



# **The Road from Durban: Greenhouse Gas Mitigation and Carbon Markets – a Commission perspective**

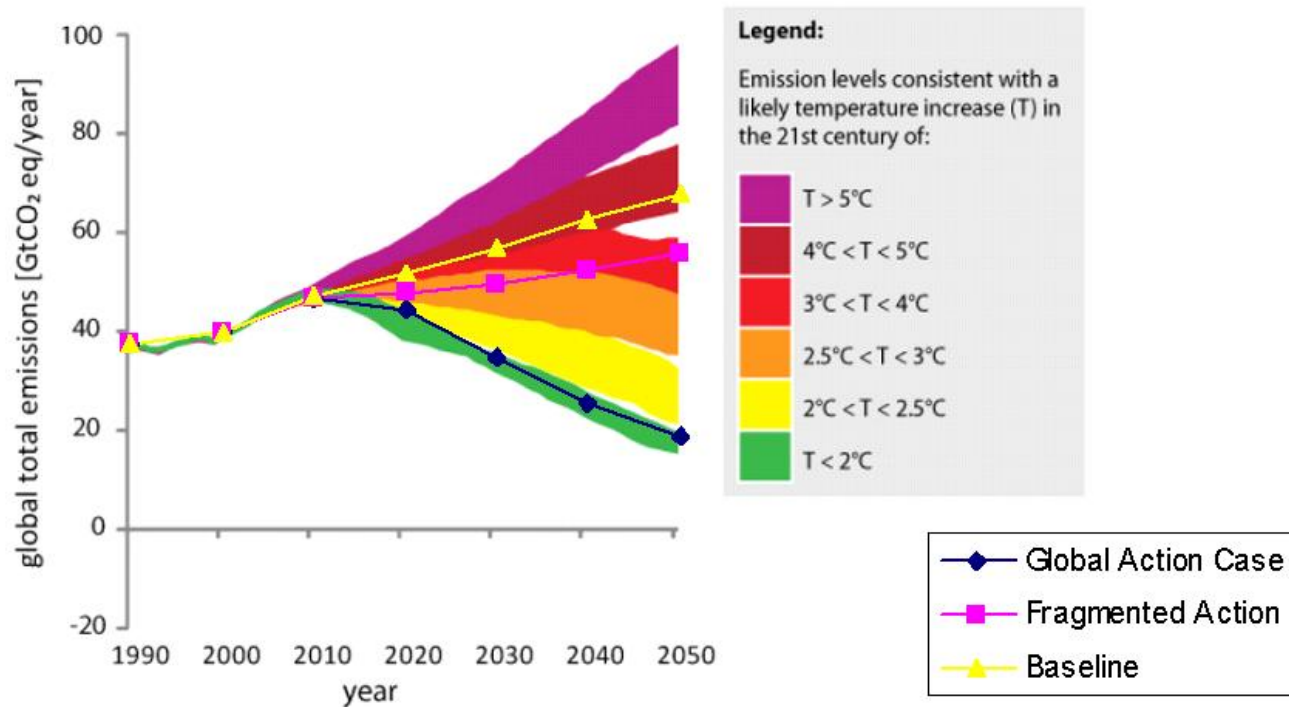
**Paris, 16 October 2012**

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# Outline

- The Gap - the Potential
- Real world carbon markets
- Challenges ahead
- Way forward
- Next steps
- Conclusions

# International challenge: The Gap



# **“Potential” role of the international carbon market**

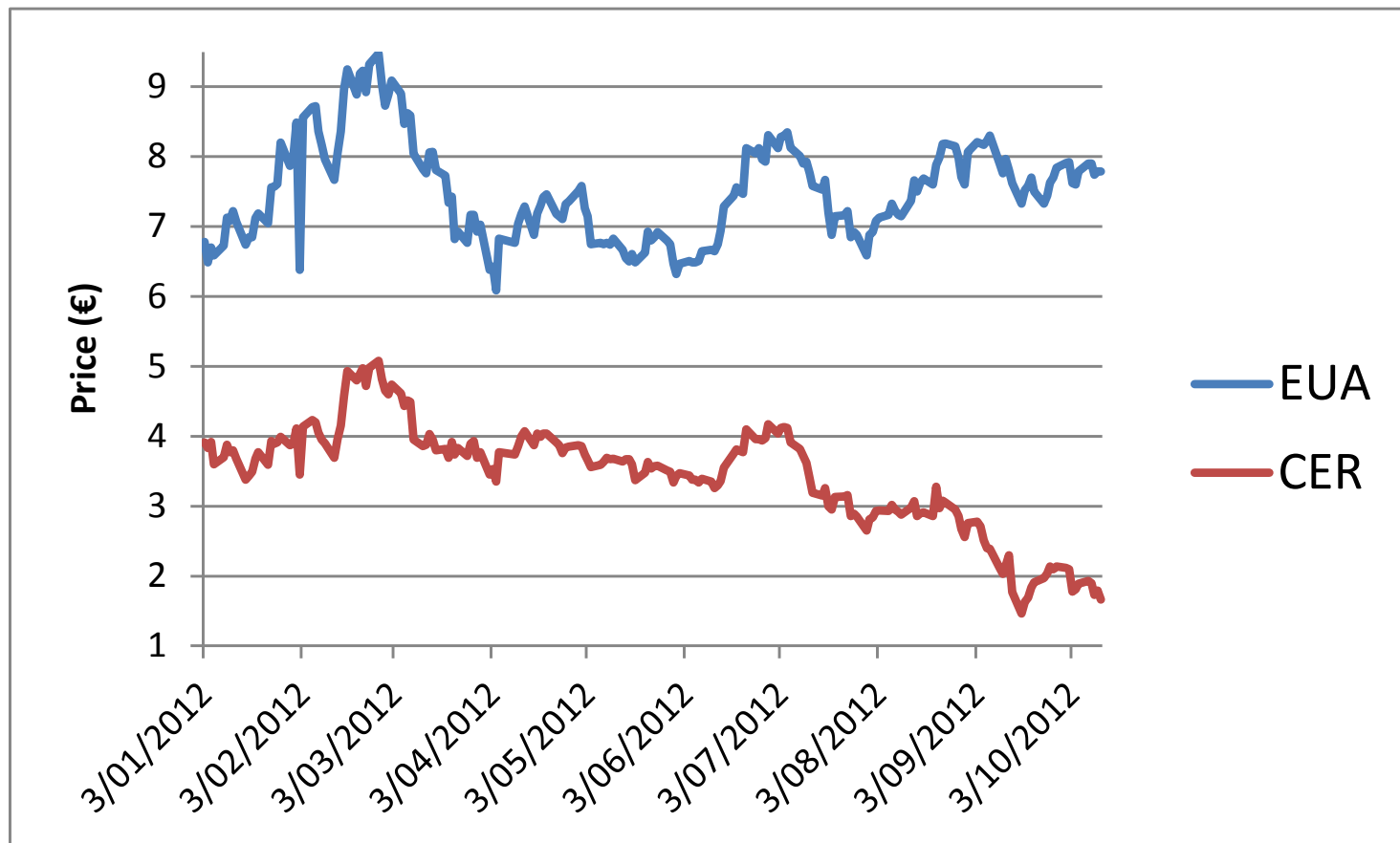
- Drives investments and achieves mitigation objectives at least cost;
- Incentivises ambitious abatement action;
- Generates financial flows to developing countries;
- Incremental investment costs in developing countries ~ € 100 bn/yr by 2020
- Carbon market: up to ~40 %
- Need instruments that provide environmentally robust credits at scale and facilitate transition to comprehensive multi-sectoral cap-and-trade systems.

# **‘Real world’ carbon markets – key to unlock low-emission development**

## *Experience from EU ETS*

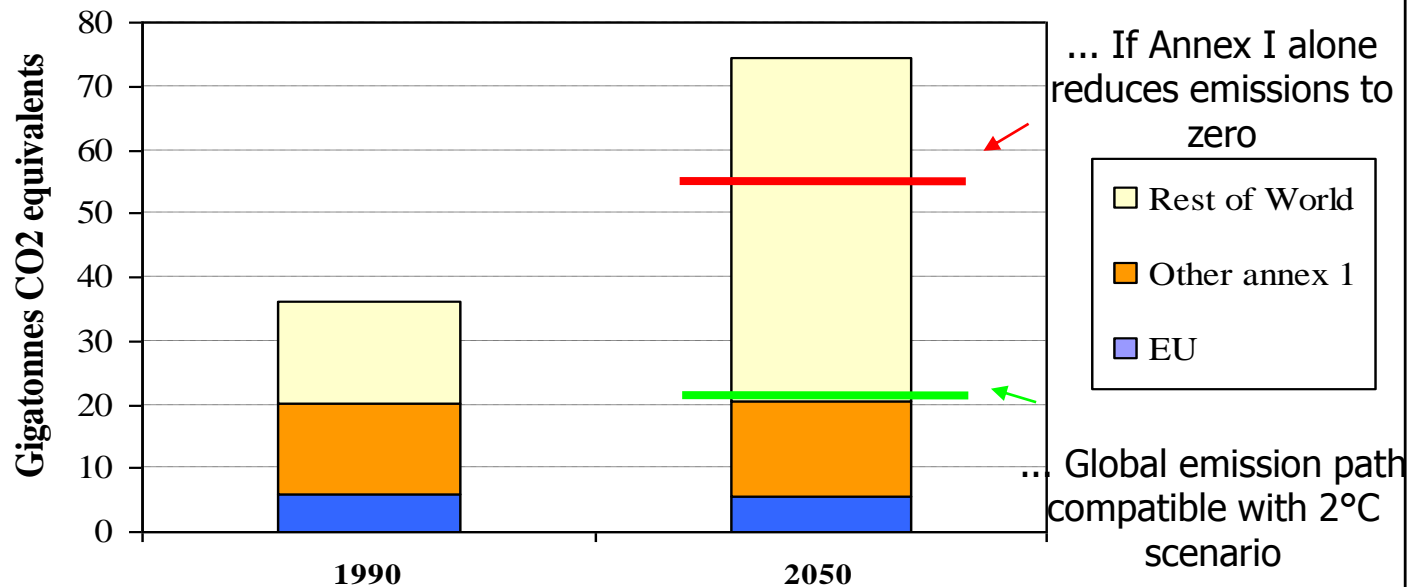
- **Cut emissions at least cost; productivity gains**
- **Lasting price signal: EU ETS annual reduction factor will lead to around 70% emission reductions in 2050 below 1990 levels;**
- **Generates new revenues to support low-carbon technologies: e.g. NER300 € 1.3-1.5 billion to 2-3 CCS and 16 innovative Renewable demonstration projects.**
- **Level playing field across the EU; which businesses operating in fragmented policy landscape in other regions are looking for**

# **“Real world” carbon markets: Supply and demand need to be in balance**



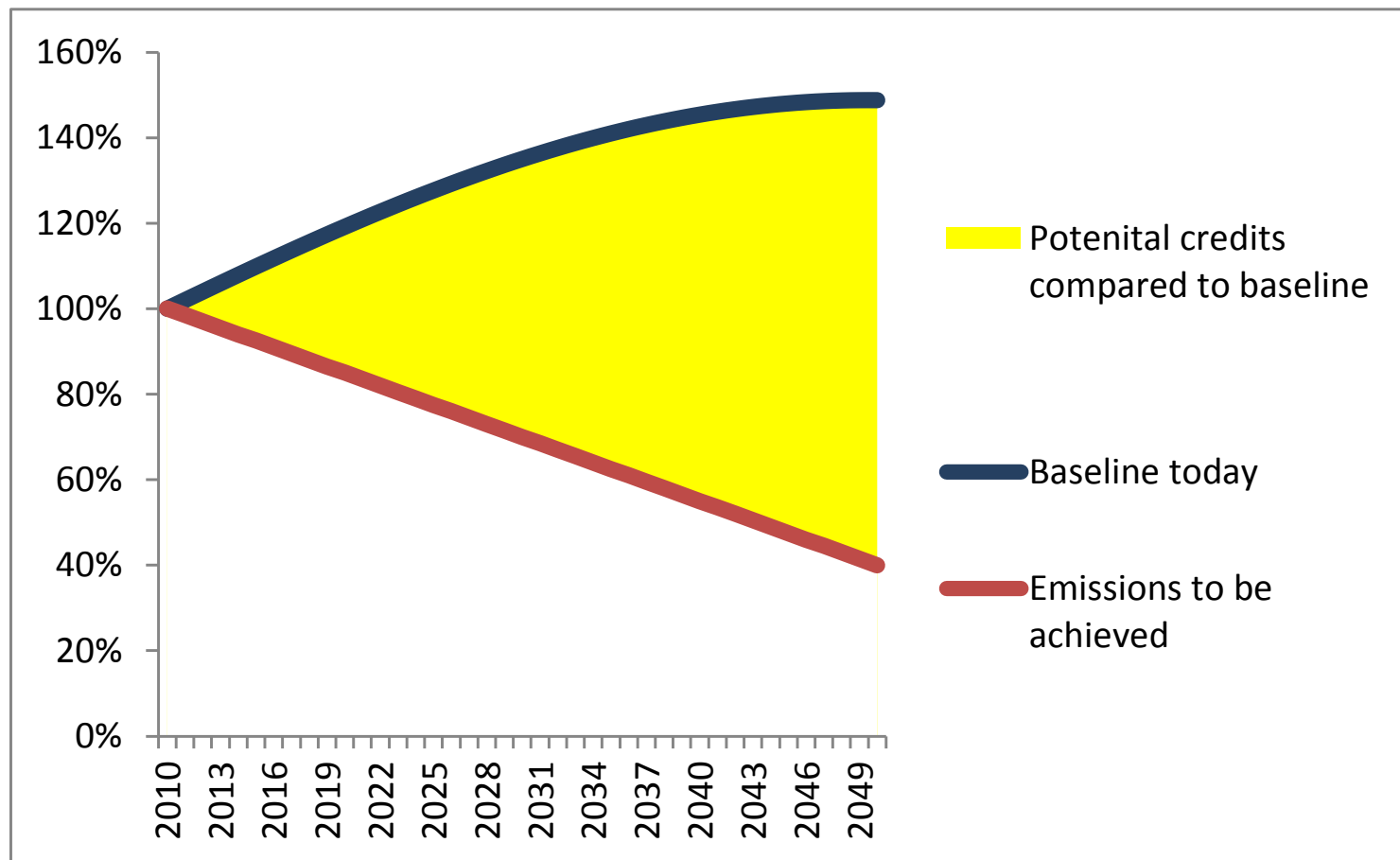
# Challenges ahead (1): “Offsetting” alone cannot solve the climate change problem

**Figure 1: Projected development of greenhouse gas emissions in different regions of the world**



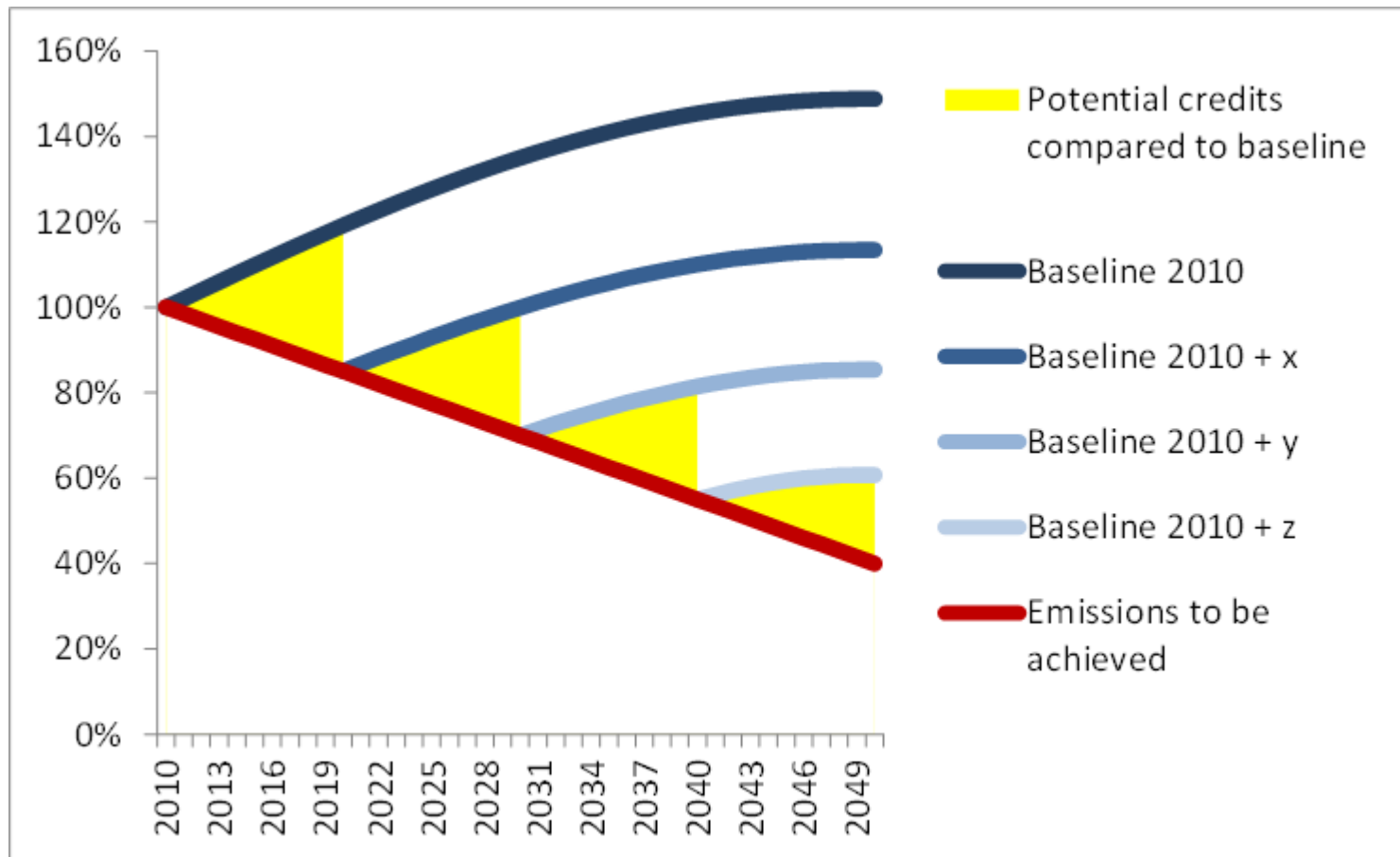
Source: Greenhouse gas reduction pathways in the UNFCCC process up to 2025, CNRS/LEPII-EPE, RIVM/MNP, ICCS-NTUA, CES-KUL (2003).

## Challenges ahead (2): “Crediting” not effective with a static, indefinite BAU...





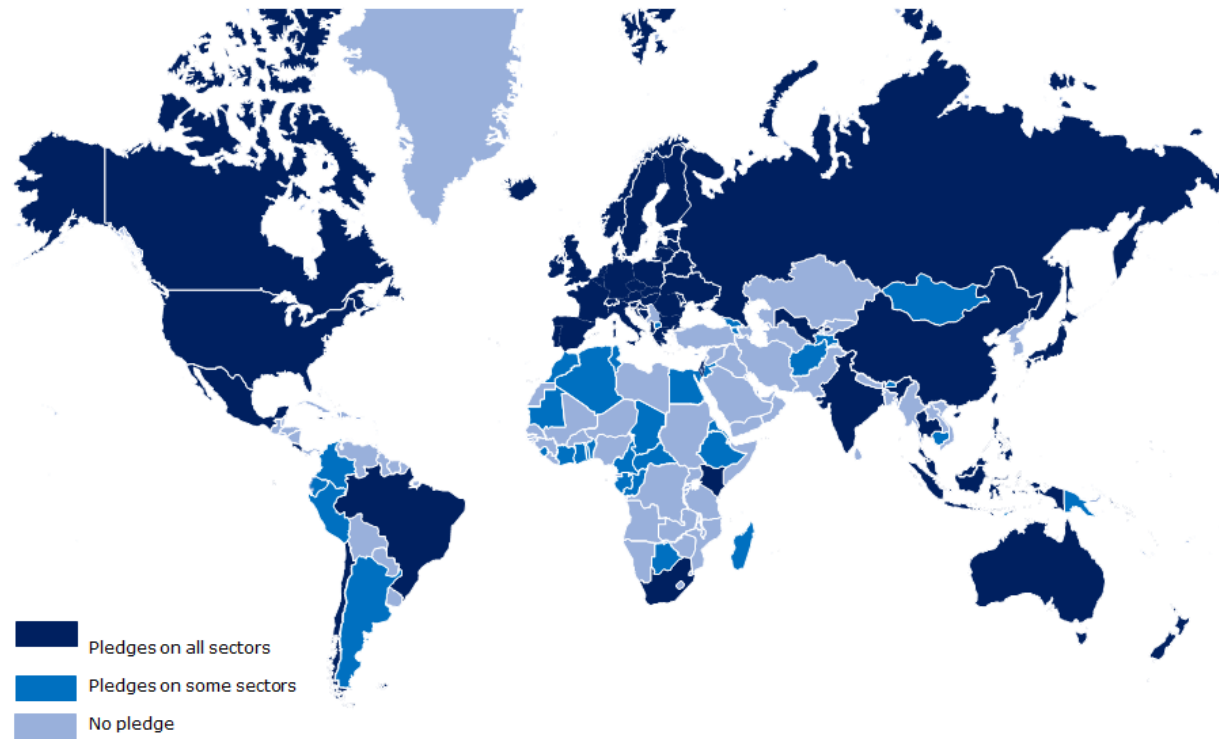
## ...but needs to recognise how our infrastructure changes over time



# Way forward (1): EC vision for post-2012 international carbon market

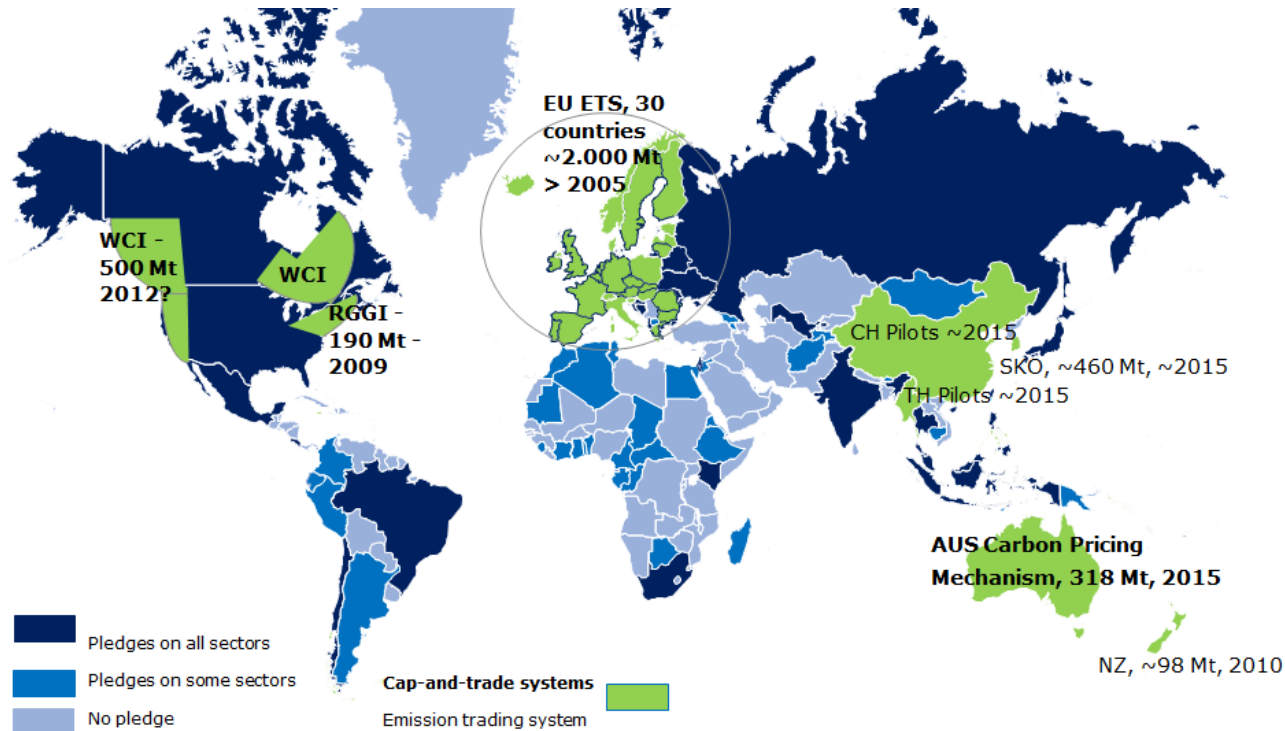
- Link compatible domestic cap-and-trade systems to develop an OECD-wide market;
- New sectoral carbon market mechanism for (advanced) DCs as a step towards cap-and-trade systems;
- Reform and better focus CDM (esp. LDCs);
- EU remains strongly committed to the UNFCCC process.

# Way forward (2): Implement 2020 pledges



*More than 110 countries ~85% of global emissions - ~90% of the global economy pledged emissions reduction targets or nationally appropriate mitigation actions under the Copenhagen Accord and on the basis of the Durban agreements.*

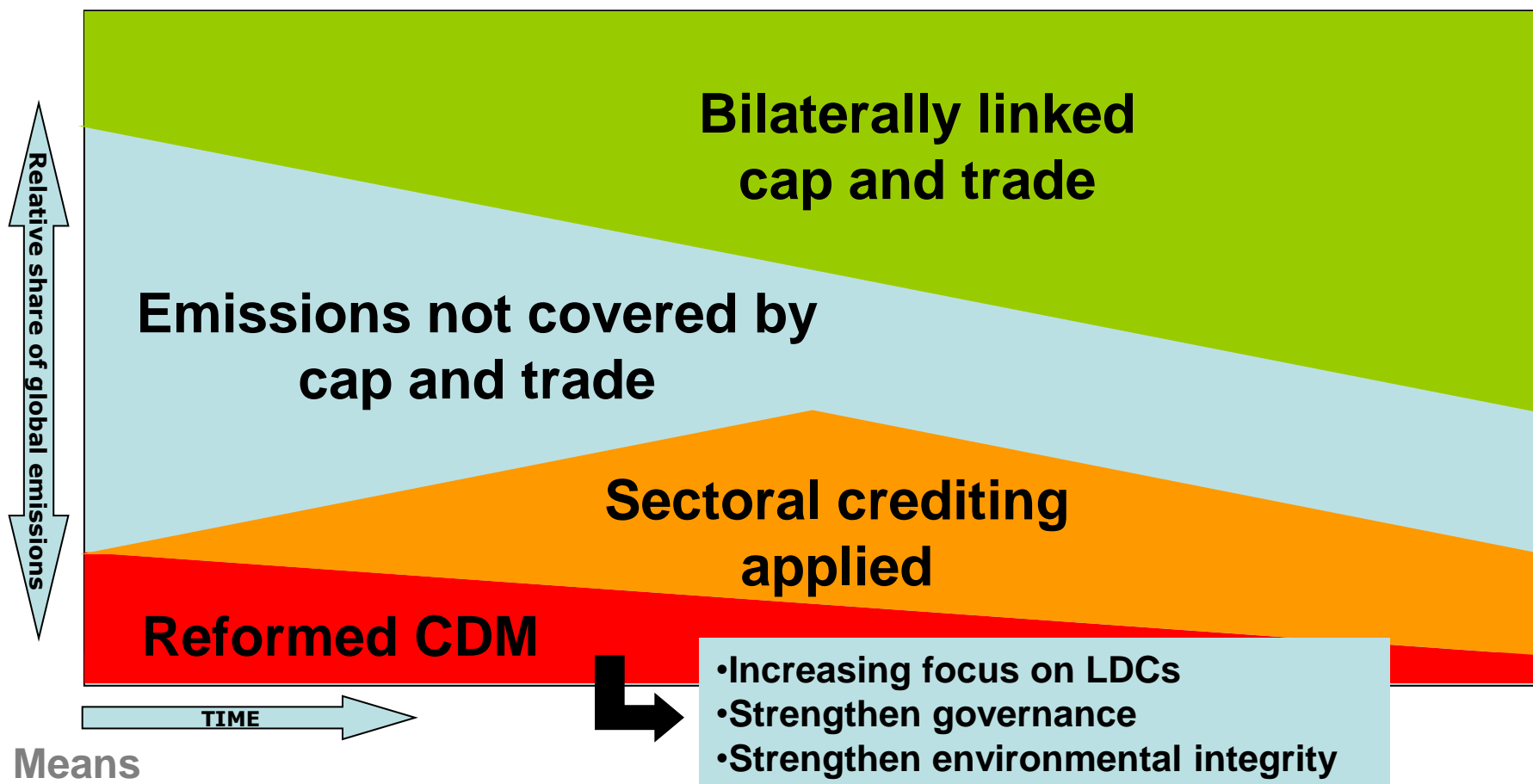
# Way forward (3): Develop robust market-based systems with clear accounting rules



***A growing number of regions developing emission trading or cap-and-trade systems to deliver their 2020 pledge***

**Need to clarify rules to measure progress to Quantified economy-wide emission reductions targets pledged by Annex I countries**

## Way forward (4): Carbon Market Transition



Through UNFCCC supply-side where possible  
Through (EU) demand-side where necessary

# Next steps (1): Deliverables in Doha

## *Implementation*

- **Kyoto Protocol: ratifiable amendment**
  - QELROs, length of commitment period, continuity for Kyoto mechanisms, carry-over of surplus units
- **Cancun/Durban agreements made operational**
  - Progress on a common accounting framework to understand pledges and compare efforts
  - New Market Mechanism: Modalities and Procedures, further technical work under SBSTA in 2013
  - Framework for Various Approaches: rules for ensuring comparable level of environmental integrity
  - LCA terminated, further work streams under SBs

# Next steps (2): Deliverables in Doha

## *Negotiation*

- **Durban Platform for Enhanced Action**
  - Work plan, especially 2013: including revisiting the role of UNFCCC in the international carbon market
  - Identify additional short-term mitigation action pre-2020
  - Keep ADP focused and effective!

# Conclusions

- *Carbon markets remain an attractive policy instruments and building the international carbon market will remain central throughout this decade.*
- *Next concrete steps will include deciding on the continuity of the Kyoto framework, improving the CDM, developing and testing New Market Mechanisms.*
- *In the context of the 2015 Agreement, the role of the UNFCCC in the international carbon market needs to be revisited.*