



The Road from Durban : GHG mitigation and Carbon Markets

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On Greenhouse Gas Emission Trading

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The UNFCCC international architecture and Emission Trading

Let's recall the basics:

- The KP includes provisions for
 - Trading between of AAU between Annex 1 countries
 - CDM and JI projects-based trading
- All the other elements of Emission Trading are established through:
 - Regional and national schemes
 - Bilateral /multilateral arrangements
 - Voluntary schemes

The UNFCCC international architecture and Emission Trading

The lessons (as seen by business at large):

- The carbon prices are driven by the national / regional schemes supply – demand balance, not by the international framework
- The international system (UNFCCC, KP) has been key for :
 - Establishing project-based methodologies
 - Popularizing ET in non-Annex 1 countries
 - Covering new sectors: REDD+
 - Considering links with ET for programmes and sectoral approaches
- The direct trading of AAU between countries:
 - Driven by windfall revenue generation for the sellers
 - A cheap way to escape from ambitious action for the buyers
 - Contributing to reduce the int'l carbon price

What could be the future role of the international architecture ?

Facing the dominance of national climate policies in setting the levels of mitigation ambition, business sees the key role and priorities of an international architecture as:

- Building tools (MRV) allowing a fair assessment and comparison of national targets and achievements
- Developing instruments to support a higher level of mitigation ambition for developing countries (CDM, Technology mechanism, GCF, Nama)
- Supporting an economic approach of mitigation (carbon pricing)
- While recognizing CBDR, allowing more international ambition through a progressive convergence of national ambitions

The main high level business messages

- Recognize the internalization of the costs of the carbon externality (carbon pricing) across the whole economy as the main instrument of national and international climate policies
- Recommend the design the corresponding schemes in a way allowing to encompass both mitigation and adaptation
- Support setting sufficient ambition through internationally agreed targets to drive change at a pace commensurate with the 2°C goal
- Call for a clear, transparent, unambiguous and significant price on carbon emissions deriving from this ambition, as the only mean to mobilize finance at scale for the investments needed to transform globally the energy system
- Consider that acting NOW through linking existing markets, and developing national policies as well the international architecture along these ambitious lines will bring a contribution to overcome the current economic downturn