



Linking Domestic Emissions Trading Schemes and post 2012 Climate Policy

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Political issues and Linking

- Credit crisis (bad products!)
- Level playing field/carbon leakage
- Price Manipulation/State Intervention
- Copenhagen deal?
- Conclusions



Level playing field

Linking a good instrument

- Larger market increases efficiency and liquidity
- Internationally competing industries are under a wider single regulatory framework with a single price of carbon
- Fosters the multilateral approach to climate change
- The larger the market, the more attractive for more countries to join in
- Use CDM as common product also option.
- Best option: Copenhagen deal with new AAU's!!

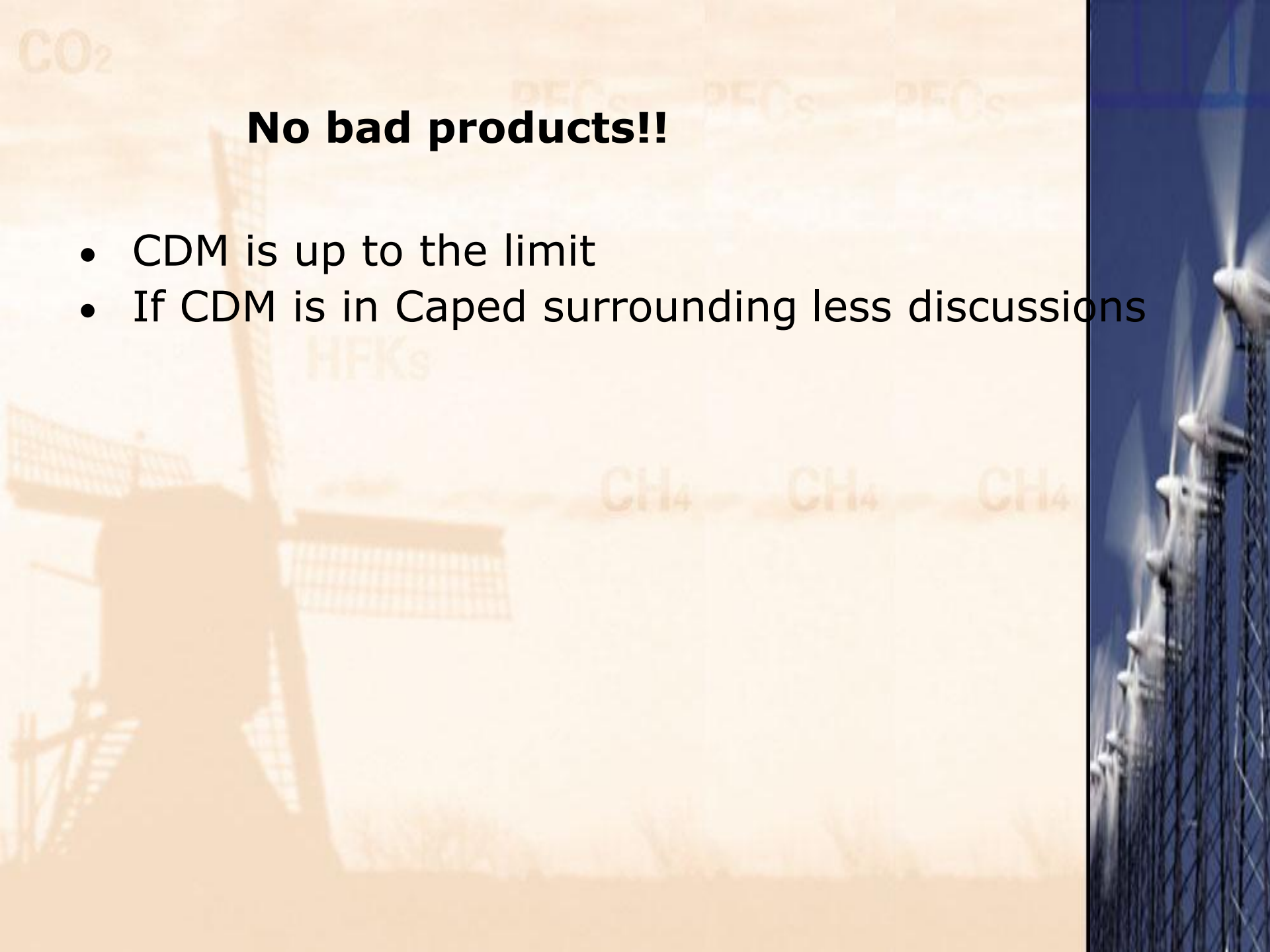
No bad products!!

Of big importance of system

- Quality of monitoring and reporting provisions
- Level of sanctions
- Currency (AAU or EU Allowances)
- Registries conform to Kyoto Protocol standards
- Type and stringency of environmental target (absolute!)
- Private sector creates market without governmental intervention
- Central oversight next to UNFCCC???
- For EU not needed
- EUETS well designed; banking borrowing
- Link with CDM/JI /good data/experience

No bad products!!

- CDM is up to the limit
- If CDM is in Caped surrounding less discussions



Price Intervention?

- Can CO₂ price be manipulated by firms or Governments?
- EU has confidence because of Pilot phase
- Price cap is not needed for 2020.
- Better option's
 - linking with CDM
 - free allowances for industries that compete
- EU renewable target of 20% help to bring down price



Good auctioning design

EU regulation in 2010

- Auctioning must work in 2011/2012
- Harmonized approach for all 27 MS
- Transparent
- Open for all players
- Frequency and Timing must be arranged



Copenhagen deal for 2020

- As many Annex 1 and new Industrialized Parties possible with absolute cap's
- VS cap with/without use of CDM or linking?
- No loose target for countries with relative target that can trade (AAU's) after realization of reductions Price for CO2!
- CDM only for Least developed countries
- Finance adaptation and technology by UN selling part of AAU's



Conclusions

- Copenhagen deal must make linking possible and set a CO₂ price world wide
- Hard targets and No loose targets
- Faze out of CDM on long run
- Start with pilot systems

