

THE FUTURE CARBON MARKET LANDSCAPE: INTERNATIONAL CLIMATE NEGOTIATION PERSPECTIVE

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"CARBON MARKET CREDIT DYNAMICS"

Potential Demand/Supply International Credits (CERs, ERUs): 2013 - 2020

Demand	MtCO ₂ e
Australia	~ 90
EU27, Iceland, Liechtenstein, Norway & Switzerland	< 1,400
Japan	Low
New Zealand	~ 70
North America	~ 80
<i>Total Demand</i>	<i>~ 1,600</i>
Supply	MtCO ₂ e
CERs - EU ETS eligible	1,690
CERs – other	223
ERUs – EU ETS eligible	7
<i>Total Supply</i>	<i>1,920</i>
Supply Demand Balance	~ + 320

Source: World Bank, 2013. *Mapping Carbon Pricing Initiatives*. Carbon Finance at the World Bank. Washington..



EU ETS EUA Dynamics: 2013 - 2020

Supply Demand Balance	~ +2 billion EUAs
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Source: European Commission, 2012. *The State of the European Carbon Market in 2012*. COM (2012) 652. Brussels.

FUTURE OF THE GLOBAL CARBON MARKET



UNFCCC CLIMATE NEGOTIATIONS

- “Durban Platform for Enhanced Action” and “2015 Agreement”
- “2015 Agreement” and “Spectrum of Commitments”
 - Incentivising investment in market mechanisms
- “2015 Agreement” new climate framework & architecture
 - Defining the post 2020 future for the CDM and JI



THE FRAMEWORK FOR VARIOUS APPROACHES (FVA)

- COP17 identified a work programme to consider a FVA with COP18 launching a work programme to define the elements of the FVA
- What is the FVA
 - “Establishing common accounting standards and conformity checks for units or quantifiable emissions outcomes crossing Party boundaries and used towards commitments under the Convention in order to maintain the highest level of environmental integrity and to safeguard robust accounting for cross border mitigation outcomes”
 - An accounting framework facilitating ETS linkage
 - Two models being discussed
 - Units crossing borders must be approved by a UNFCCC body
 - UNFCCC no approval power but provide a set of guiding principles



FRAMEWORK FOR VARIOUS APPROACHES (FVA)

Developing FVA Work Programme

What is the purpose of the FVA?

What is the role of the COP?

What is the scope of the approaches to be included?

Set of criteria and procedures to ensure environmental integrity of approaches?

Technical specifications to avoid double counting through the accurate and consistent recording and tracking of mitigation outcomes

Institutional arrangements for the framework

FVA Piloting



THE NEW MARKET MECHANISM (NMM)

- COP17 defined a new international market mechanism
- New Market Mechanism
 - Scale up mitigation beyond existing international Kyoto mechanisms
 - Stimulate emissions reductions across broad segments of the economy
 - Move beyond pure offsetting by ensuring a net decrease and/or avoidance of global GHG
 - Two forms proposed:
 - Crediting and Cap-and-trade



THE NEW MARKET MECHANISM (NMM)

Defining the NMM M&P

What is the role of the COP?

Voluntary participation in the NMM – how to achieve this & how to incentivise wider private sector engagement?

Standards that deliver real, permanent, additional & verified mitigation outcomes; avoid double counting; & achieve net decrease of emissions

Requirements for accurate measurement, reporting and verification of emission reductions, emissions removals and/or avoided emissions

Criteria for the accurate and consistent recording and tracking of units

Means to stimulate mitigation across broad segments of the economy

Criteria for establishing ambitious emissions reference levels (crediting thresholds and/or trading caps)

Criteria for unit issuance

Treatment of complementarity

Share of proceeds

Promotion of sustainable development

Facilitation of a prompt start of the NMM

