

Carbon markets in a future climate agreement: the road to 2020 and beyond

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THE ROLE OF CARBON MARKETS IN THE NEW CLIMATE AGREEMENT

- Carbon markets provide the best way to scale up mitigation ambition at the lowest cost/greatest certainty
- Markets represent a future where emitting carbon has a price, regardless of your location
- They create space for international progress by demonstrating willingness to act, and by creating cooperative action that helps more action grow.



THE ROLE OF CARBON MARKETS IN THE NEW CLIMATE AGREEMENT

Markets must be a key component of any future climate-action framework because they:

- cross international boundaries through the creation of tradable assets;
- encourage and are driven by national and subnational policy;
- empower the private sector by creating economic reasons to reduce emissions.



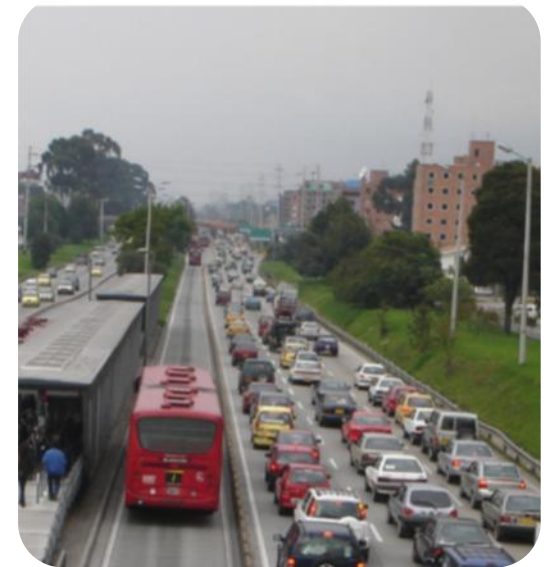
THE ROLE OF CARBON MARKETS IN THE NEW CLIMATE AGREEMENT

- Negotiations already indicate markets will play a part in the new climate agreement
- During the recent ADP2 sessions, countries acknowledged that carbon markets must continue to play an important role for catalysing cost-effective mitigation and provision of means of support in the future regime



THE ROLE OF CARBON MARKETS IN THE NEW CLIMATE AGREEMENT

- The existence of the CDM will also give countries a higher level of comfort to be more ambitious
- UNEP has indicated a gap of at least 8 Gt between projected 2020 emissions and a two degree pathway
- CDM could scale up to cover a significant part of that, even if some of the present host countries may choose other instruments to target parts of their economies



HOW CAN BOTTOM-UP CARBON MARKET DEVELOPMENTS STIMULATE GREATER AMBITION?

- The future of climate response is highly dependent on markets
- Markets will grow when policy makers and the private sector gets more involved and Parties increase their levels of mitigation – 2015?
- Markets must continue to improve in the meantime to stimulate greater mitigation ambition



HOW CAN BOTTOM-UP CARBON MARKET DEVELOPMENTS STIMULATE GREATER AMBITION?

The future of markets must include at least two critical components:

1. New markets that cover more global emission reductions
2. Linked markets that increase trading opportunity & fungibility

(What level of international oversight of units used for compliance with existing or future international agreements?)



HOW CAN BOTTOM-UP CARBON MARKET DEVELOPMENTS STIMULATE GREATER AMBITION?

Linking markets is important for several reasons:

- It creates standard trading units & reduces the possibility of double counting;
- Markets that cross national/regional borders stabilize market fluctuations & restore investor confidence;
- It sets a global price for carbon, which establishes carbon credits as a fungible and tradable asset.



HOW CAN BOTTOM-UP CARBON MARKET DEVELOPMENTS STIMULATE GREATER AMBITION?

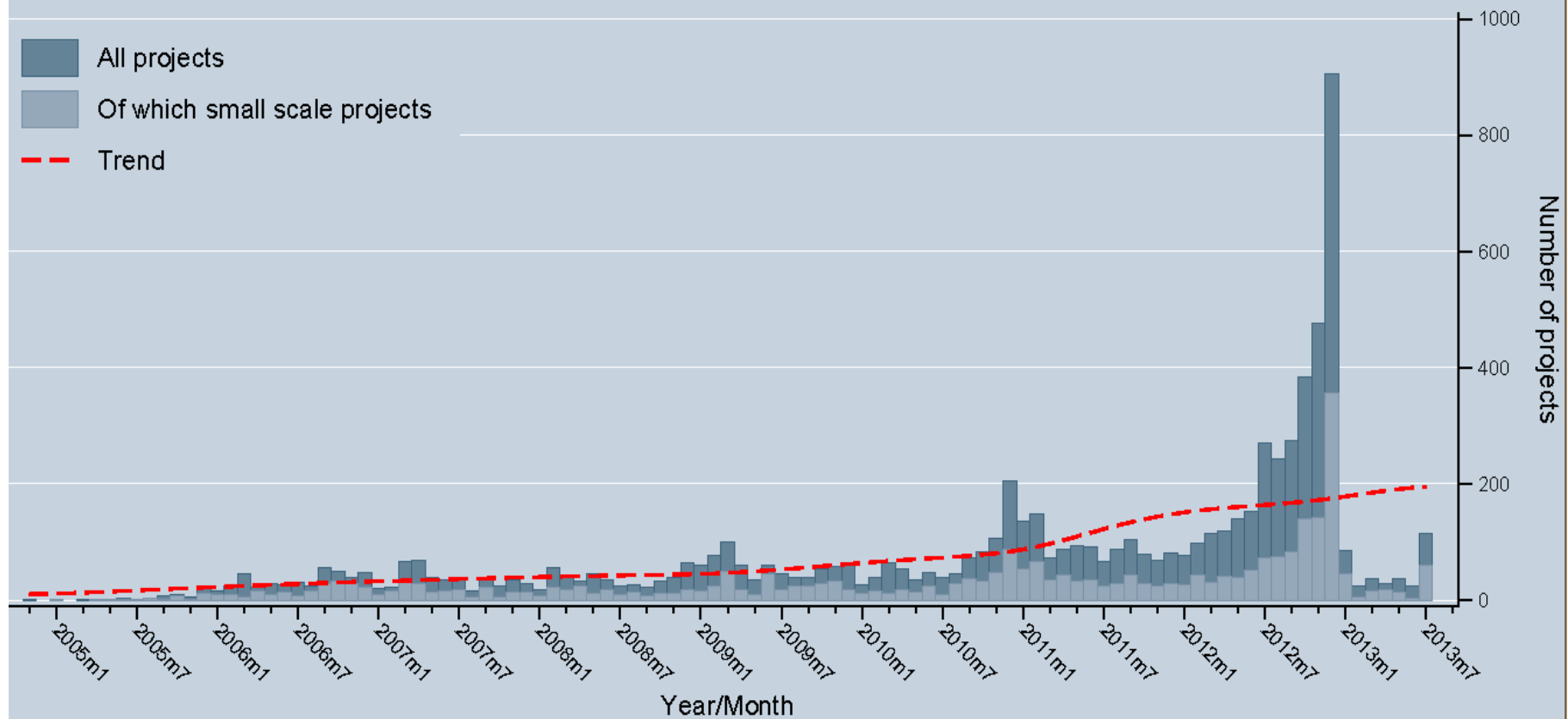
In closing...

- * NMMs/NAMAs are not replacements for the CDM. They are additional tools that countries want to create to help combat climate change.
- * The CDM is active & contributing to sustainable development. Countries should look for additional mechanisms but these should not be a reason to forego the benefits of the CDM.



(CDM SCALABILITY)

Projects registered and registering



7,160+ PROJECTS AND COUNTING...

200+ PROGRAMMES OF ACTIVITIES

89 DEVELOPING COUNTRIES

200+ UNIQUE METHODOLOGIES

4,500+ ORGANIZATIONS

110,000+ MW OF RENEWABLE ENERGY (AS OF 2012)

1.37+ BILLION TONNES OF AVOIDED CO₂

USD 215+ BILLION INVESTMENT (AS OF 2012)

THE KYOTO PROTOCOL'S
CLEAN DEVELOPMENT MECHANISM



FURTHER INFORMATION:

<http://cdm.unfccc.int>

THANK YOU

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