Carbon Forum Africa 2012

Addis Ababa 18 April

The Durban Platform
Architecture for post-2020

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IETA
INTERNATIONAL EMISSIONS TRADING ASSOCIATION

Who are IETA?

- Only cross–sectoral, private sector international organisation promoting emissions trading to secure environmental goals
- Founded in 1999 with UN bodies' assistance
- Membership: ~155 companies
  - 50% emitters
  - 50% project developers, intermediaries, financial institutions, brokers, verifiers, legal firms
  - 60% EU, 30% US/Canada, 10% Asia
- Swiss non profit
- Offices: Geneva, Brussels, Washington, Toronto
- Role in Australia, Korea, China

Durban behind the bureaucracy: the take-away messages from a surprising success

COP17/CMP7
UNITED NATIONS
CLIMATE CHANGE CONFERENCE 2011
DURBAN, SOUTH AFRICA

- The UN process may have risen from the dead
- The EU's alliances with smaller developing countries has begun to untie the « common but differentiated responsibilities » knot
- China agreed to do what everyone has been asking, and dragged India along, but at the price of further delay
- Who blinked and why?
- Europe is very pleased with itself
- There are many, many ways it can all go wrong
- Working out equitable principles for emissions reduction ambition, setting them aside in negotiations, and doing deals on numbers will be considerably harder than at Kyoto

Sausage-Making, UN-Style

New KP 2nd Commitment Period: Worth Bargaining For?

- To start 1/1/2013 when KP1 expires, and will run either for 5 years (2018) or 8 years (2020), to be determined next year by further negotiations

- KP 2nd commitment period to apply to 39 countries – mainly the 27 members of the E.U., Australia, New Zealand, Norway and several former Soviet states.

- U.S., Canada, Japan and Russia will not participate

- Canada formally dropped out of the KP, a few days after COP-17 in Durban ended

- *Should the private sector be impressed? = Will it create more demand?*

Behind the seven veils: mitigation post-2020

- « Launch a workplan on enhancing mitigation ambition to identify and explore options for a range of actions that can close the ambition gap with a view to ensuring the highest possible mitigation efforts by all Parties »
- « A process to develop a Protocol, another legal instrument or an agreed outcome with legal force under the UNFCCC applicable to all Parties »
- « Shall complete its work as early as possible but no later than 2015 in order to adopt this Protocol, legal instrument or outcome with legal force at COP 21and for it to come into effect and be implemented from 2020 »
- « The process shall raise the level of ambition and be guided by the 5AR, the 2013-2015 Review and the work of the Subsidiary Bodies »
- *How should the private sector factor this in to its plans?*

Some other key outcomes from Durban

- Technology, REDD AND NMM
- International verification and accounting.
- Emergence of mechanisms to address loss and damage.
- The GCF, and a Standing Committee on Finance.
- A forum and work programme on the implementation of response measures – watch out for trade angles.
- Further definition of the Review of the Adequacy and Progress (2013-2015).

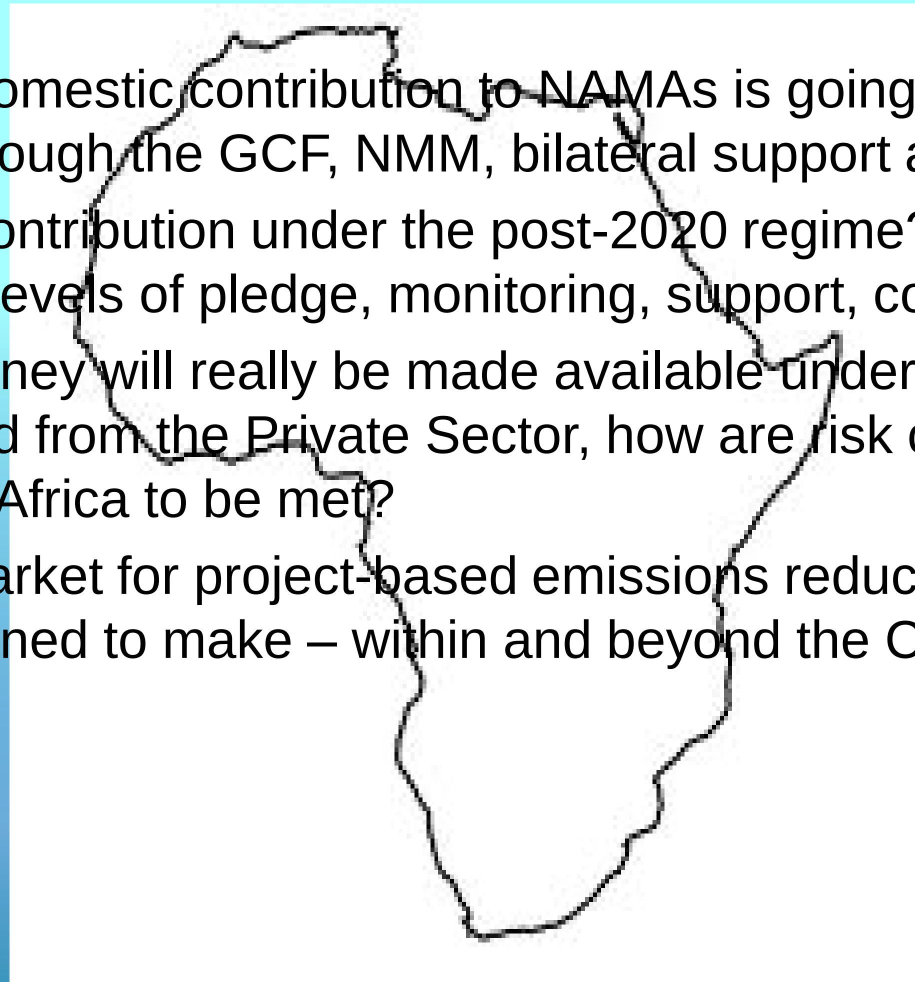
CDM AND JI

- Reprieves, but are they bankable? A Review, but leading where?
- Materiality regime agreed; Appeals mechanism not agreed
- CCS steps forward; so do significant deficiences, simplification, co-benefits, additionality, first of a kind, faster processing of methodologies, consequences of methodologies being put on hold, standardised baselines, suppressed demand, digitisation, reduced waiting times, support for underrepresented countries, loan scheme, new DOEs
- But EUETS constraints are far more important:
  - Low demand,
  - Qualitative restrictions,
  - Tough geographic restrictions (as soon as a ratifiable agreement, not even LDC CERs allowed unless the country has ratified), and bilateral agreements apparently only if there is no multilateral one

Overall Implications for Carbon Markets / Finance

- Durban quite good for sentiment but not for economic demand
  - Kyoto Protocol to be extended, but little direct relevance to markets
  - Unclear if EU targets may tighten, but Australian demand possible?
  - EU potential for CERs restricted after 2012 (small country hosts only)
- Long term view is better, as market mechanisms now seem a fundamental part of the UN policy fabric
  - Despite opposition., market aspects appear throughout texts
  - For example: Reporting by developed and developing countries includes market mechanism results, Standing Committee on Finance will assess private financial flows & carbon markets
- New asset classes emerging (REDD and New Market Mechanism)
  - But major policy uncertainties remain, and extra supply unhelpful until ambition and demand are massively increased

Meaning what for Africa?



- What sort of domestic contribution to NAMAs is going to be expected – through the GCF, NMM, bilateral support and the GCF?
- What sort of contribution under the post-2020 regime? What criteria defining what levels of pledge, monitoring, support, consequences?
- How much money will really be made available under the GCF? If much expected from the Private Sector, how are risk concerns about some parts of Africa to be met?
- What is the market for project-based emissions reductions that Africa has learned to make – within and beyond the CDM?

COP 18 – Doha, Qatar – and the post-Durban timetable

- Next COP (COP-18) will take place from November 26 to December 7, 2012
- AWG Durban Platform must define its work and make progress in first half of 2012
- KP targets (and EUETS Phase 2) expire end-December 2012
- AWG LCA expires at COP 18
- UNFCCC Review of Adequacy (agreed in Cancun) 2013-2015
- IPCC Fifth Assessment Report published 2014
- December 2015 UNFCCC must adopt new Protocol, legal instrument or legal outcome (nb ratification timetables)
- Economic and electoral cycles could be crucial

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