

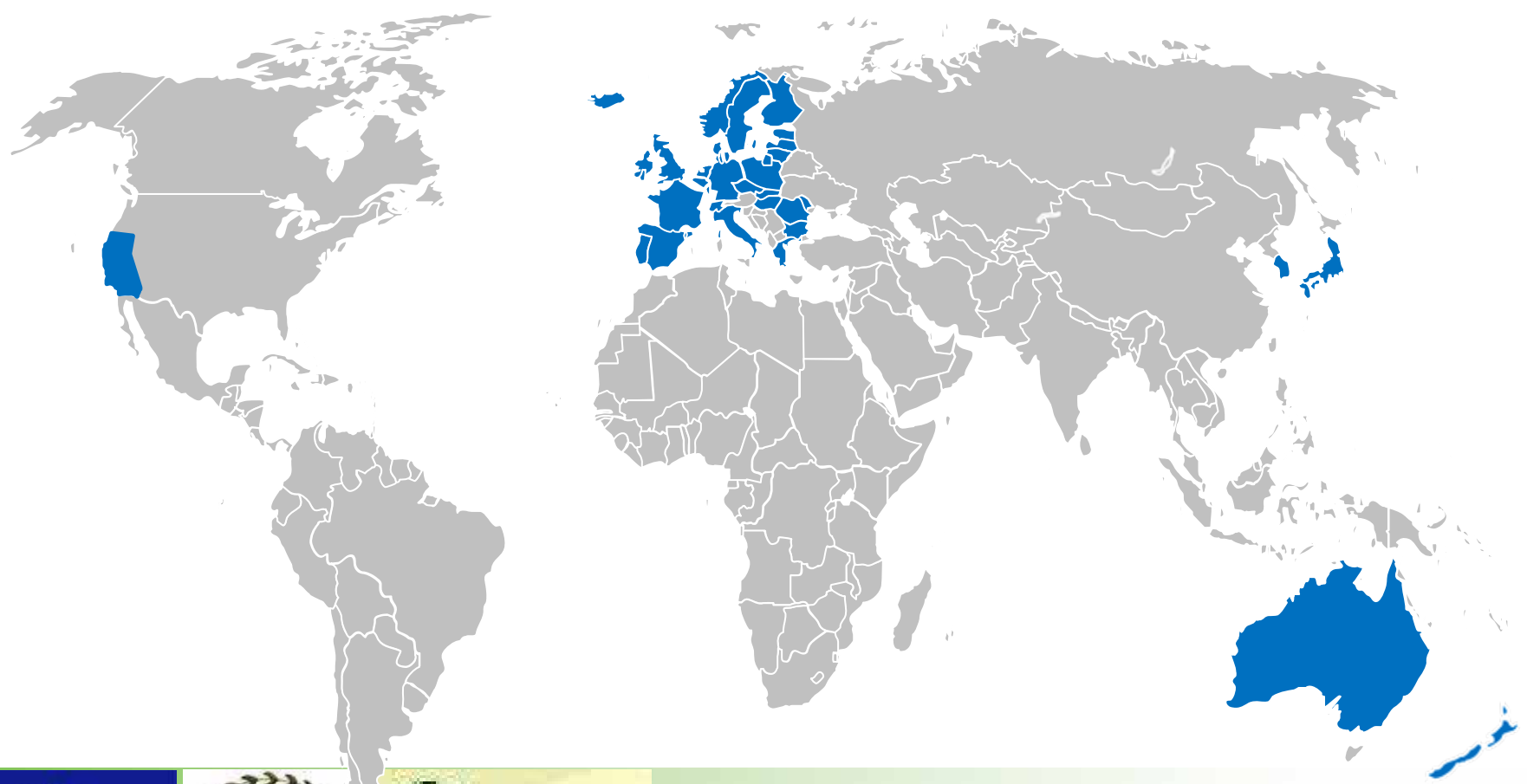
Perspectives on New Mitigation Mechanisms or Instruments

Third National Workshop for CDM Capacity Building Programme in Belize

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UNEP RISOE Centre (URC)
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SCENARIO FOR THE REGIONAL CARBON MARKETS FOR POST 2012





Australia

The Carbon Price Mechanism (CPM)

Clean Energy Future Package

- Australia target of net emission reduction:
 - 5% until 2020 below 2000 levels
- Package passed November 2011
- Creation of Carbon Price Mechanism (CPM)
- creation of Clean Energy Finance Corporation (CEFC)
 - Invest in renewable energy to reach Renewable Energy Target (20% electricity until 2020)



CPM

- First period with a fixed price (starting 2012)
 - Price of 18.50€ per ton (works similar to a tax)
 - Participants need to acquire and surrender permits as well
 - Purpose: prepare for the transition to a trading scheme



CPM continued

- Then a trading scheme
 - From 2015, flexible price (with price floor and price ceiling)
 - From 2018, floating price (float free)
 - Link with international markets (from July 2015)
- Coverage:
 - 4 Kyoto GHGs: CO₂, CH₄, N₂O, PFCs
 - Approx. 500 businesses, 60% of total emissions
 - Not covered: forestry, agriculture, part of transport



CPM continued

- No limit yet on CER eligibility
 - 50% of reductions can come from international units (CERs and others)
- First cap set in May 2014 for the trading scheme period starting 2015
 - Cap for the first 5 years
- After that
 - Caps are set every year to always have caps 5 years in advance



Eligibility of international units in compliance markets

UNEP

International unit	Eligibility*		
	CPM	EU ETS	NZ ETS
CERs	✓	✓	✓
CERs – registered post 2012 and outside of LDCs	✓	✗	✓
CERs - HFC-23, adipic acid, nuclear, afforestation, reforestation and large scale hydro not compliant with World Commission on Dam guidelines	✗	✗	✗ Ex. Large hydro
ERUs	✓	✓	✓
RMUs	✓	✗	✓

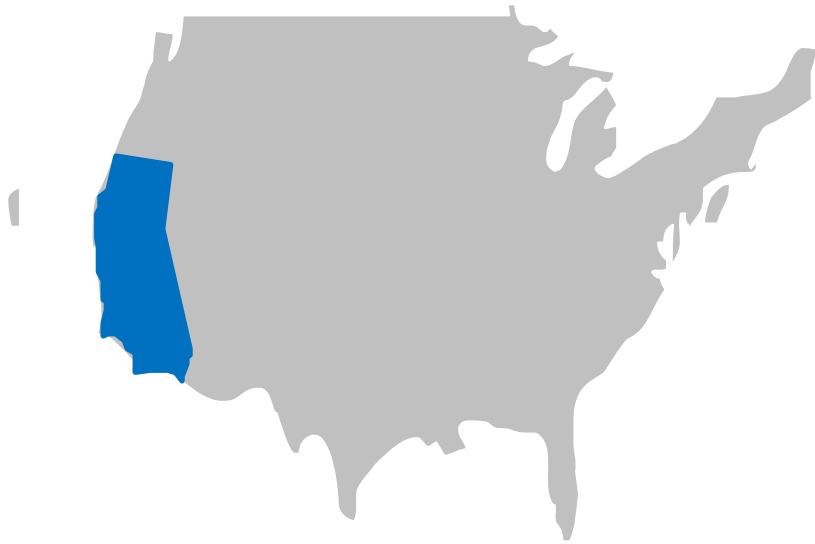


AUSTRALIA

Indicator	Detail
Objective	<ul style="list-style-type: none"> Help to lower Australia's carbon emissions by 5% by 2020 (relative to 2000 levels) and by 80% (also relative to 2000 levels) by 2050.
Commencement	<ul style="list-style-type: none"> Fixed price period : July 1, 2012; Flexible price period : July 1, 2015; and Floating price: July 1, 2018.
Coverage	<ul style="list-style-type: none"> Four Kyoto Protocol GHG gases: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), perfluorocarbons (PFCs). Sulphur hexafluoride (SF₆) and hydrofluorocarbon-23 (HFC 23) will be regulated by non-trading legislation; and Broad coverage. Forestry, agriculture and some transport not covered.
Compliance basis	<ul style="list-style-type: none"> Annual, based upon 30 June year-end.
Caps	<ul style="list-style-type: none"> Caps will be set by May 2014 for the first five years of the flexible price period of the CPM; and Each year thereafter a further year's cap will be determined such that there will always be caps set five years in advance. Eligible from July 1, 2015 (up to 50% of annual obligation for liable entities);
International offsets	<ul style="list-style-type: none"> Qualitative restrictions apply to some CERs; and Subject to a 'surrender charge' during the flexible price period.
Assistance	<ul style="list-style-type: none"> Households to be the largest recipients of assistance; and The bulk of sectoral assistance will be provided primarily in the form of free permits to trade exposed industries.



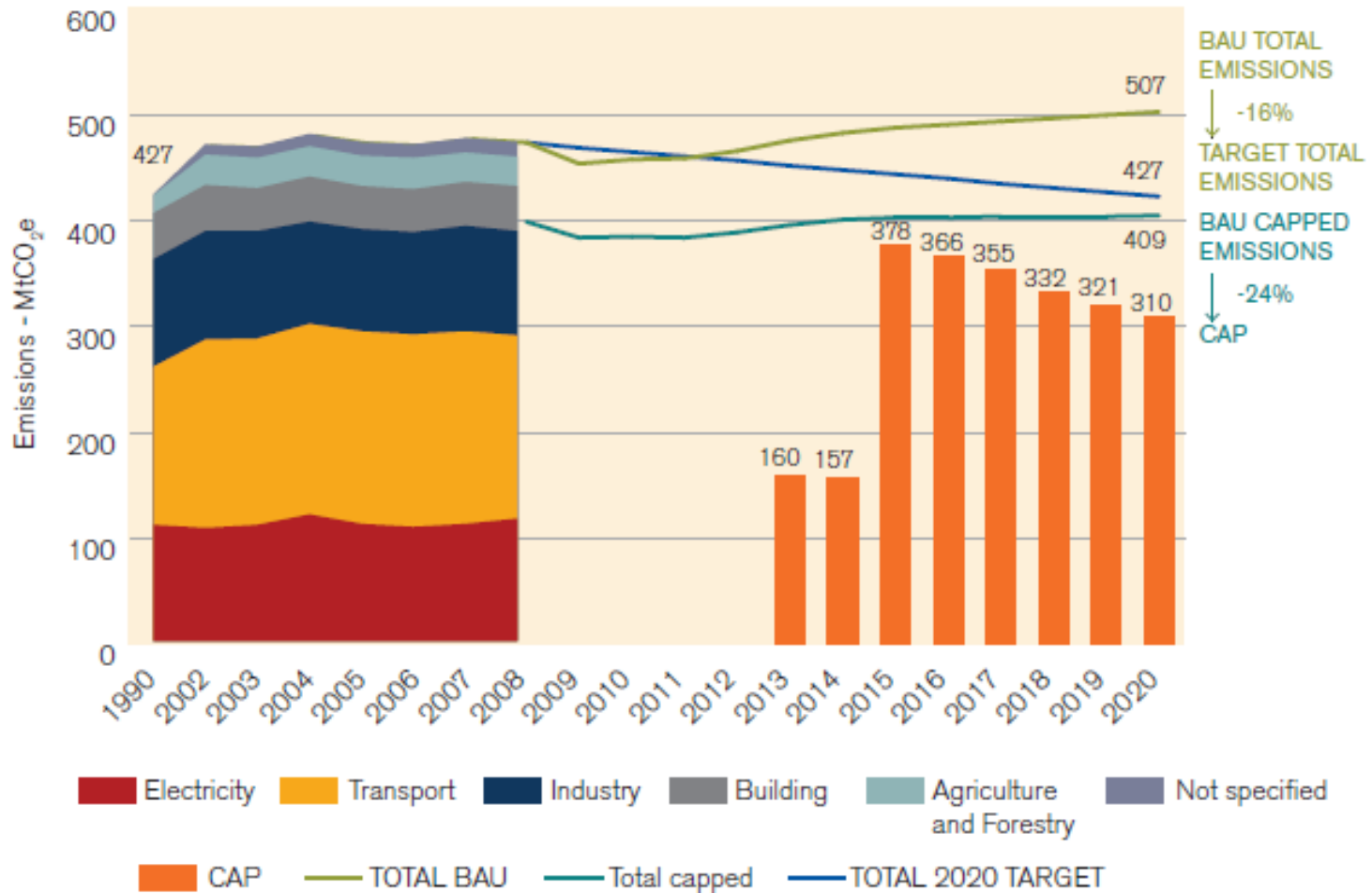
CALIFORNIA



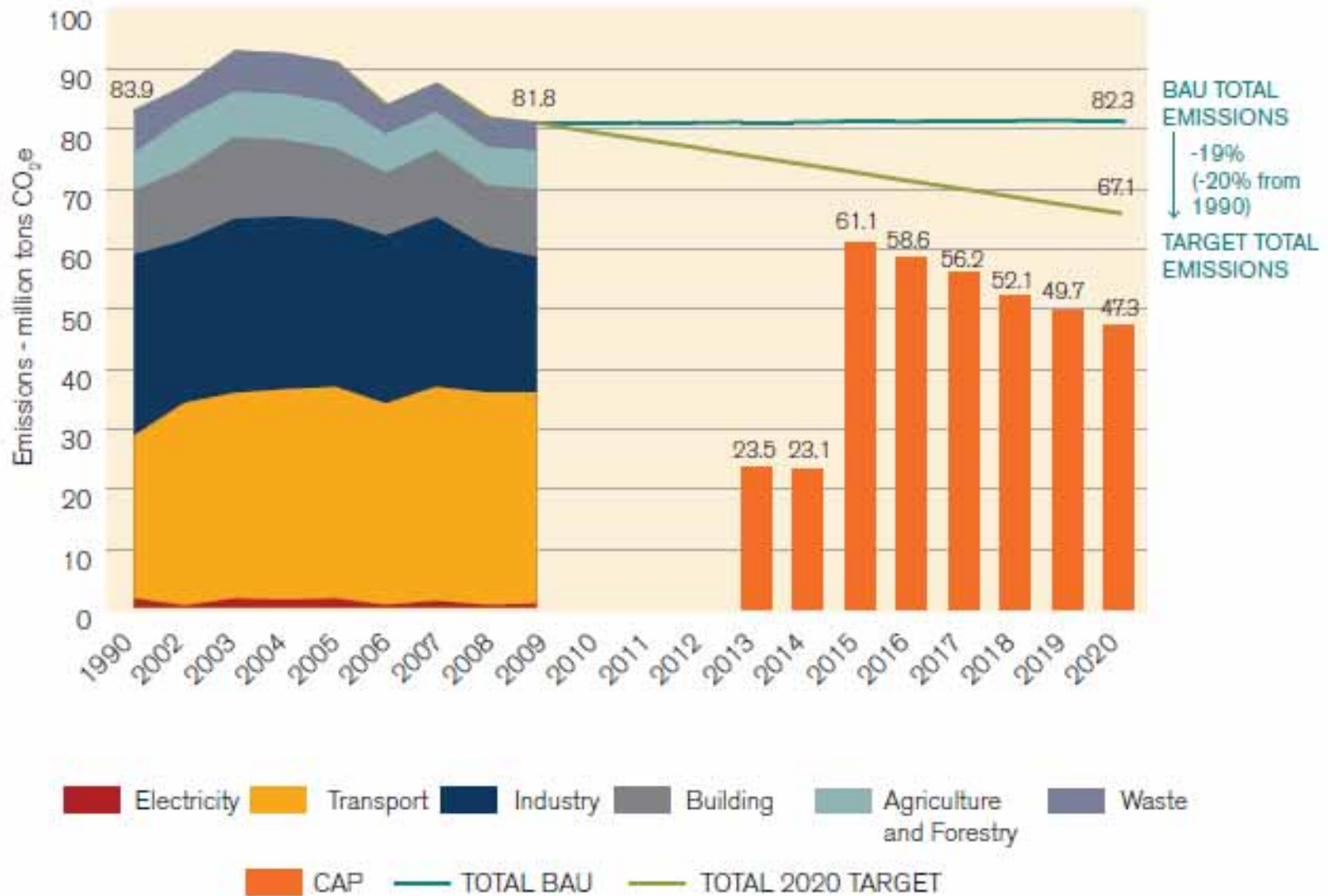
- Market begins in 2013
- “Offsets” from USA, but they not accept CERs yet, a strong opposition to CERs
- They are buying REDD+ credits on the basis of bilateral agreement with Mexico (California)
- Liability to the buyer of offsets 8 year with high risks



CALIFORNIA



QUEBEC



CARIBBEAN COMMUNITY
CLIMATE CHANGE CENTRE



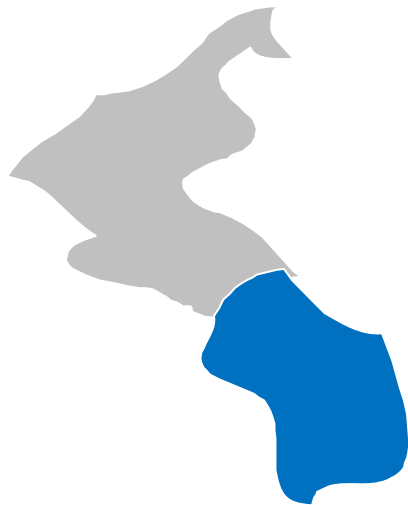
JAPAN



- Copenhagen Accord: GHG reduction goal - 25% from 2000
- Goal will depend on the pledges from other countries
- They are testing another acquisition of carbon markets to replace the CERs coming from CDM
- CER demand still need to be defined, but could be around 225 Mn CER/year



REPUBLIC OF KOREA



- National Emission Trading Scheme by 2015
- No regulatory decision to accept or not CERs
- The demand could be between 200-200 Mn T CO₂/year
- A strong commitment by the Government but it is strongly resisted by the private sector



ETS – REPUBLIC OF KOREA

GHG	CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆
Sectoral scope	-60% of the national total GHG emissions. -Inclusion threshold: Entities emitting more than 125,000 tCO ₂ e; Individual facilities emitting over 25,000 tCO ₂ e.
Compliance periods	-Compliance periods (CP): CP1 2015-2017, CP2 2018-2020. -CPs to last 5 years from CP3.
Allocation	-Over 95% free allowances in CP1 and CP2. -100% free for energy-intensive trade-exposed sectors. -Future allocation by Presidential decree.
Auctions	Early auctioning allowed.
Banking & borrowing	-Banking allowed over a CP and first year of the following CP. -Borrowing allowed over a CP only.
Other cost containment	A maximum of 25 % allowances will be reserved for the new entrant.
Offsets	Applicable standards (e.g. CDM and/or own standard) and utilization limit for international offsets to be specified by Presidential decree (expected in 2012)
Penalty for non-compliance	Up to 3 allowances for each allowance not surrendered (at most) with the maximum cap of 10 million Korean Won (KRW) per allowance (8,800 US\$).
Linking	Considered in the future.



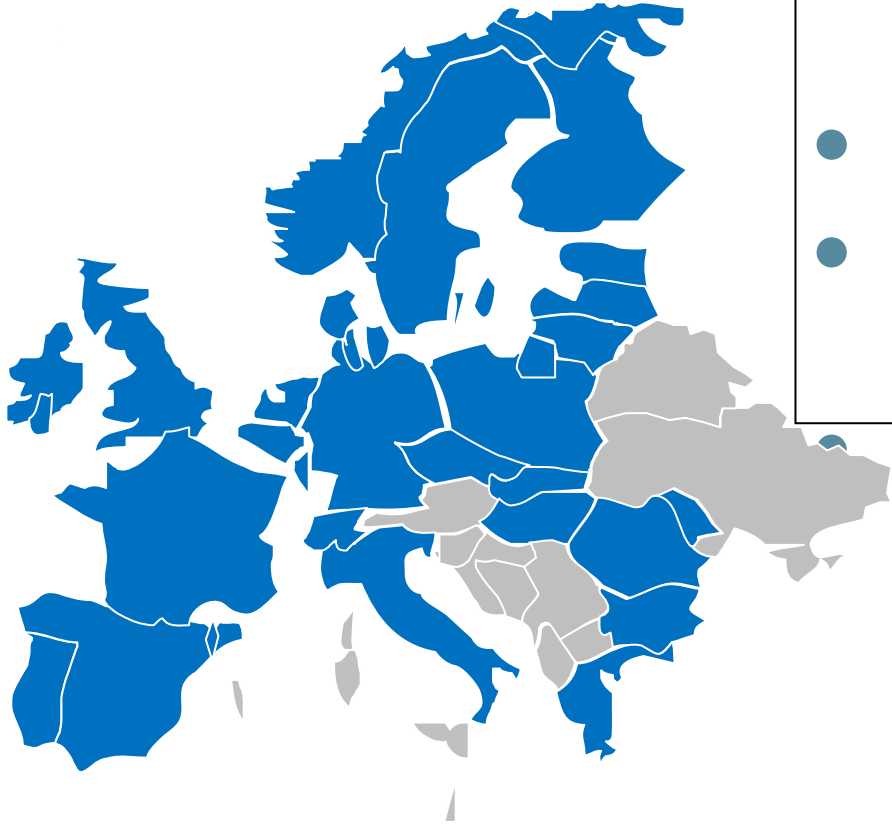
NEW ZEALAND



- It is operational
- Accept CERs
- Small market, therefore small demand
- It will continue with or without new goals for the second commitment period of the KP



ETS III – EUROPEAN UNION



A. There is no Agreement at the UNFCCC

- *Proposed goal 1990 -20%*
- *Only accept projects registered until Dec 31 2012*

No to HFC 23 y N2O AA

*B. If there is an agreement
Sí hay nuevo Acuerdo
UNFCCC*

- *Goal 1990 – 30%*
- *Permite importar CERs de proyectos*



ACT MEAS

Stronger price signals

- 8 years trading period (2013 – 2020)
 - longer than phase I and II
- Declining emissions cap
 - Annual decline of 1.74% per year until 2020
- More allocation through auction
 - In phase II only 4%
 - In phase III over 50%
 - From 2013, 100% auctioning in the electricity sector



Wider scope

- Inclusion of aviation sector (second largest emitter)
- Inclusion of emissions from Norway, Lichtenstein and Iceland
- More GHGs will be included



EUAs

- Cap will equal average number of EUAs issued by member states in phase II
- Cap set so that a reduction of 21% is achieved by 2020 (compared to 2005 levels)
- Annual decline of 1.74%



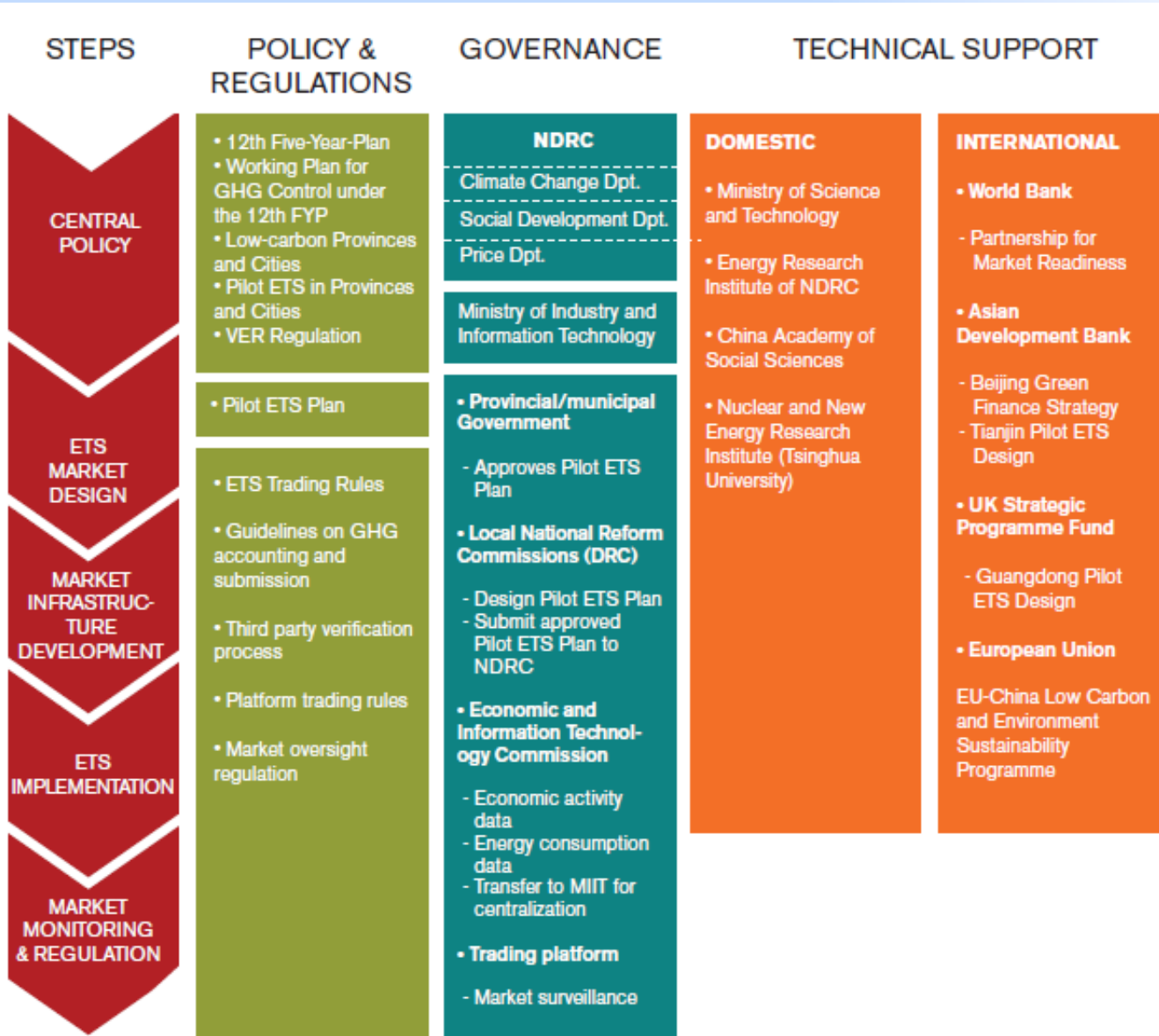
Link to Kyoto Mechanisms

- Number of CERs and ERUs are reduced
 - Less CERs and ERUs will be allowed to comply with emission caps
 - CERs are conditionally fungible with EUAs
 - Conditions on LDCs
 - CERs from countries that have a bilateral agreement with the EU are accepted
 - Ban of credits from HFCs and N₂O projects



CHINA





Building pilot ETM in CHINA

Source: World Bank.

Jurisdiction	Population 2010 (Mln)	GDP 2010 (Bln US\$) ²⁹²	YOY Change (%)	GDP per capita 2010 (US\$)	YOY Change (%)	GDP by sector I/ II/III 2010 (%)	2015 energy int. target (% 2010)	2015 carbon int. target (% 2010)	ETS status (as of April 2012)
Beijing Municipality	20	208	+10.3	11.2	+7.8	0.9 / 24.0 / 75.1	17	18	-Pilot ETS Plan approved. -Release of the design discussion draft in March 2012.
Tianjin Municipality	13	136	+17.4	10.8	+16.7	1.6 / 52.4 / 46.0	18	19	-Pilot ETS Plan approved. -Market design study to start in June 2012.
Shanghai Municipality	23	254	+10.3	11.2	+10.0	0.7 / 42.1 / 57.2	18	19	Pilot ETS Plan approved.
Hubei Province	57	236	+14.8	4.1	+23.1	13.4 / 48.7 / 37.9	16	17	Pilot ETS Plan approved.
Chongqing Municipality	29	117	+17.1	4.1	+20.4	8.6 / 55.0 / 36.4	16	17	Pilot ETS Plan approved.
Guangdong Province	104	680	+12.4	6.6	+8.7	5.0 / 50.0 / 45.0	18	19.5	-Pilot ETS Plan approved -Kick-off meeting on market design held in September 2011.
Shenzhen Municipality ²⁹³	9	141	+12.0	13.9	+7.60	0.1 / 47.5 / 52.4	19.5	21	Pilot ETS Plan approved.
PRC's central government	1,341	5,926	+10.3	4.4	+9.90	10.1 / 46.8 / 43.1	-16	-17	Early stage. NDRC requested the World Bank's PMR to provide support to the design of the national ETS and carry out feasibility studies on some sectors.



What will be the offert post 2012

Country (group of)	Assumptions	Potential demand (MtCO ₂ e)
Australia	Carbon Price Mechanism, cap in line with target of 5% below 2000.	348
EU-27, Iceland, Liechtenstein, and Norway	20%below 1990, with differentiation EU ETS and effort sharing.	1,635 [†]
Japan	Between 25% and 0% below 1990.	≤539
New Zealand	NZ ETS: 10% below 1990.	77
North America	Western Climate Initiative (WCI): limited to California and Québec, with international offsets allowed in California only.	94
Switzerland	20%below 1990, with ETS and other measures.	2.3 -12.8
TOTAL		≤2,706



What will be the demand post 2012

	pre-2013	post-2012	Cummulative (up to 2020)
<i>Point Carbon</i>			
CDM-EU ETS eligible	1,250	2,138	3,388
CDM-other	-	554	554
ERU	296	51	347
Total	1,546	2,743	4,289
<i>Deutsche Bank*</i>			
CDM-EU ETS eligible	1,301	1,847	3,149
CDM-other	2	468	470
ERU	250	-	250
Total	1,553	2,315	3,869
<i>CDC Climat**</i>			
CDM-EU ETS eligible	1,269	3,381	4,651
CDM-other	2	1,415	1,417
ERU	357	-	357
Total	1,628	4,797	6,425



Thanks for your attention

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<http://cd4cdm.org/>

www.uneprisoe.org



ACP MEAs