

MARKET DEVELOPMENTS

California lawmakers have approved an extension of the state's cap-and-trade market to 2030, ending months of legal and programme uncertainty. With bipartisan support, legislation was passed by a two-thirds supermajority vote in both the state Senate and Assembly on 17 July. "Business needs clear rules and predictability, and that is what the California state policymakers have provided," said IETA's CEO Dirk Forrister of the development. Although the legislation preserves the core programme, it will require some dramatic design modifications: the creation of a price ceiling, new market speculation rules and further limits on offsets (quantity tightened, a portion restricted to "in-state" projects). ARB will soon launch rule-making activities and new consultations to inform final decisions on post-2020 modification details.

At a Pacific Alliance Summit on 30 June, **the Presidents of Chile, Colombia, Mexico and Peru signed the Cali Declaration**, which commits them to working together to strengthen regional climate action and cooperation. This includes the promotion of "green growth" in the region and greenhouse gas monitoring, reporting and verifying, with a view to enabling future voluntary market opportunities.

They also began work to allow Australia, Canada, New Zealand and Singapore to become Associate Members" of the Alliance.

Preparations for China's national ETS continue. IETA's latest expectations are for China to hold a ceremony launching the national ETS around COP 23 in Bonn and for allocation to the first three initial covered sectors (power, aluminium, cement) to possibly take place in early 2018. The existing ETS pilots will likely continue to operate separately from the national ETS, but participate in the same allocation process and allowance market.

Following June's announcement by US President Donald Trump of his intention to withdraw the country from the Paris Agreement, **a coalition of US cities, states, business leaders and universities launched America's Pledge on climate change on 12 July.** Spearheaded by California Governor Jerry Brown and Michael Bloomberg, UN Special Envoy for Cities and Climate Change, the initiative will aggregate all the emissions reduction commitments made by these stakeholders into one report. The founders intend this report to then guide further greenhouse gas reductions and demonstrate how these "non-party actors" can help the US still meet the goal tabled ahead of the 2015 Paris talks of a 26-28% reduction in emissions by 2025 compared with 2005 levels.

The third **EU ETS trilogue meeting did not deliver a breakthrough** in the talks on changes to the market post-2020. Representatives from the European Commission, Council and European Parliament will next meet on 13 September.

By the end of June, 71 countries, representing more than 87.7% of international aviation activity, had registered with ICAO their **intent to participate in CORSIA** from its outset. The ICAO Council will convene in October to review proposals for the global MBM, which will come into force in 2021.

Work to finalise **EU ETS arrangements for aviation** has progressed with both the Parliament's ENVI committee and the Council having agreed their respective positions in July. The whole Parliament will examine the ENVI committee's report, with a tentative date of 12 September for a plenary vote. After this, trilogue negotiations can begin. A deal needs to be reached by the end of the year to ensure no gap in legal obligations for aircraft currently covered by the 'stop-the-clock' policy, which limits EU ETS coverage to intra-EU flights only, as the current provisions expired at the end of 2016.

At its 17th meeting at the start of July, **the Green Climate Fund's Board moved closer to supporting REDD+.** The Board adopted a decision to encourage the submission of early stage REDD+ projects, using existing modalities, tools and programmes. The decision will also see the Fund establish a framework to build complementarity and coherence with other funds supporting these projects. The decision came as the **GCF transferred funds to a REDD+ project for the first time**, based in Ecuador.

BUSINESS NEEDS CLEAR RULES AND PREDICTABILITY

The **World Bank released an advance brief of its State and Trends of Carbon Pricing report** at the end of June. In total, 8 billion tonnes CO₂e of GHG emissions, or 15% of global emissions, are now covered by a carbon price. It also finds that the number of carbon pricing initiatives active or planned to start, at 46, has quadrupled since 2007 and almost doubled over the last five years. In total, carbon markets and carbon taxes are valued at \$52 billion in 2017 – up 7% from 2016, says the report. The full report, prepared by Ecofys and the World Bank, will be released in October.

As part of its programme review, **RGGI is considering widening its market** through either linkage or new members. The nine-state programme has asked for stakeholder comments on the possibility of linking to other markets or of other jurisdictions joining the eight-year-old system. Among others, Canada's Maritime provinces, Virginia, Pennsylvania and New Jersey – pending the gubernatorial election in November – are potential candidates.

On 6 July, bicameral **legislators in Oregon introduced Senate Bill 1070, a carbon pricing (cap and trade) bill** that features a state-wide cap on GHG emissions, which lowers over time. The

bill also establishes a price per tonne of emissions for Oregon's largest GHG emitters and limits offsets usage at 8%. Although there was insufficient time for the bill to pass in the 2017 Legislative Session, which ended in July, it has "teed up" the conversation for the upcoming 2018 Legislative Session that begins in February. "Establishing a cap and price on climate pollution is the next big step that Oregon must take for clean energy leadership," said Representative Ken Helm (D), Chair of the House Energy and Environment Committee. "This is going to happen, because Oregon can't miss an opportunity this big."

IETA INSIGHTS

GREENHOUSE GAS MARKET REPORT

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