

Market Architecture for Paris 2015

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IETA

Climate Challenges, Market Solutions



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IETA-HARVARD Linkage Project

- What type of architecture does a Paris 2015 Agreement to enable linking carbon pricing mechanisms worldwide?
- How to harmonise international, national, and sub-national carbon policies to enable linkage in a “bottom-up” world?
- Harvard Linkage Paper
- IETA “Straw Proposal”
- Review by Governments
- Review by Academia
- Review by Private Sector Experts
- Negotiating Text for Lima/Paris



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Global Carbon Markets in 2015



CDM Host Countries as of Feb 17, 2015 (UNEP DTU, data from the CDM Pipeline)

Existing Emission Trading Schemes

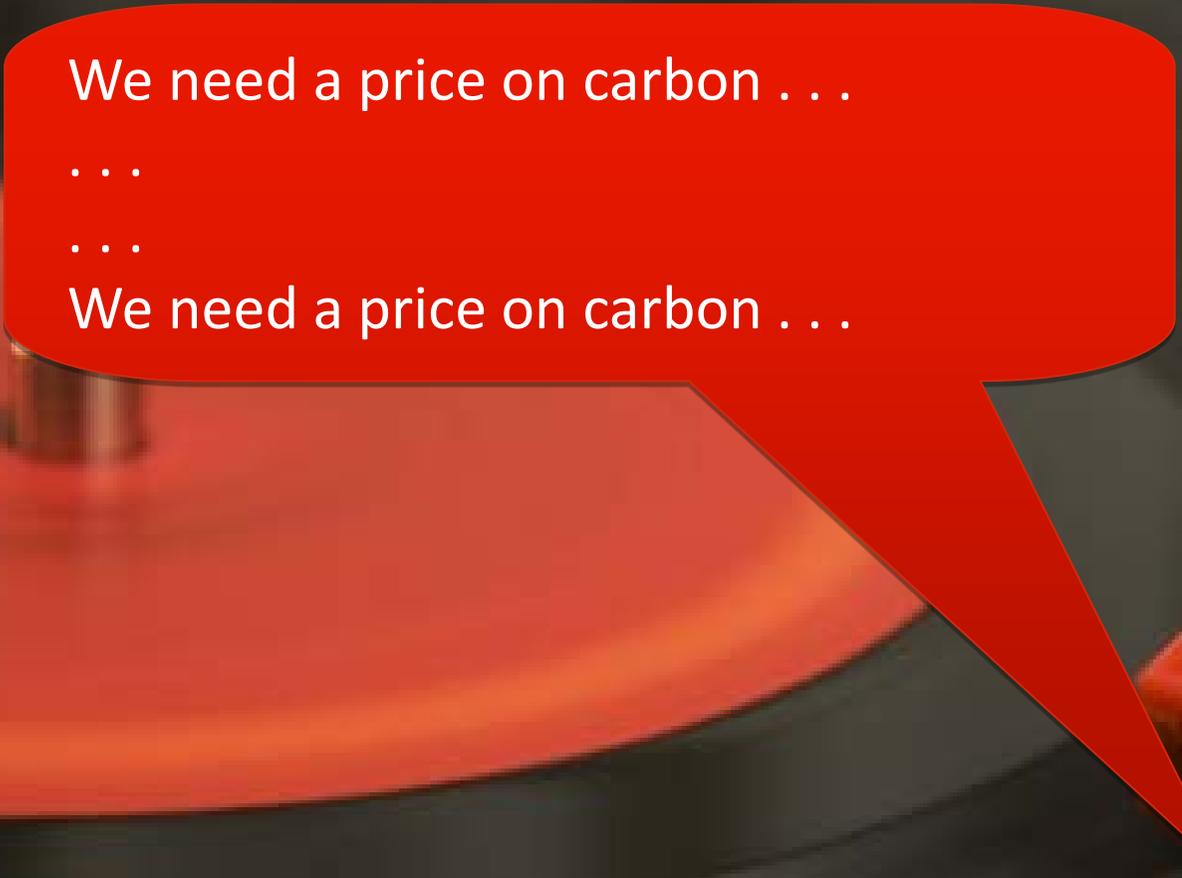
Emission Trading Scheme in Progress

Subnational Emission Trading Schemes

Carbon Tax with or w/o offsets

Linkages





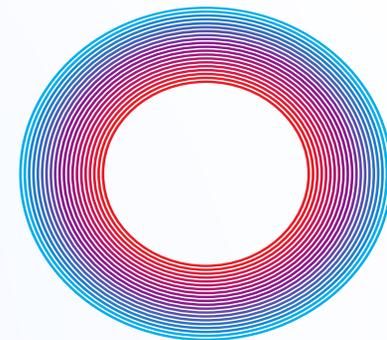
We need a price on carbon . . .

. . .

. . .

We need a price on carbon . . .

UNFCCC.....Going, Going, Going.....



LIMA COP20 | CMP10
UN CLIMATE CHANGE CONFERENCE 2014

- Lima outcome shows that activity on market mechanisms from now to Paris evolving nationally/domestically;
- Bare-bones process on INDC development – may mention intent to use markets;
- Still need a solid carbon market accounting framework and unified project-based crediting mechanism
- FVA and NMM along with CDM reform firmly parked in SBSTA



The Geneva Text: Markets Options

- **Brazil:** Leading on market market architecture. Two-tiered, rules-based system, allowance trading markets + new “Economic Mechanism” built on the CDM.
- **EU:** Similar vision of two-tiered system, w/ allowance trades backed by accounting + project-based crediting w/ net mitigation - Eligibility criteria to join.
- **Bolivia/Venezuela/Argentina**-no references to markets or actions in land use sector
- **New Zealand, EIG, AOSIS**-pushing on strong accounting principles



The Geneva Text: Markets Options

- **China:** Market provisions closely linked to mitigation of developed countries. Incl. markets in Paris agreement not required, details after Paris.
- **USA:** Markets can enable parties to do more, but nothing would stop countries from using markets. Details can emerge after Paris). Does not intend to use intl. markets, but sees value in reference in Paris text to provide reassurance + provide clarity + consistency of market approaches.
- **New Zealand/Panama/PNG-**pushing on REDD+ crediting



The Paris Agreement

- May well be quite short;
- Probably more outline than substance;
- Big picture items only;
(but what could be bigger than a global carbon market)
- Plenty of COP decisions later;
- Each idea or concept gets just a few lines.
- Markets and carbon pricing are still struggling to gain global acceptance

So how do we create the essence of a a global carbon market?



Towards large operational, global carbon markets

1. **Infrastructure** for Parties to form unified compliance pools.
2. **Transfer function** enabling trade of units between countries in the pool.
3. **Integrate best elements** of CDM/JI programmes into a unified international crediting mechanism.



Just a few lines to create a global networked carbon pricing system

Cooperation between Parties in realizing their Contributions

1. Parties may voluntarily cooperate in achieving their mitigation contributions.
2. A unified international transfer system is hereby established.
 - a. A Party through private and/or public entities may transfer portions of its nationally defined contribution to one or more other Parties through carbon units of its choice.
 - b. Transfers and receipts of units shall be recorded in equivalent carbon reduction terms.



What has the CDM delivered?

Infrastructure and Governance

- A functional, self-financed, multi-billion euro market
- 200 active methodologies
- Internationally accepted standard for measuring, reporting and verifying (MRV) emission reductions

Mobilization and Funding

- \$315 billion of new funding for low--carbon activities (UNFCCC 2014)
- Even relatively small amounts of CER revenue can mobilize large amounts of further private finance for mitigation

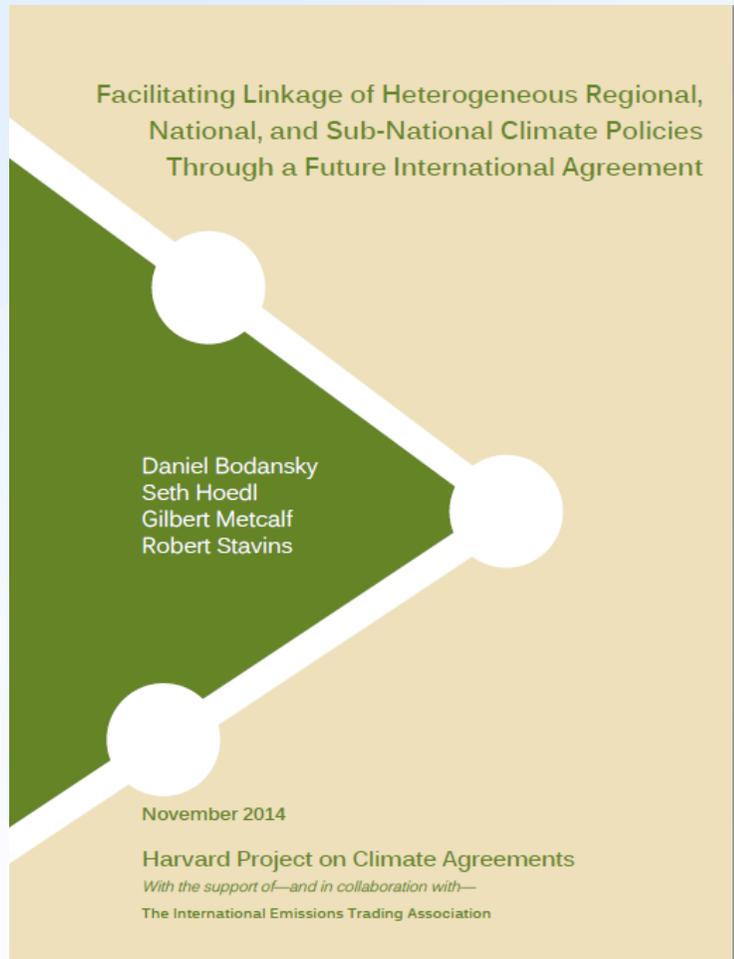


So what's the future for international credits?

- **Some countries** recognize that access to CDM inspired more ambitious targets.
- The Paris agreement must enable **markets to link** – with details elaborated in an FVA that –
 - a. Establishes **common standards** for unit-based national accounting.
 - b. Provides a **standardized international transfer system** that facilitates international cooperation on GHG cuts.
 - c. Offers **optional mitigation infrastructure** for Parties to use as part of their INDC's, such as –
 1. a unified project crediting system with standardized baselines, MRV standards, etc.
 2. a common registry



Harvard Kennedy School Input



Explores the role of linkage in the new international climate-change agreement to be completed in Paris in December 2015

“The authors conclude that the most valuable outcome of the Paris Agreement regarding linkage may simply be including an explicit statement that parties may transfer portions of their emissions-reduction contributions to other parties—and that these transferred units may be used by the transferees to implement their own commitments.”



Thank you

For More Information, please visit
www.ieta.org



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