

Determining Thresholds: Creating a “Bright Line” Between NMMs and NAMAs

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Introduction

- About CCAP
- Paths to developing country mitigation actions
- Examples of market based instruments
- Tradable intensity standards
- The offset supply-demand problem
- Avoidance of double counting and of cherry picking the low hanging mitigation fruit in developing countries
- Possible solution

UNFCCC Anticipates Several Paths to Mitigation in Developing Countries

- CDM – CDM Executive Board convened a high-level panel to consider future role of the CDM.
- NAMAs – Many developing countries have made pledges to the UNFCCC and are now developing unilateral & supported NAMAs.
- NMMs – In Durban, the COP defined a new market-based mechanism that may assist developed countries to meet their mitigation targets or commitments.

Developing country actions “credited” under more than one path creates risk of double counting.

Examples of Market-Based Mechanisms

- Domestic cap & trade (linked)
- Sectoral crediting (or no lose trading)
- Tradable intensity standards

A tradable intensity standard for sector crediting
CCAP - 2009

Global Sectoral Study
CCAP - 2010

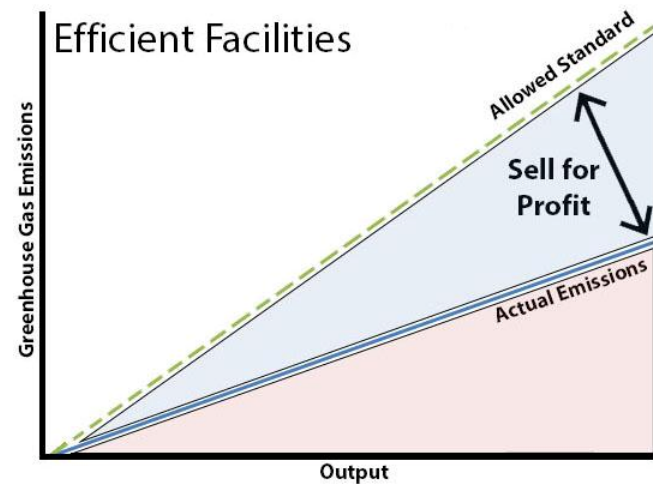
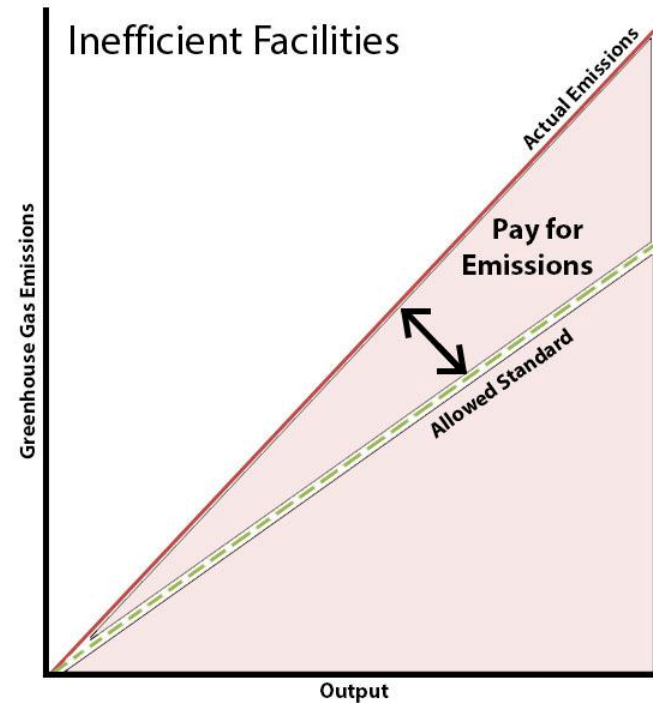
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Specific Example: Tradable Intensity Standards

What are they?

- Each facility faces a mandatory limit (GHG/output)
- Output not restricted; If output grows, emissions can grow
- Inefficient facilities pay for emissions in excess of standard (not for all emissions, as in cap-and-trade)
- Efficient facilities profit from sales, lowering costs and increasing production
- Can be done with or without linking to international markets

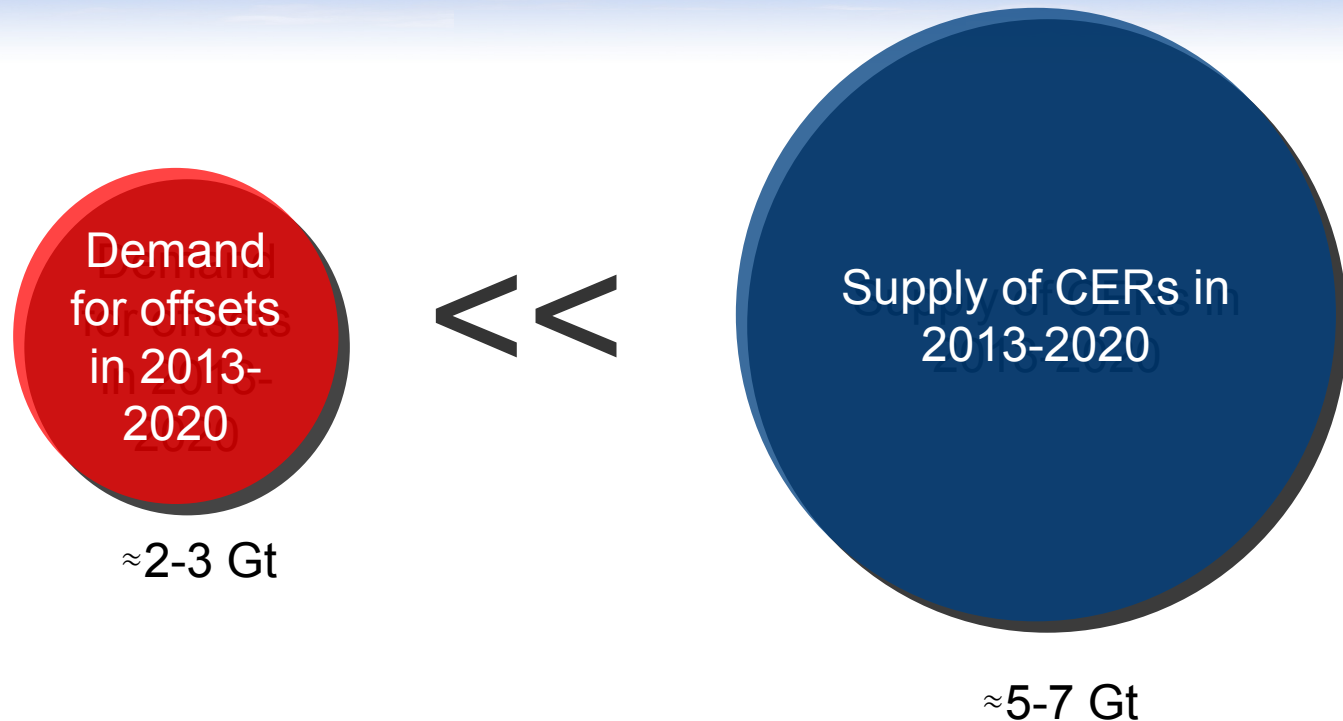


Tradable Intensity Standards (2)

How international linking would work:

- Set intensity standard at baseline for international crediting.
- International credits used as compliance instrument.
- Developing country government gets credits from international body if sector beats baseline.
- Inefficient facilities buy credits from market to submit to government.
- Government gives credits from both sources to facilities that beat intensity baseline (one credit per ton).

The Supply vs. Demand Problem



CDM risks collapsing after 2013

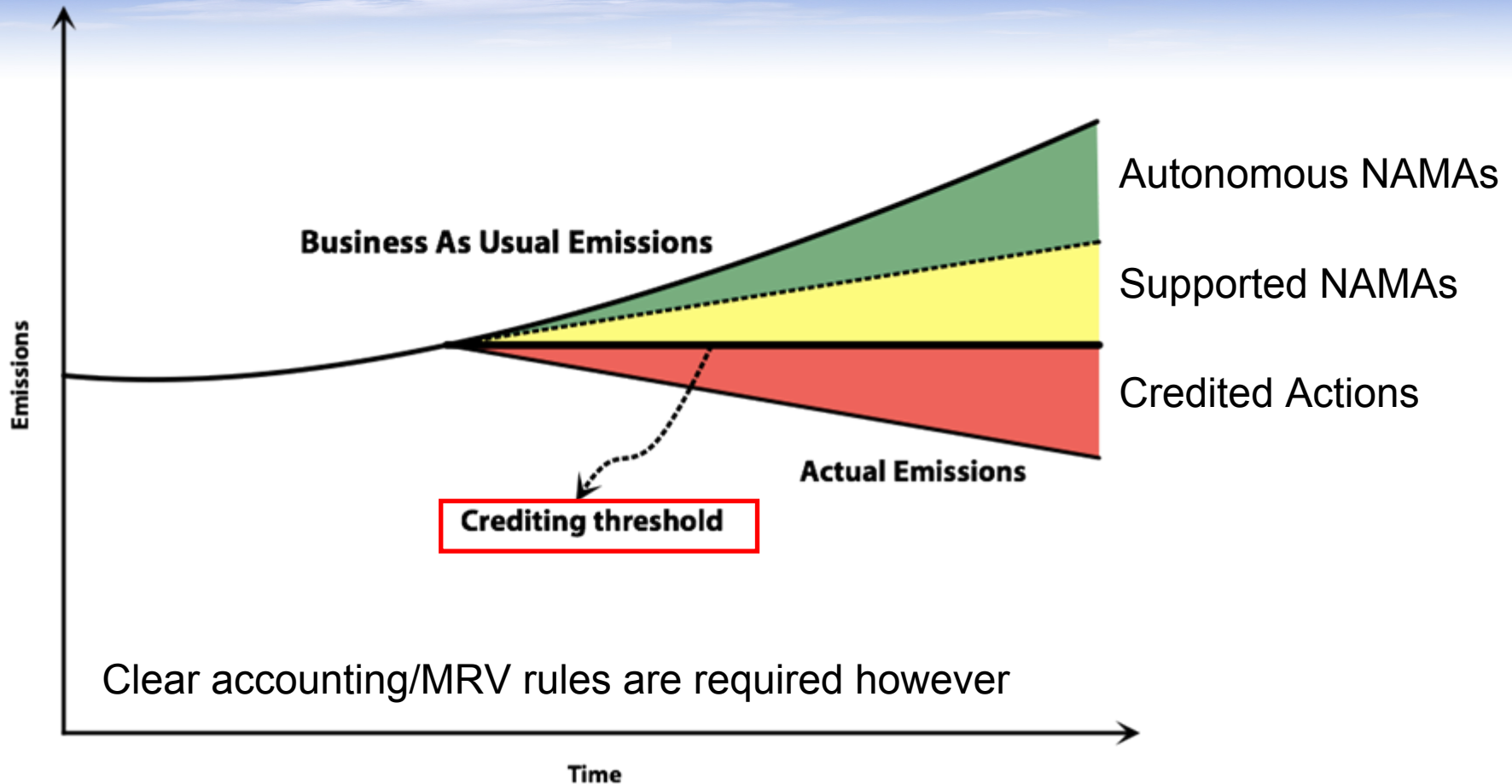
No room for (offset generating) new market mechanism, unless Annex I ambition level goes up (significantly)

The Problem with Double Counting: We will not meet the 450 ppm goal

- Meeting 450 ppm goals require actions by developing countries; Even if Annex I emissions are reduced to zero, it won't be enough.
 - Offsets are counted towards meeting Annex I commitments.
 - Supported NAMAs should count towards developing country pledges.
- If a given action (e.g., a new wind farm) is incented through a supported NAMA (e.g., a feed-in tariff) *and also* receives offset credits for emissions reduced, the same emissions reductions would be counted twice. If this happens:
 - Developed countries would essentially pay twice for the same emissions reduced.
 - Developed and developing country emissions reductions can't be added together towards meeting 450 ppm mitigation goal.



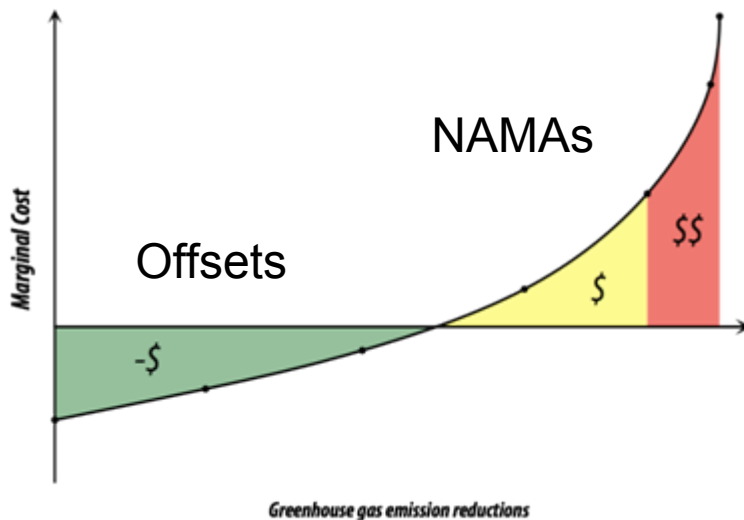
The Solution: Create a “Bright Line” Distinction between NAMAs and NMMs



- A distinction is also needed between NAMAs and CDM.

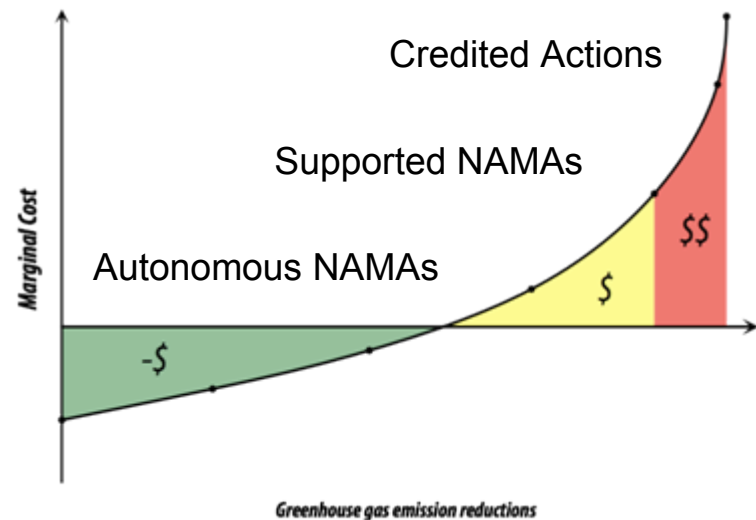
This also solves “low-hanging fruit” problem

Offsets take low-cost mitigation



Wrong: Developing countries are left with more expensive mitigation

Offsets generated, above crediting threshold



Correct: Autonomous and supported NAMAs at lower cost for developing countries

Thank You

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CCAP works to significantly advance cost-effective and pragmatic air quality and climate policy through analysis, dialogue and education to reach a broad range of policy-makers and stakeholders worldwide.

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