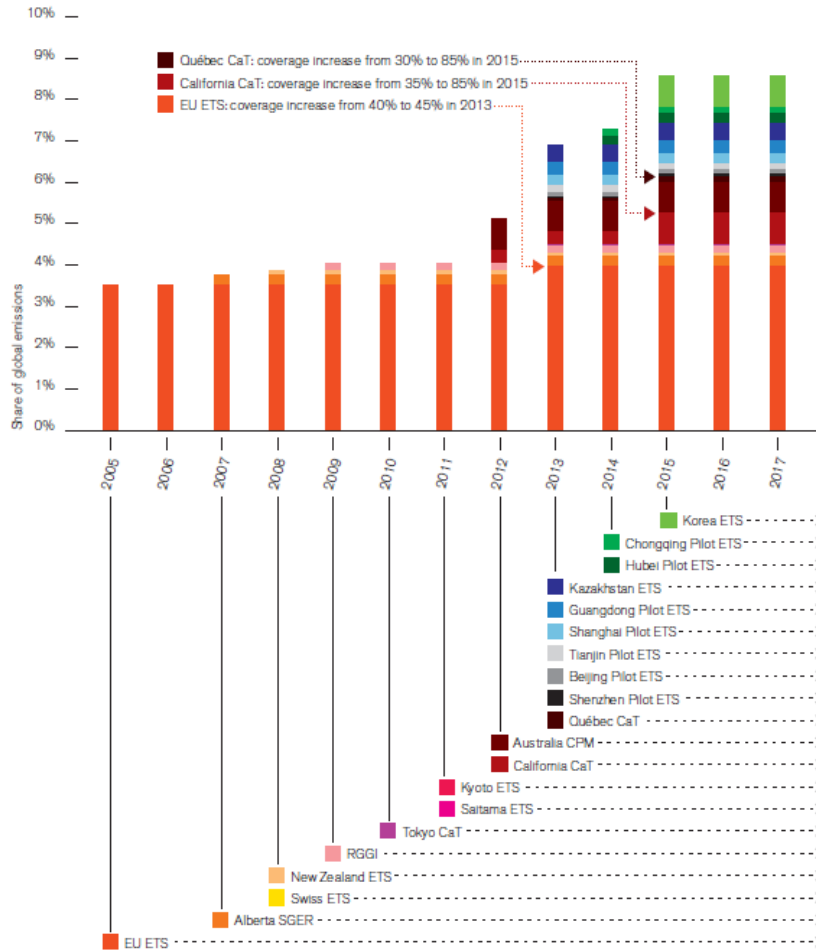
1. Tackling the surplus of allowances which is depressing the low-carbon investment signal;
2. Protecting sectors at risk of competitive disadvantage;
3. Improving efficiency while cutting unnecessary red tape.





Carbon markets on the rise

About 40 national and over 20 sub-national jurisdictions are pricing carbon

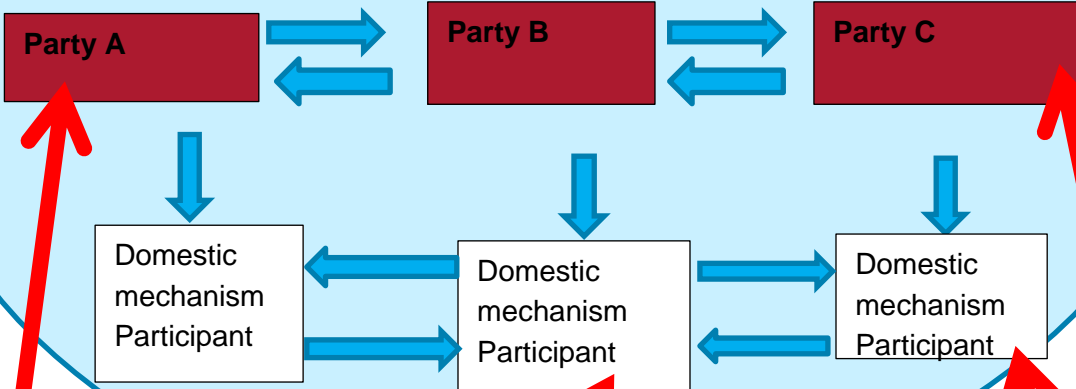


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International markets post-2020*

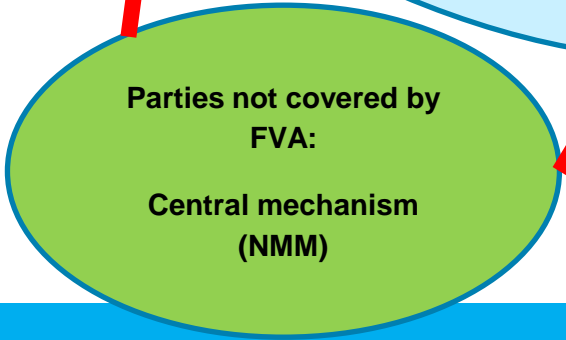
FVA accounting "Bubble" = All emissions covered by quantified target from Parties meeting eligibility criteria



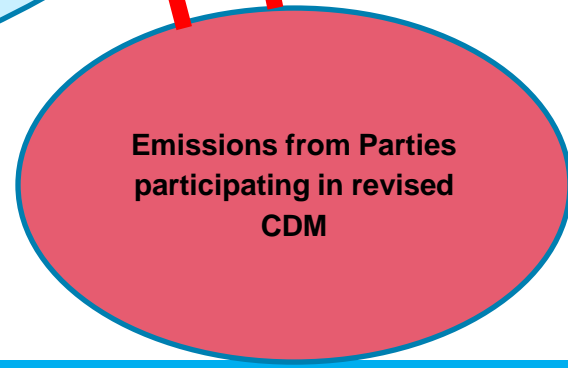
Key:

= Emissions transfers within FVA bubble between Parties or market participants regulated by Parties concerned, not UNFCCC

= Emissions reductions generated by UNFCCC-regulated mechanisms (e.g. NMM or CDM) transfer to Parties or market participants within the FVA accounting "bubble".



and/or



* This is one option for how international markets could look post-2020



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Thank you

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