



# Using markets for compliance

IEA IETA EPRI  
Annual GHG trading workshop

Andrew Howard  
UN Climate Change Secretariat

Paris  
14-15 September 2009

# Overview

---

- Indications for a post-2012 framework
- Proposals for new market mechanisms
- Relating new mechanisms to targets
- Relating national and international levels

# Copenhagen political essentials

- Ambitious GHG emission reduction targets for developed countries
- Nationally appropriate mitigation actions (NAMAs) for developing countries
- Generation of financial and technological support for both mitigation and adaptation
- Institutional framework to deliver the support

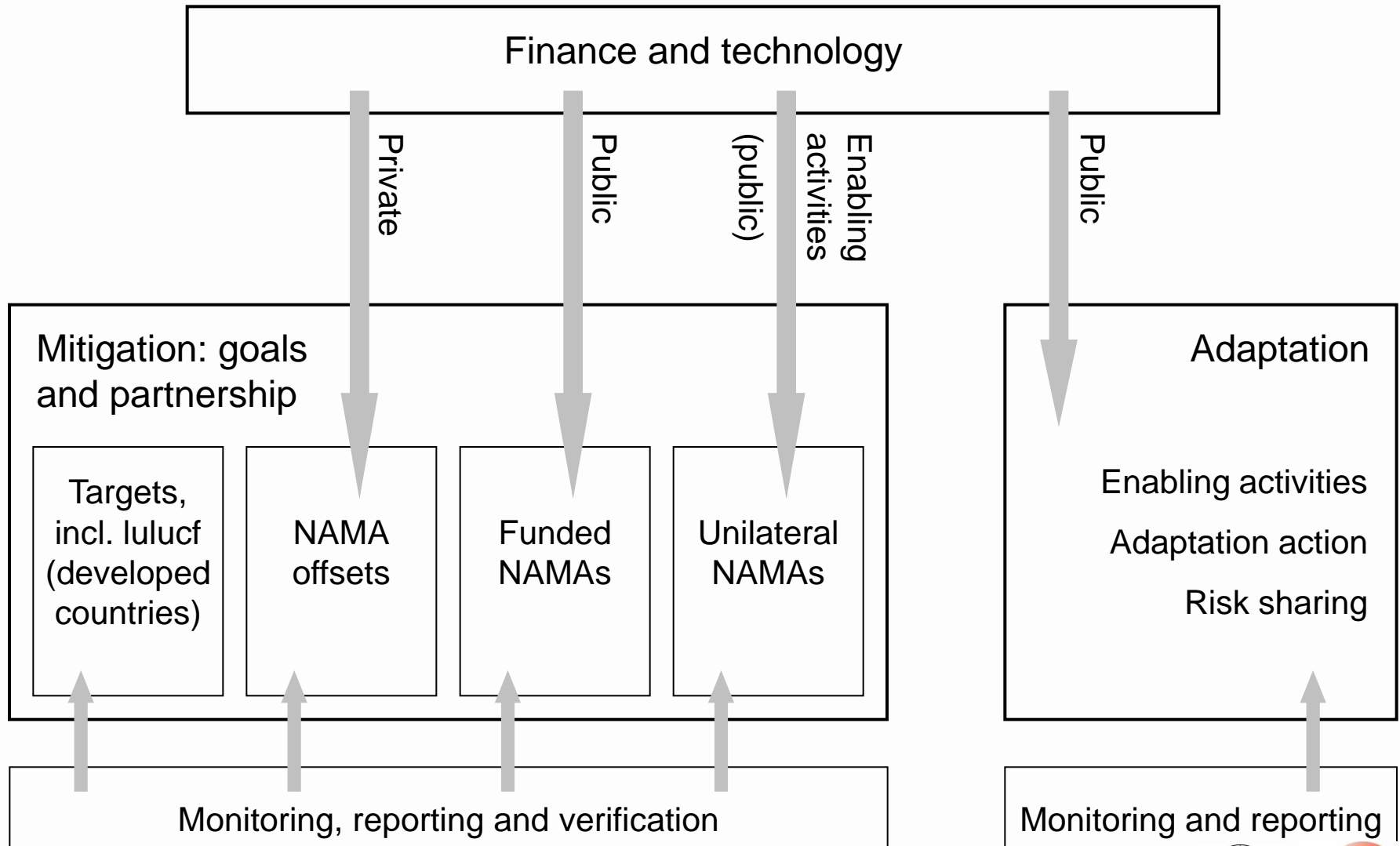
# Where are we now?

---

- Compilations of Parties' text on the table
- 200 pages in the AWG-LCA, 80 in the AWG-KP
- Most Parties in negotiation mode
- Much political and substantive complexity
- Some progress on targets, but no resolution

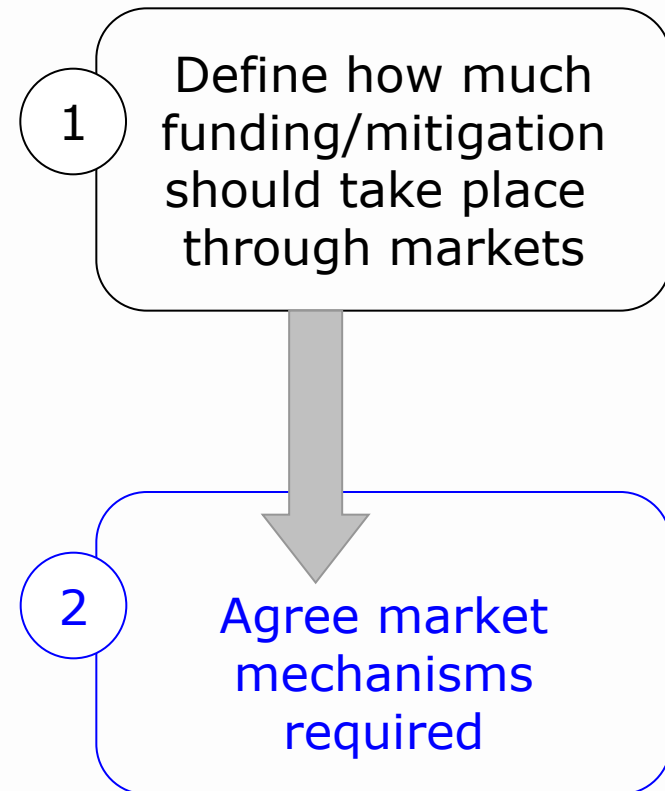
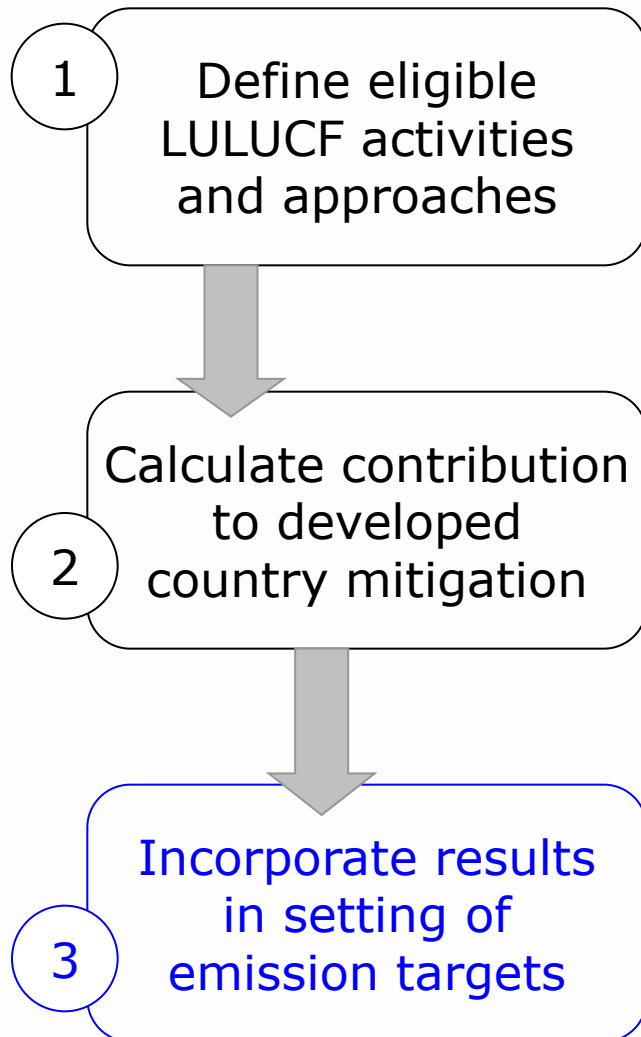
<b>Party</b>	<b>2020</b>	<b>Ref</b>	<b>LULUCF</b>	<b>Mechs</b>
Australia	-5 to -15%; or -25%	2000	Yes	Yes
Belarus	-5 to -10%	1990	TBD	Yes
Canada	-20%	2006	TBD	TBD
EU-27	-20 to -30%	1990	No for -20% Yes for -30%	Yes
Iceland	-15%	1990	Yes	Yes
Japan	-15% [-25%]	2005	No	No
Liechtenstein	-20 to -30%	1990	No	Yes
Monaco	-20%	1990	TBD	TBD
New Zealand	-10 to -20%	1990	Yes	Yes
Norway	-30%	1990	Yes	Yes
Russian	-10 to -15%	1990	TBD	TBD
Switzerland	-20 to -30%	1990	Yes	Yes
Ukraine	-20%	1990	TBD	Yes
USA	[-17 to -20%]	2005		

# Emerging architecture



# LULUCF, markets and targets

---



# Drivers for new mechanisms

---

- Flexibility for developed country targets
- Scaling up support for NAMAs
- Technology transfer and capacity building
- Assistance with sustainable development
- Scaling up private sector engagement
  
- While
  - Ensuring environmental integrity
  - Ensuring equitable regional distribution



# Current proposals

---

	Crediting	Trading
Sector focus	Sectoral crediting (EU)	Sectoral trading (EU)
NAMA focus	NAMA crediting (Korea, NZ)	NAMA trading (NZ)

# Crediting approaches

---

- Crediting of reductions below defined thresholds in developing countries, after reductions occur
- Applied to any type of NAMA, including sectors
- Thresholds – BAU or below BAU?
- Thresholds proposed as part of LCDS?
- Voluntary basis (compliance requirements?)
- Role for private sector engagement?
- Distribution of credits among entities?

# Trading approaches

---

- Trading on basis of defined thresholds in developing countries, from start of the period
- Applied to single or multiple sectors
- Thresholds – BAU or below BAU?
- Approval of thresholds by the COP?
- Voluntary basis (compliance requirements?)
- Use of developing country allowances against targets in developed countries?
- Eligibility requirements for host Parties?



# Strengthening CDM and JI

---

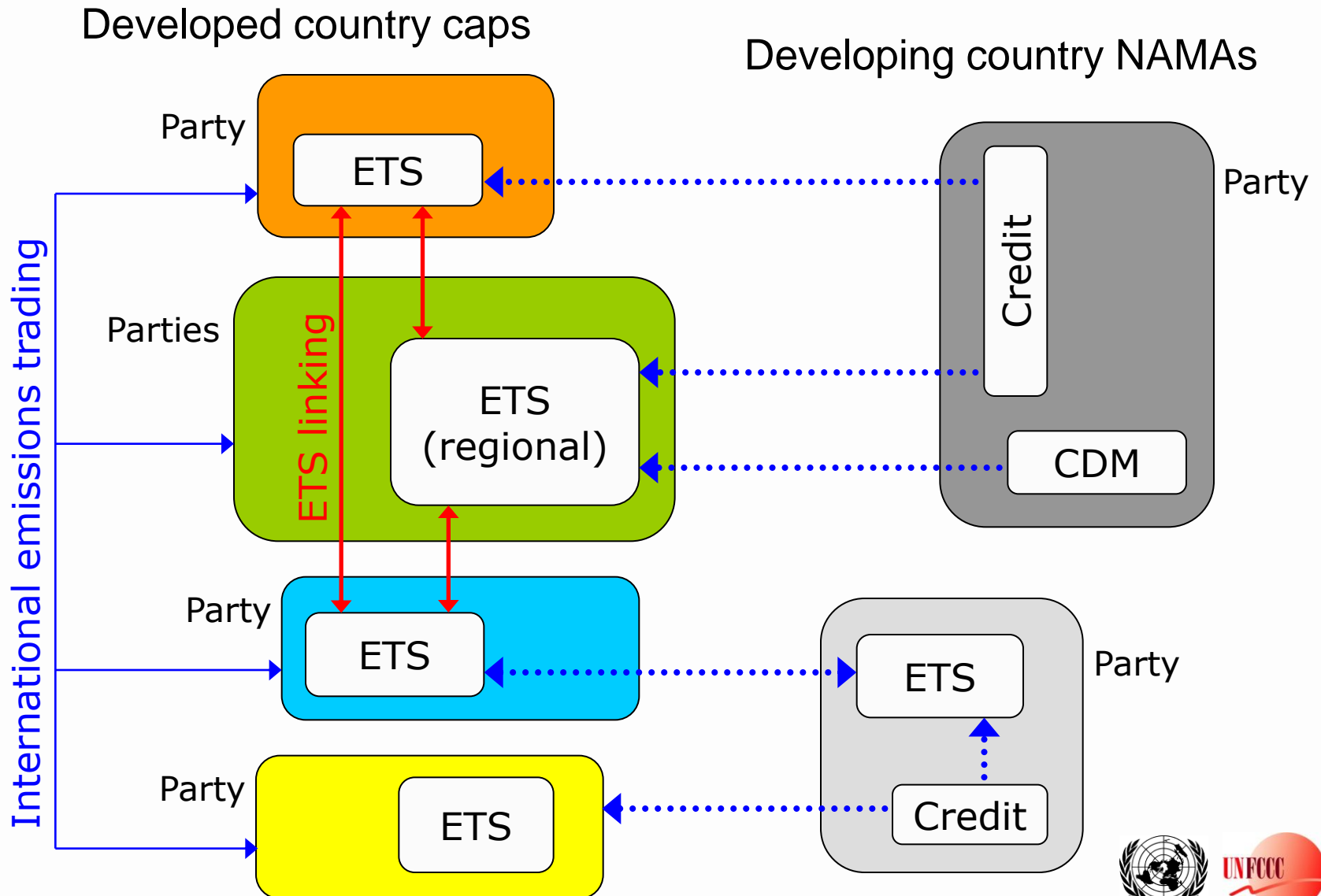
- Increasing scope (forestry, CCS, nuclear)
- Changing the rules for forestry projects
- Standardized, multi-project baselines
- Positive/negative lists for additionality
- Promoting co-benefits
- Discount or multiplication factors
- Improved regional distribution of projects

# Basic market model remains ...

---

- International market framework used by schemes implemented nationally/regionally
- Market mobilizes finance and technology for developing countries (incentives for mitigation)
- Market gives flexibility for developed countries in meeting their targets
- International action supplements domestic action
- Environmental integrity is key

# ... but becomes more complex



# [www.unfccc.int](http://www.unfccc.int)

Current and forthcoming mechanisms texts

KP: FCCC/KP/AWG/2009/10/Add.2 and Add.3/Rev.1

LCA: FCCC/AWGLCA/2009/INF.2 and INF.2/Add.2