

Reflections on alternative emission reduction mechanisms



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The objective of any alternative mechanism is ...

To accelerate the pace and extent of energy and CO₂ efficiency improvement ...

... by different sectors ...

... in developed, emerging and least-developed economies ...

... beyond „business-as-usual“ progress

Alternative names come, are understood in different ways ... and go ...

- No lose targets
- Offsets
- Sectoral Approach
- Sectoral Initiatives
- Sectoral Agreement
- Sectoral Benchmarking
- Sectoral Crediting Mechanism
- Etcetera *

* This is not the name of an alternative mechanism

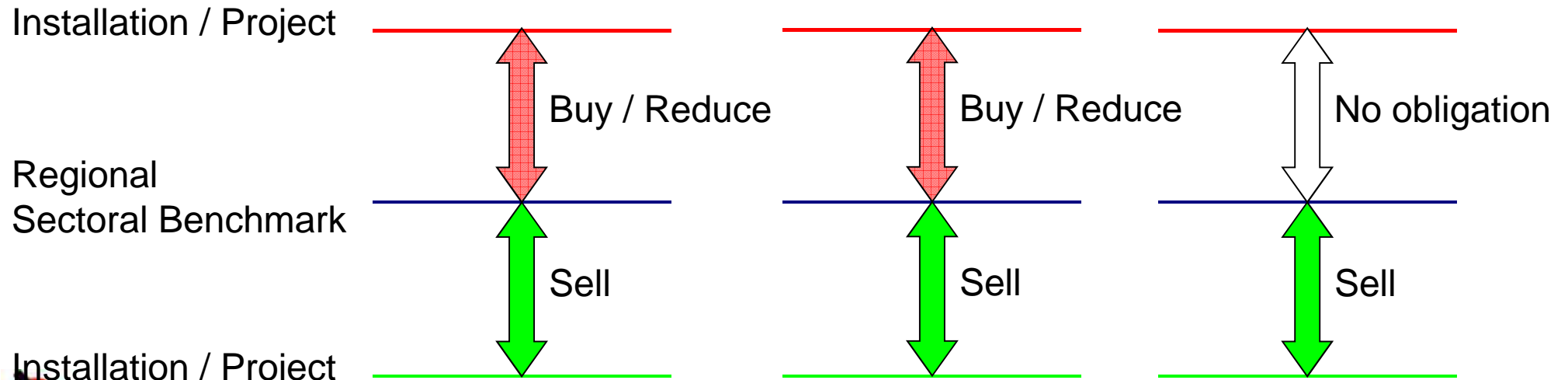
Sectors, harmonized MRV & Performance metrics

Sectors	Power	Industry	Transport	Buildings	Agriculture
Sub-Sectors		Cement	Aviation	...	
		Steel	Maritime	...	
		Aluminum	Land	...	
		Refineries	Public		
		Chemicals			
		Paper			

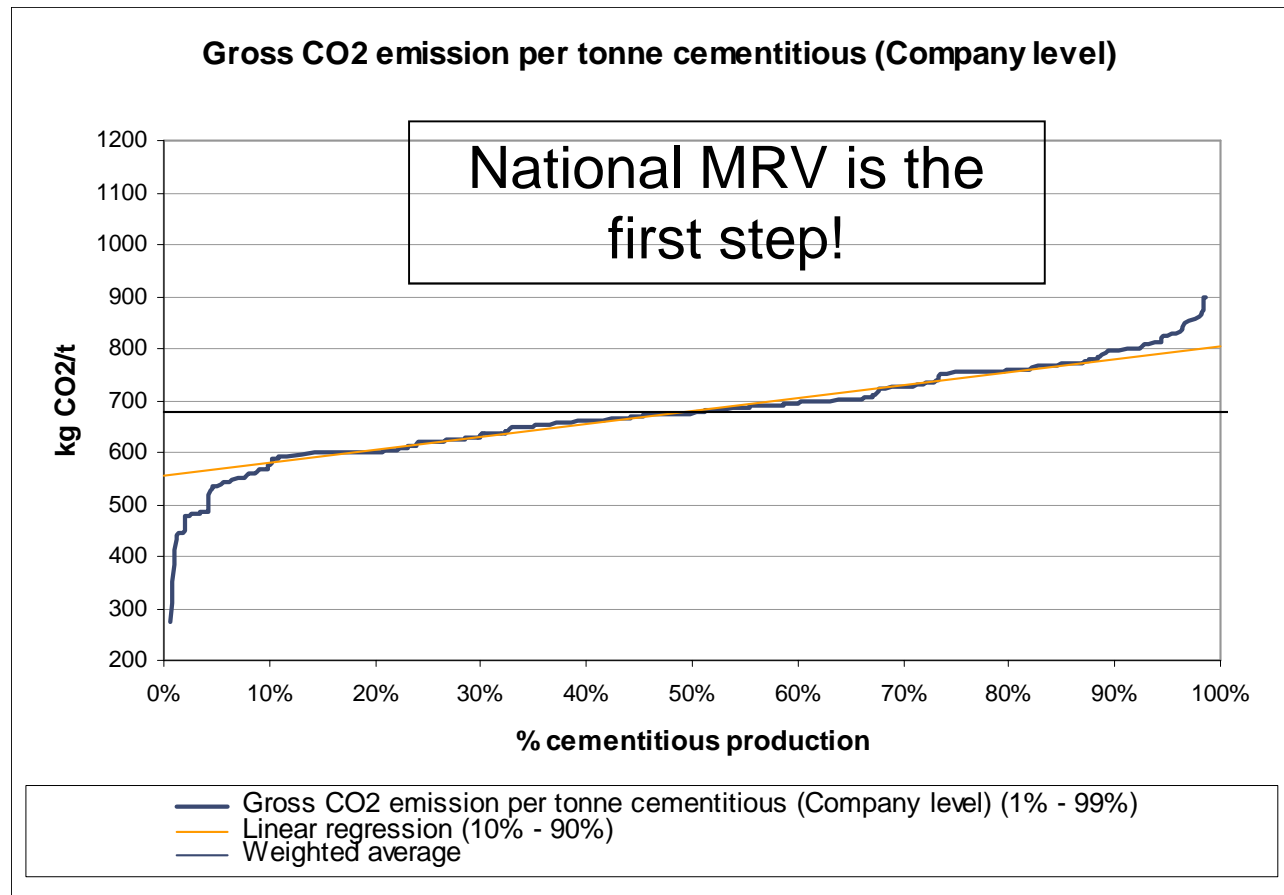
- (sub)sectoral harmonized MRV
- Harmonized Performance Metrics
- Regionally differentiated levels

Principally three market systems can be considered, each with its “environmental stringency level”.

Cap & Trade System (ATS - ETS)	Baseline & Credit System (BCS)	One-way Credit Trading: (CDM)
<ul style="list-style-type: none"> ▪ Governmental allowance allocation or auctioning ▪ Absolute Cap to total industry emissions ▪ Mandatory system with ▪ Compliance obligation 	<ul style="list-style-type: none"> ▪ Credit generation by Baseline & Crediting ▪ No Absolute Cap ▪ Mandatory system with ▪ Compliance obligation ▪ No additionality requirement 	<ul style="list-style-type: none"> ▪ Credit generation by projects ▪ No Absolute Cap ▪ Voluntary system ▪ No compliance obligation ▪ Demonstration of Additionality

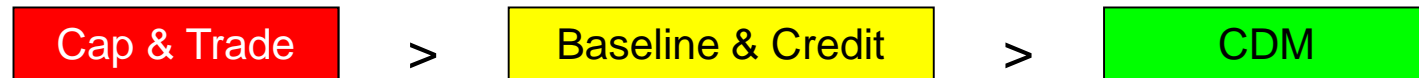


Baseline and Credit System



In a global framework geographical regions gradually evolve into more stringent policies & trading systems as a function of time and of socio-economic development

The “severity” of regulatory systems:



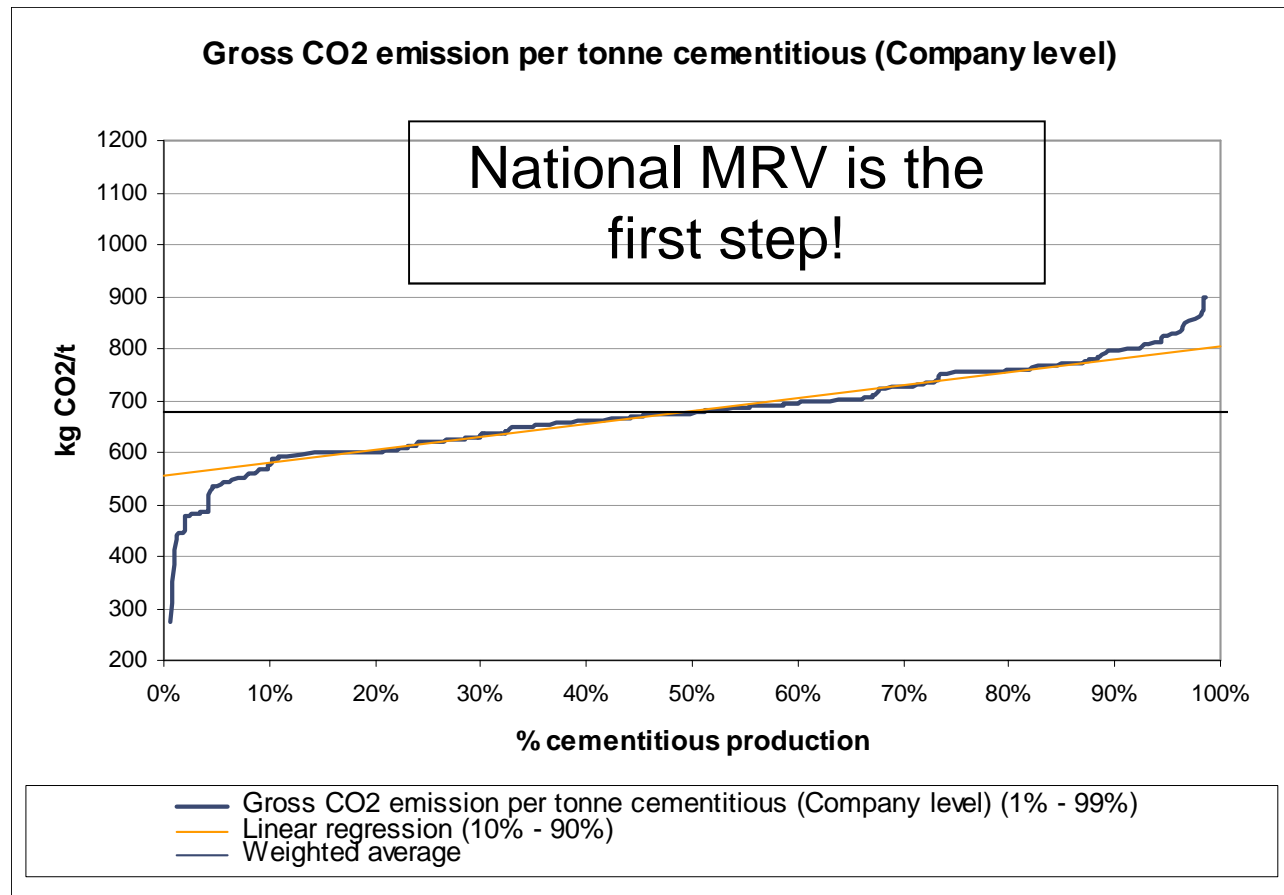
Region \ Time	< 2012	< 2020	< 2030	< 2040
Annex 1	Red	Red	Red	Red
G5 +	Green	Yellow	Orange	Red
OPEC	Green	Yellow	Orange	Red
Developing countries	Green	Yellow	Yellow	Yellow
Least Developed	Green	Green	Green	Green

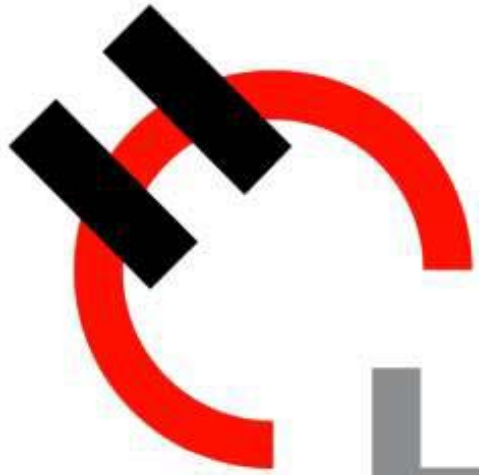
G5 + = China, India, Mexico, Brazil, South Africa and Singapore, South Korea

Key success factors of any system include:

- Sectoral Harmonized Monitoring & Reporting Methodology
- Capacity building
- Mandatory reporting to independent database & registries
- Sectoral harmonized MRV and performance metrics (benchmark metrics), regionally differentiated quantification (benchmark values)
- Regulated market mechanism
- Supply and Demand of credits or allowances
- Multi sub-sectoral
- Credits at company / installation level (not to sector federation)
- Competition
- Bi- or multi-lateral agreements between countries

Baseline and Credit





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