



**Navigating the American Carbon World
San Francisco, 17 April 2013**

**Statement by
Christiana Figueres, Executive Secretary
United Nations Framework Convention on Climate Change**

Ladies and gentlemen,

Good morning to all of you and thank you very much. I feel this morning all my motherly strands coming together because I'm the daughter of a Duke graduate and the mother of a Stanford graduate, so to be in California with Duke is absolutely the perfect combination.

Thank you for the invitation. And thank you in particular for your visionary actions. The fact that this is already the eleventh "Navigating the American Carbon World" speaks to the vision of navigating through what was a non-existent American carbon world and, thanks to a lot of work done here in California, there is a carbon world to be navigated in the United States. That is very good news for all of us.

What is interesting is that, as California moves into the carbon world and makes news all around the world, the environment into which California inserts itself is not as optimistic. In fact, those who are in the carbon markets are not in the best mood right now.

I would say that if they were navigating a boat that they would feel they are navigating a very dark night without instruments in a perfect storm.

So, I would like to speak to you today about the relationship between what is going on here and what is going on in the global context. Because ultimately California – large as its economy is – is not going to be alone.

Why do I say they are feeling they are in a dark night? Diminished demand globally, diminished confidence and depressed prices. I don't know which is more depressed, the prices or the participants competing with each other, and it's not a rosy picture.

In fact, it's quite incongruous that the global carbon markets are in the slump they are in, when the fact is that climate change is becoming every day more of a concern as a global public policy issue – because of the extreme weather events that are coming with more frequency and intensity.

I don't have to list events in the entire world, but please believe me that there is no country that is currently not unaffected by climate change. Here in the United States, Sandy is perhaps the most vibrant example. And in the south-western United States, with the droughts, there is a very difficult situation for farmers. I'll have you know that the US department of agriculture has created a "misery index".

Coming from Costa Rica, which is the happiest country in the world – because there was a poll made about happiness – it's very difficult for me to understand that the USDA creates a misery index. But they have, and this index is composed of a combination of temperature and the lack of precipitation.

And, they are predicting that the number of days the United States' agriculture belt is going to be subjected to temperatures over 100 degrees (F) is going to increase substantially over the next few years, resulting in deaths of animal life and, of course, loss of crops. So, they're worried that the United States is actually moving up in the misery index, and that is just a small example of what we are seeing all around the world.

Now the good news there is that because of the increased awareness of the negative effects of climate change, we do have increased action on climate. So through this very dark night I would say we have two guiding stars, a little like the North Star or the Southern Cross.

The first guiding star that we have is the fact that climate change is being progressively addressed at all different levels. Let me go through three different levels for you.

At the international level, the Climate Change Convention negotiations are slow, but they are moving in the right direction. They are progressively addressing the challenge of the global framework that needs to provide certainty for all countries on what policies are going to be put in place.

We have now a second commitment period of the Kyoto Protocol which has already gone into effect in January of this year for those countries that are participating. We have an agreement that governments have made that they are going to come to a global universal agreement by 2015 and they are moving along the timeline that they have set themselves in order to come to that agreement.

We have all industrialized countries – all of them – with concrete mitigation pledges on the table. We have 56 developing countries which, despite having no historical responsibility for climate change, have nevertheless made their pledges on what they are going to do on mitigation.

And, we have at the national level much more action than three to four years ago. We have 30 countries around the world that have comprehensive climate change legislation. One shining example is Mexico. We have 100 countries around the world that have renewable energy legislation and many more that have regulations to incentivize energy efficiency.

At the private sector level, we have increasing investment into renewable energy. We've already passed USD 1 trillion investment. We have around the world more than 100 gigawatts of solar installed we have 200 gigawatts of wind installed and, would you believe it, in the United States there is so much wind and solar newly installed, it is more than coal and gas. This is a pretty astounding fact.

So we are moving in the right direction.

The problem is that action is not fast enough and not at the scale that is needed to keep the world under the 2 degree Celsius maximum temperature rise that governments have committed to. But, we are progressively moving at the national domestic and private sector level toward addressing climate change in legislation, in regulation, and on the investment side.

The second guiding star is the fact that carbon markets are actually popping up all over the place, not only in California. It is good news that California will be linking with Quebec, and I know there are conversations to link with the RGGI on the east coast, and perhaps also Australia. That is very good news. But California is not alone.

Just in this continent we have Mexico moving forward with its own carbon market scheme, and Brazil looking into how they are going to do it. We have, in Chile, an ETS system that covers the power sector, and in the all-powerful and huge economy of Costa Rica, we have a burgeoning domestic carbon market that hopes not only to take Costa Rica to a certain level of emission reductions, but to carbon neutrality. All that in the Americas.

Down under, Australia and South Africa already have systems of either a carbon tax or a carbon price. In Asia, we have Thailand, Viet Nam, Indonesia and Japan all with their particular interpretations of what their carbon pricing system is going to work for their economies. And, we have China, with five cities and two provinces each moving into their own particular carbon market schemes and then figuring out how they are going to develop a national carbon market.

So carbon markets are on the up-and-up, and that is a very important guiding star when we look at how we are going to address climate. Now, if you are trying to navigate a boat in a dark night, you not only need the stars but it may be helpful if you had instruments. So do we have those instruments? Yes, we do.

Let me name the four instruments that we have for navigation:

1. We have the CDM, which deserves credit for having pioneered the concept of the carbon market. It is, of course, much easier for these markets to figure out what they want to do because they can profit from both the pains and the growth of the CDM market. The CDM was the first kid out there experimenting. That kid definitely made a lot of mistakes, but is now ready for primetime. The CDM now has 6,000 registered projects, they now have top-down methodologies which are being developed, they have POAs – Programmes of Activities – which allow for scaling-up and an unlimited number of mitigation activities to actually be bundled together

and be taken forward in mitigation efforts – even across countries. And perhaps most importantly for the growth of markets, now the CDM has standardized baselines that allow for much more objective assessment of quantification of mitigation attained by each of the activities. So, the CDM is a very important instrument that can be used by these individual markets that are now being built around the world.

2. Then we have the “NMM”, the New Market Mechanism, which is being discussed at the global level and different related to – and complementary to – the CDM. It is different because it starts out not as a project by project effort like the CDM, but has a broader scope, or a sectoral approach, to mitigation. Because it is now clear that mitigation needs to go to scale and governments are looking at market mechanisms that are international, like the NMM, which will allow for much broader mitigation efforts in developing countries.
3. Then we have the collection of domestic or bilateral markets or emissions trading schemes, some pricing system that is coming up in all the countries just mentioned.
4. As a fourth instrument we have the framework of various approaches, which is the code word that governments are using to figure out how they are going to interlink all of these different market systems that are mushrooming all over the world, because it is evident there needs to be some sort of standardization. There needs to be some quality control that assures market participants. It’s about protecting the atmosphere – a tonne reduced in Japan is the equivalent of a tonne reduced in California, is the equivalent of a tonne reduced in Chile.

So we do have to have quality control and standardization. We equally have to have quantity control that assures that the tonne that is counted in Japan is not double-counted in Chile or California. So both for quantity and quality, there needs to be a global system that interlinks different markets and ensures the environmental integrity, the collectivity, across these different systems.

So those, my friends are four systems that are being used by governments, and by the private sector, that are helping us navigate the difficult waters of addressing climate change.

Now, there are many people who say they’re worried about the growth of all these markets, because we’re used to having one market: the CDM. And now we have all these other markets, and there is concern we will end up with a very fragmented market. It may seem that way, but I don’t think that is where we are going to end up.

That’s where we’re starting, and it is good that we are starting there because the market needs to make sense to those who are going to be the first participants in that market. The market for Japan has to make sense for Japan. The market for Chile has to make sense for Chile. The market for California has to make sense for California.

Ultimately it is my fundamental belief that all these individual markets are going to be no more fragmented than the different instruments on a captain's bridge.

Yes, the captain needs many different instruments, and they're all there for a purpose. And he needs to have access to all of these to figure out what the route is. That is how those individual markets have to eventually be interlinked.

Because, if they're not, it defies and contradicts the purpose of having a market, which is to get to emission reductions, take them to scale and to obtain as many emissions reductions as possible at the lowest possible cost with as much certainty and predictability as possible.

If each market remains an island unto itself, then we are not achieving that global goal. So these markets will eventually be interlinked, they will allow each other to scale up. And they will be interlinked in a way that they will be fungible with each other and that they will be capable of growing with the global economy.

That is the purpose of that instrument, of the market instrument. And that is the path we are moving toward.

My good friends, as you navigate the American carbon market – and I'm sure there is still a lot of navigation to do in that chapter – as you navigate the carbon market, please remember that all oceans on this planet are interlinked. And, it is in everybody's best interest to ensure that those who navigate these oceans have smooth sailing.

Thank you.
