



# *Market Mechanisms What's up with offsets?*

Trevor Sikorski, September 2013

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## The case for offsets

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*If every emission was under a cap, that would be a more efficient solution*

*Rationale:*

*1: Coverage: To cover emissions not otherwise under a formal cap*

*2: Efficiency: To provide access to emission reductions with a lower cost of abatement*

*NOT sustainable development*

*- Drawback: No associated DEMAND-side. It needs a capped system.*

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## The case for offsets (2)

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*Key: Interaction with capped emission targets*

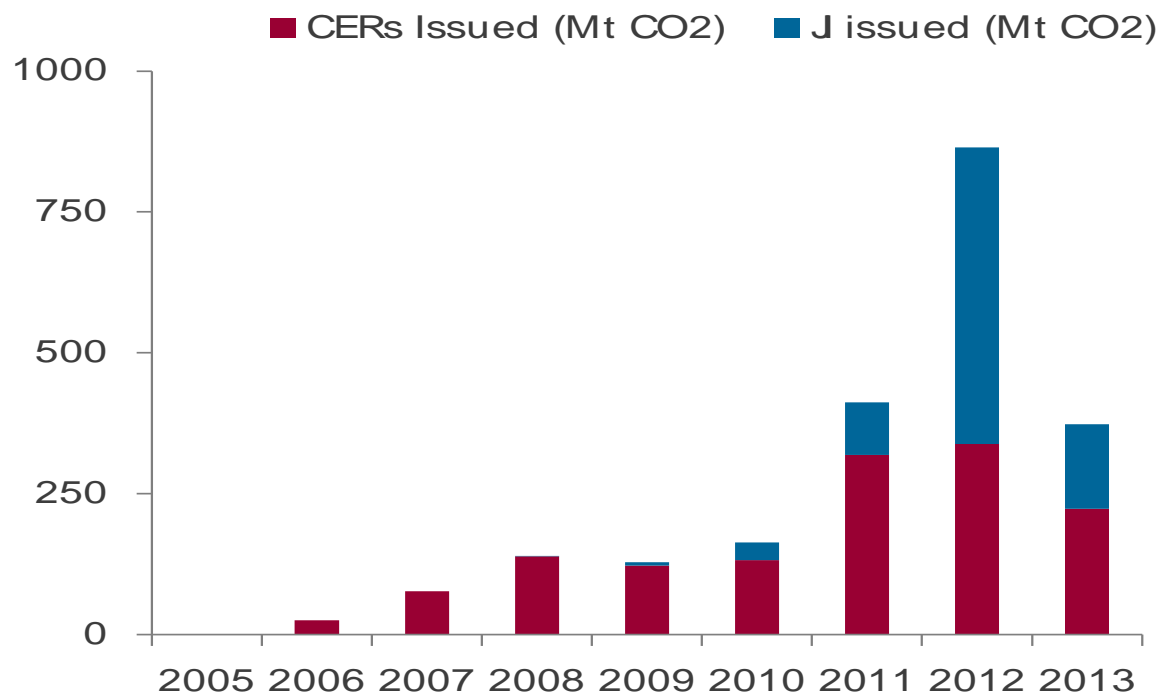
### ***ADDITIONALITY***

*If the offset is being sold into a capped system, and it is not additional, then from a standpoint of “carbon stored in the atmosphere”, you are worse off.*

# Experience to date with CDM and JI

## CDM and JI issuance

Mt



*Supply is not the issue –  
its **DEMAND***

Total issuance end of August 2013: CERs = 1376 Mt; ERUs = 807 Mt = total 2183

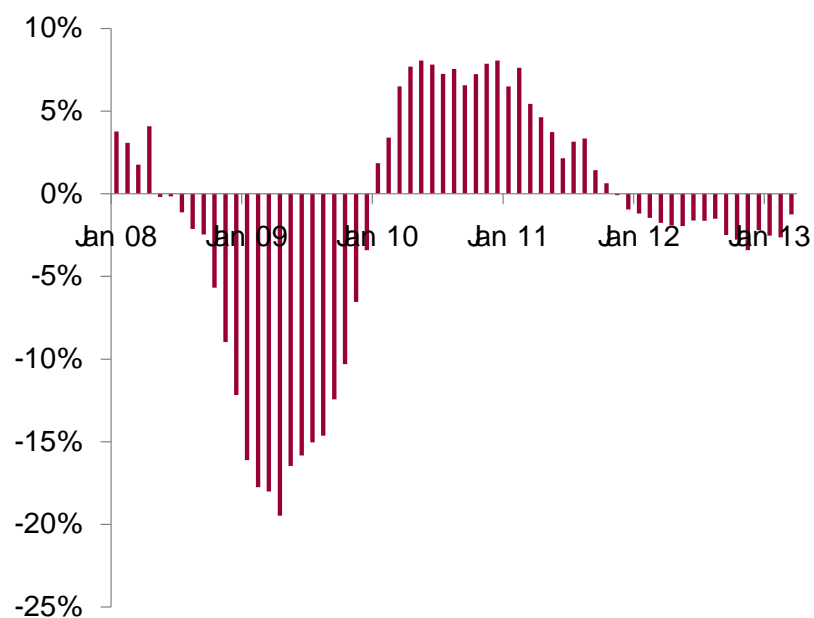
Demand 2008-2020: 2500?

Prices: Hard to see them above 1 €/t before 2020

# How many do we want? The experience with the EU ETS

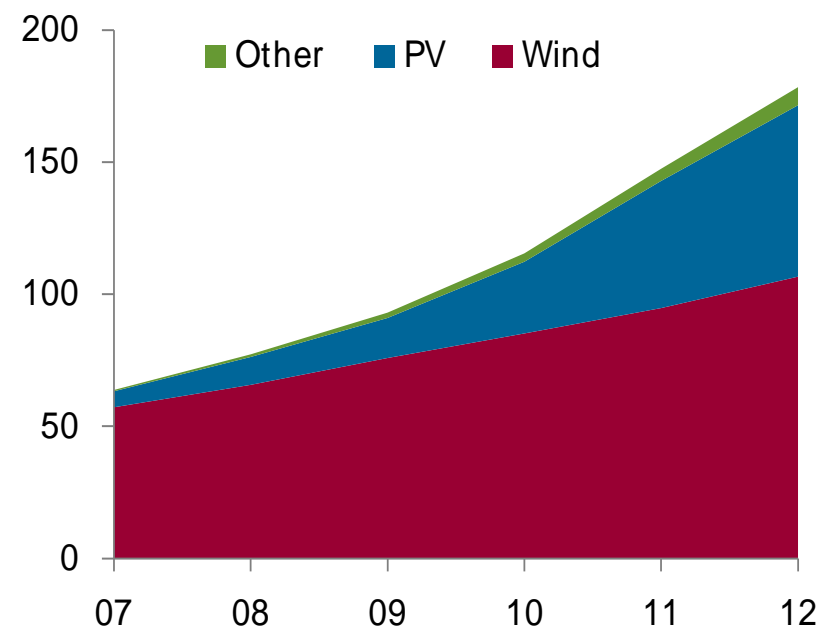
## 1. Economic performance

v/v % change, Industrial production



## 2. Renewable energy investment

GW



EU economic growth poor:

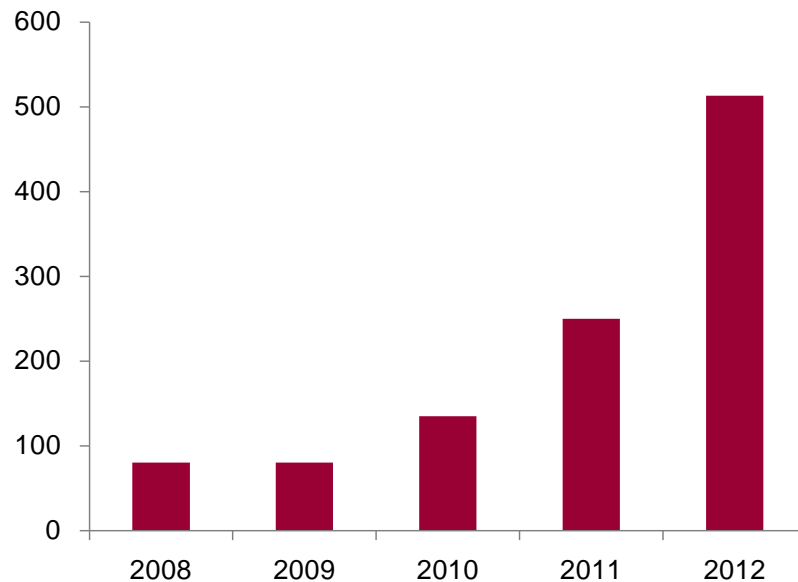
|      | IP     | Emissions |
|------|--------|-----------|
| 2009 | -15.0% | -15.5%    |
| 2010 | 7.4%   | 5.6%      |
| 2011 | 4.9%   | -1.7%     |
| 2012 | -1.9%  | -4.5%     |

Over the P2 EU ETS = 117 GW of renewables added

# Offsets played huge role in over-supply

## 3: Use of off-sets

Mt CO<sub>2</sub>



*Total offsets used:* 1 058 Mt

*Total cap less the emissions:* 635 Mt

*Total length:* 1 693 Mt

*Offsets have provided cost containment by effectively increasing the EU cap.*

*Why do we not like that????*

*Policy makers – sort out what you want before more supply-side mechanisms are created.*



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