

Workshop on mitigation potentials, comparability of efforts and sectoral approaches

Hosted by: European Commission, Japan and Poland

How carbon markets and sectoral approaches can facilitate further action

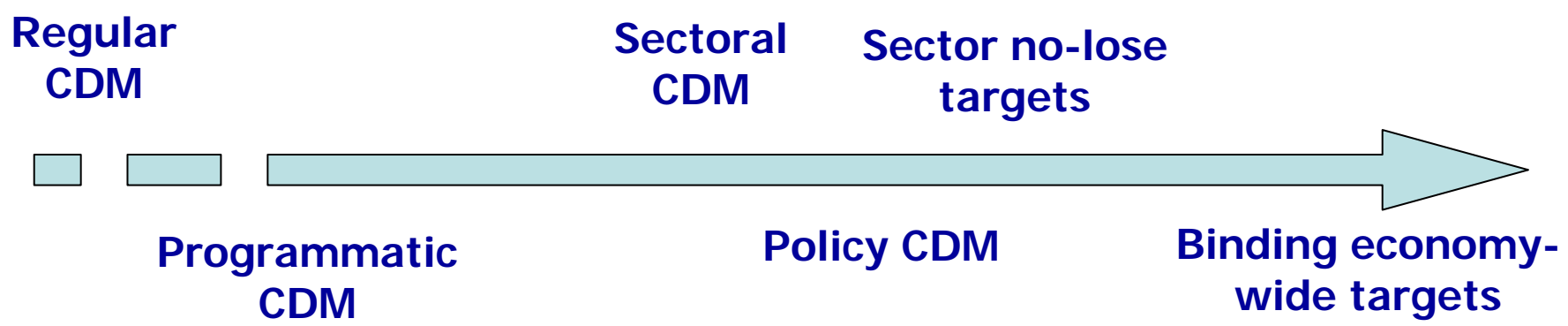
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Scaling-up developing country contributions within the UNFCCC



Source: Ecofys (Jung), 2008

The transition period

Definitions & assumptions

- **What sectoral approach definition: SA as a tool box**
- **Carbon markets are crucial element of the post-2012 regime (least cost; accelerating developing country actions; financial transfers)**
- **Carbon market challenges: aligning regulatory and investment cycles; manage inevitable transition period**

Definitions & assumptions (cont'd)

- Bali Action Plan calls for enhanced actions on mitigation and adaptation in developing countries enabled by technology, finance and capacity building.
- Possible *carbon-market* relevant mitigation actions ?
 - Capacity building including MRV, design of NAMAs
 - Technology & efficiency financing (new investment)

Adaptation: technology transfer; integration of adaptation and low carbon strategies; risk reduction & insurance products; microfinance;

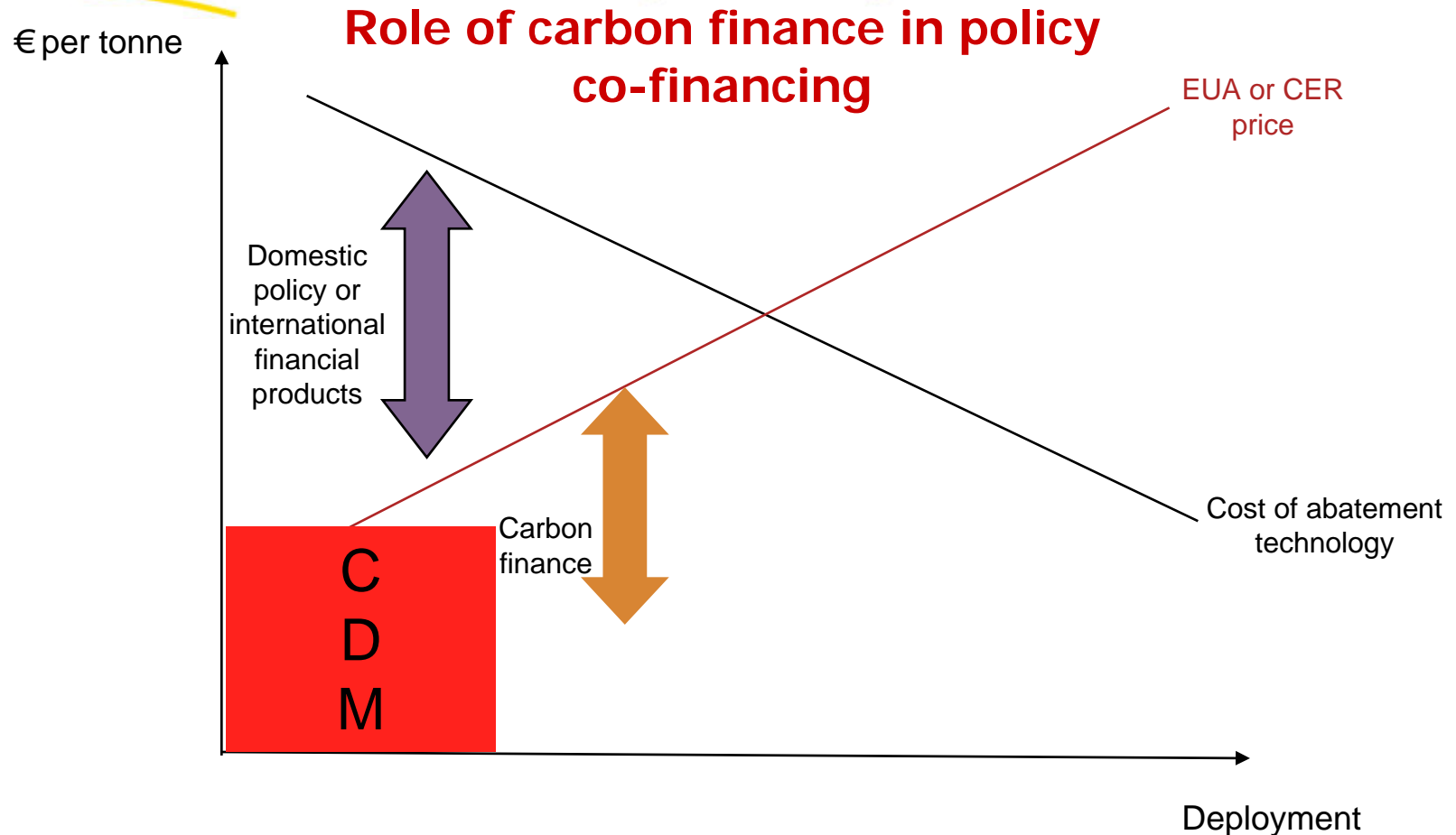
Carbon market issues

CDM lessons

- More investor friendly, efficient and transparent → beyond projects
- Environmental integrity (additional reductions) → beyond off-setting
- More scale & scope → beyond a 'one-size-fits-all' approach

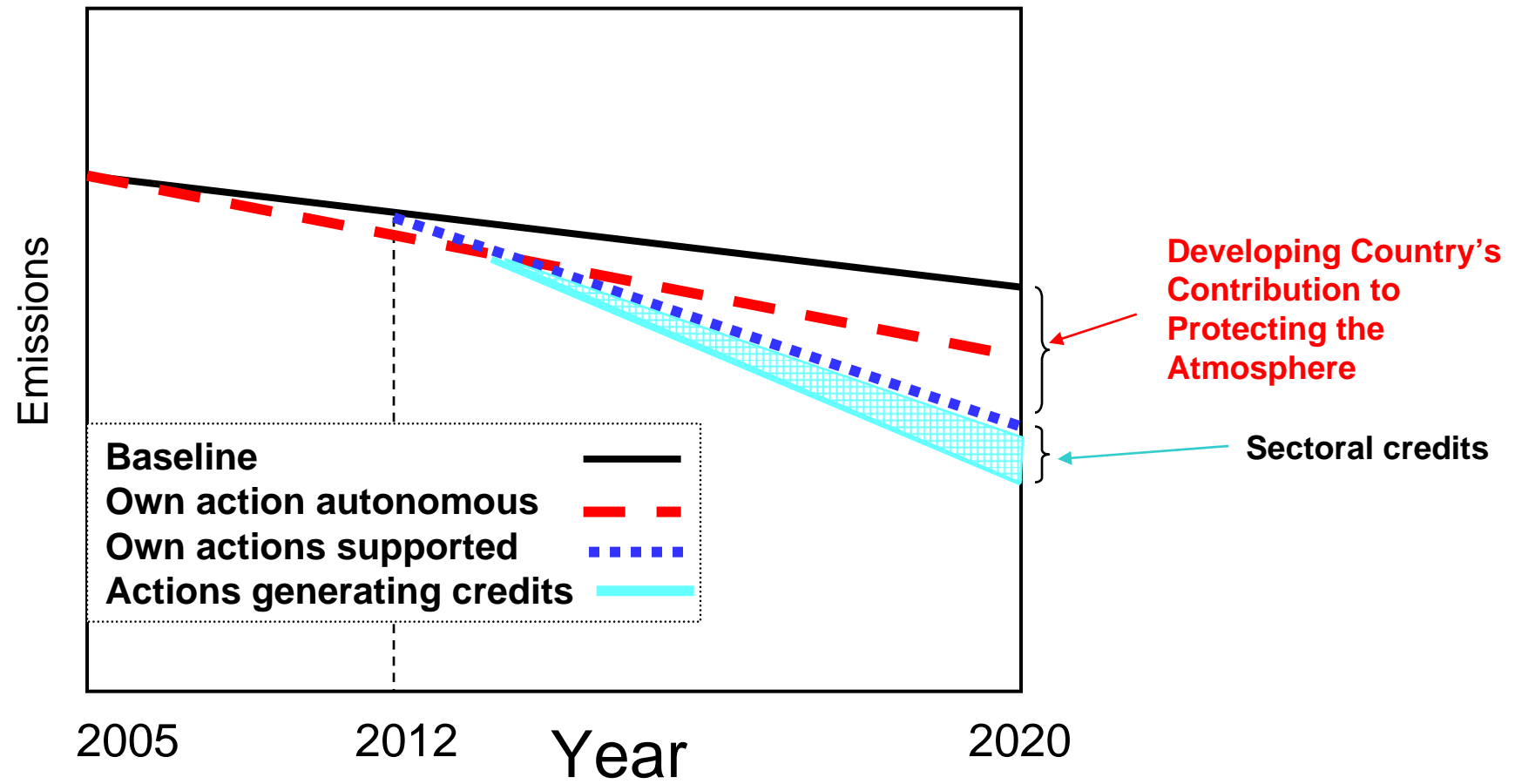
Possible evolution

- **Differentiation between developing countries, including discounting**
- **Increased standardisation (lower transaction costs; easier to get to scale; easier to differentiate) to increase regulatory visibility**
- **Technology specific standards**
- **Installation level MRV instead of activity (project) level MRV**



Source: Climate Change Capital

Sectoral crediting



Source: CCAP

Questions: sectoral crediting

- Distinction between “supported” and “generating credits”?
- Do carbon markets support capacity building?
- Who gets the (sectoral) credits?
- Who pays for (sectoral) credits?
- Supply/demand balance: (developing country actions) needs to match demand (from developed countries commitments)
- Sectoral crediting and competitiveness (what balance?)
- Technology deployment commitments/actions and carbon markets?
- How to combine low-cost energy efficiency projects/actions with high-cost renewables/CCS

Conclusions

- Long-term: sectoral approaches can be a stepping stone on the way to economy-wide commitments (in the future)
- Short-term: key links are
 - sectoral crediting
 - Capacity building & MRV
 - Transparent baseline & real reductions
 - Regulatory visibility



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