



12th IEA-IETA-EPRI Annual Workshop on
Greenhouse Gas Emission Trading 15-16
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The Road From Durban: GHG Mitigation and Carbon Markets

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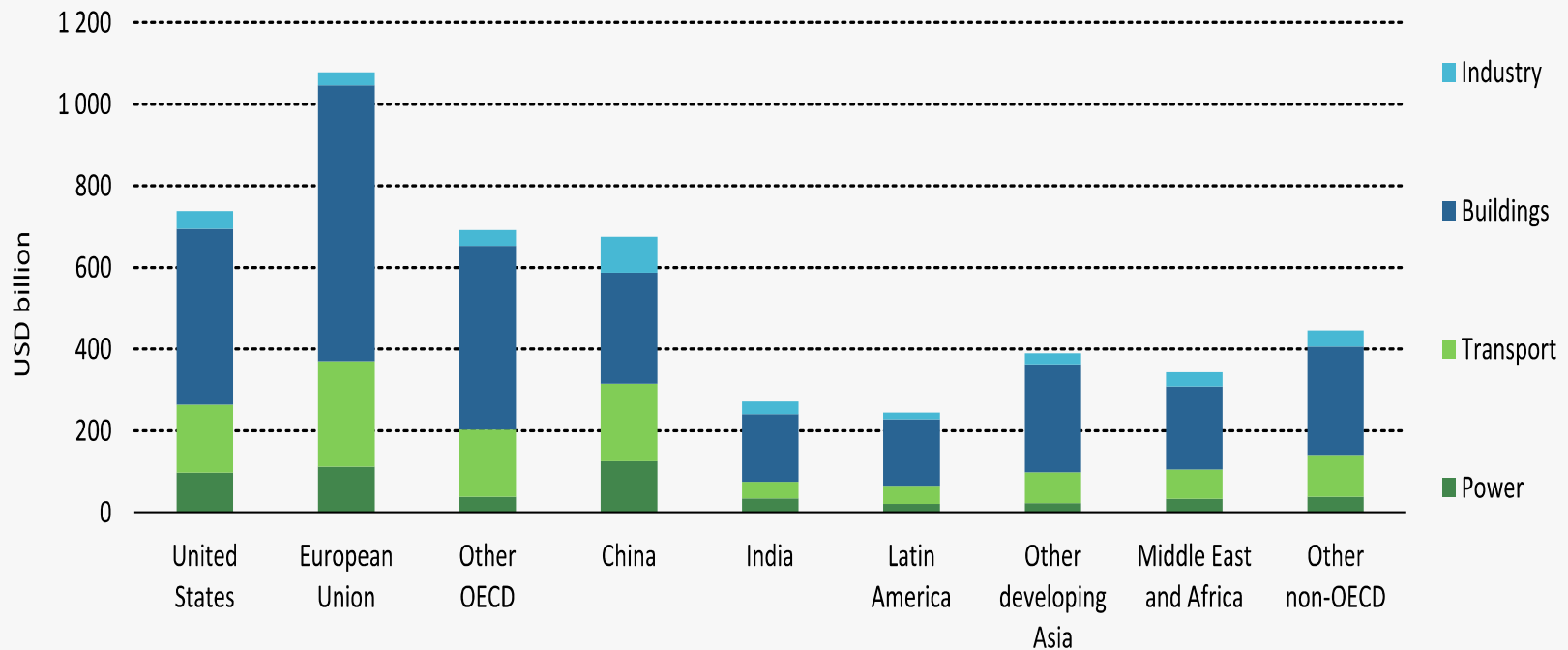


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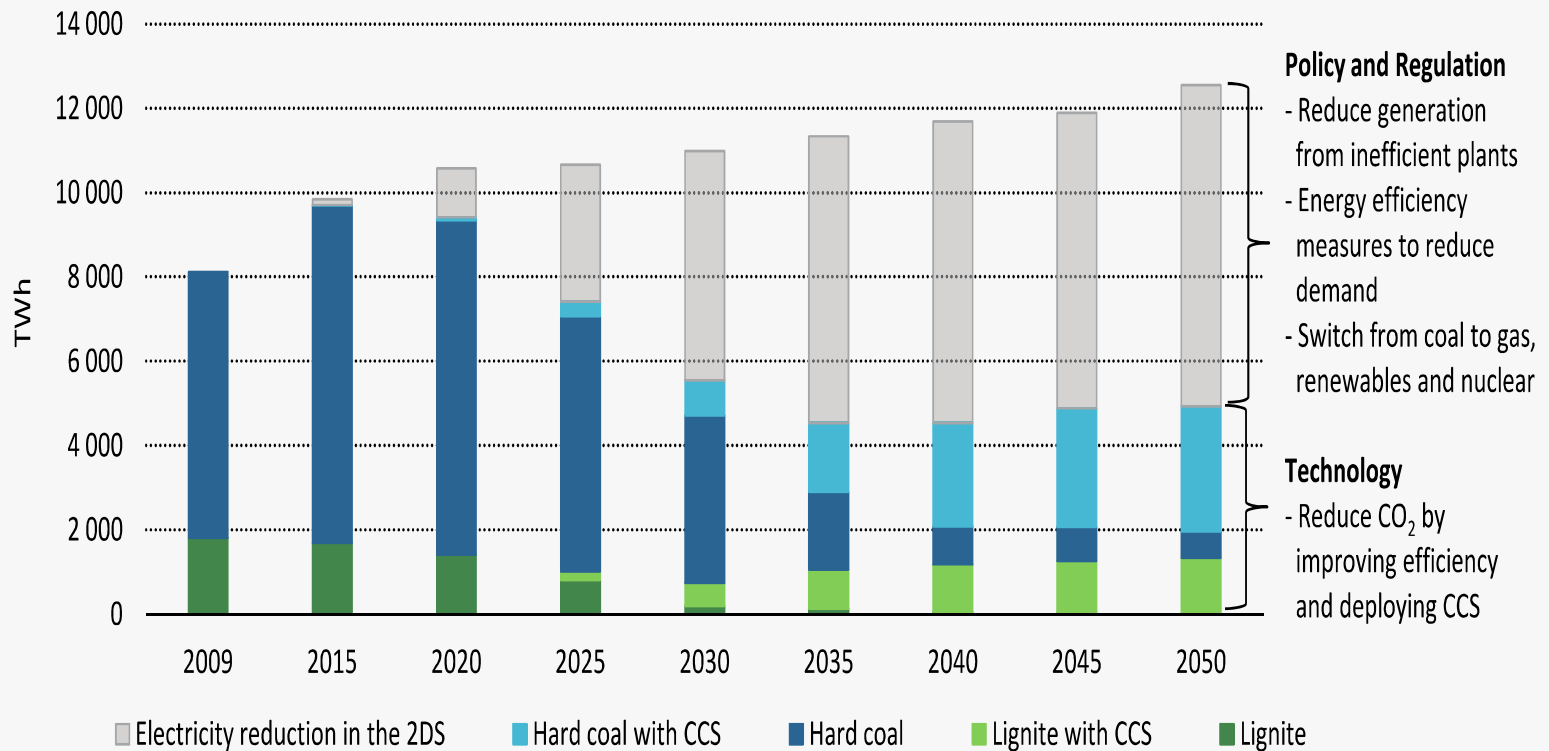
Markets and what needs to be done

Cumulative additional investment 2010-2020 in the IEA's 2-degree scenario compared with the 6 degree scenario





Two Different Power Generation Futures: 2 Degrees or 4 Degrees





Can Carbon Market Instruments Foster Progress towards Greater Ambition?

- Yes – if ambition is increased by lowering its cost, and the market is wide and deep enough to make lower cost emissions available
- Yes – if these instruments are used as an aid-distribution, or aid-conditionality, tool: and the aid recipients play ball
- No – since successful instruments depend on increased demand restoring private sector interest in carbon, not vice-versa
- No – if the clear identification of a price of carbon reduction fosters unwillingness to pay it
- No – if the taxpayer is seen as an easier touch than the customer or shareholder



How to get companies to believe

- Today's carbon price does matter, but not as much as tomorrow's
- Governments are unconvincing when talking of distant tomorrows
- Tomorrow's price will be discounted three times: time-value of money, political risk, and opportunity cost
- It's not just the people in this room who need to believe
- Belief is hard to restore once damaged – yet the damage continues
- Beliefs are creatures of fashion

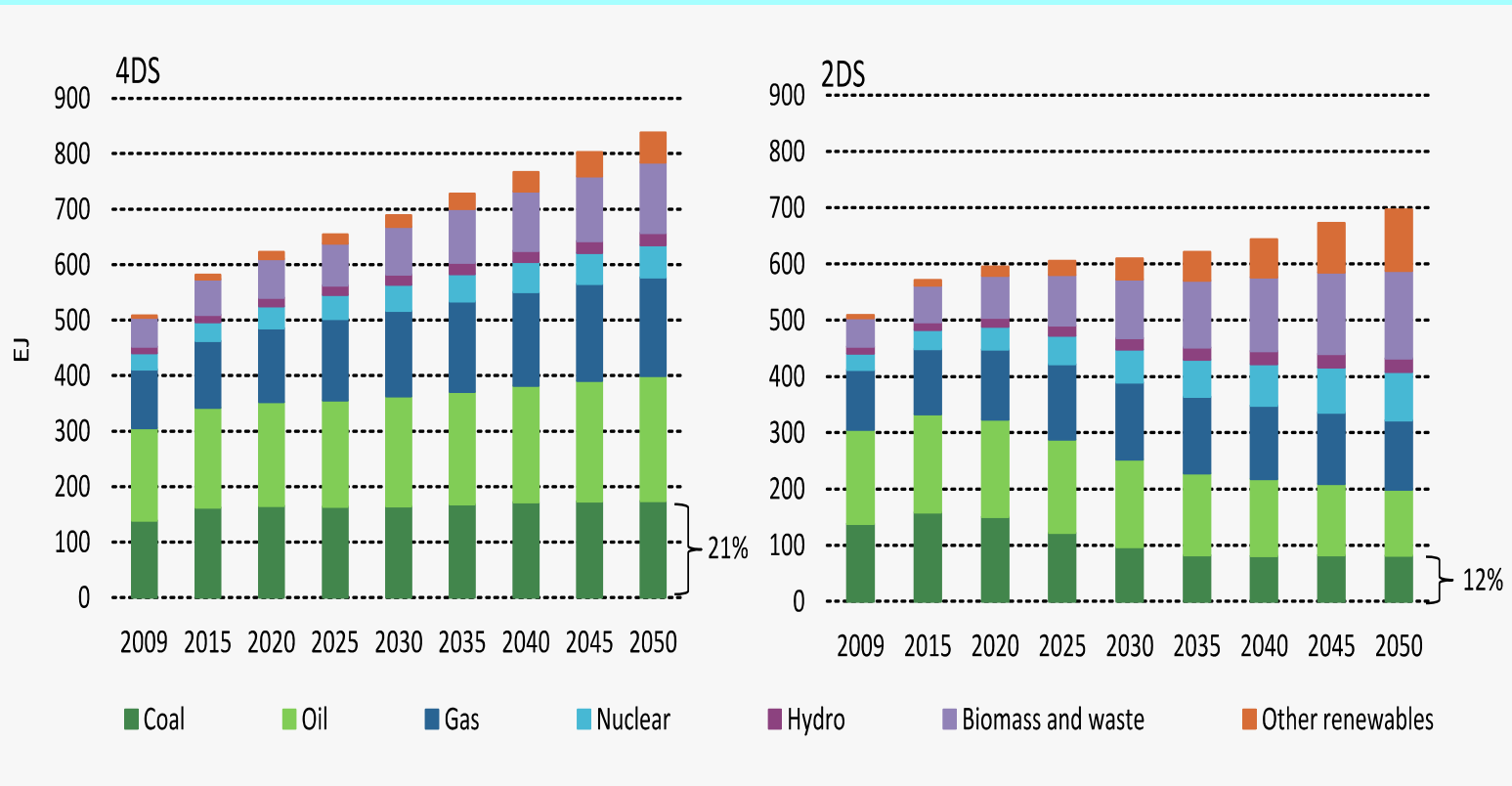


Markets and Ambition – a reality check

- Does the CDM matter any more?
- For how many countries is it true that healthier **international** markets will help increase their ambition?
- For how many countries is it true that new or improved **national** markets will help increase their ambition?
- If NA1 ambition depends on funding, are markets a necessary part of the emerging funding instrument?



Which is it likely to be?





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