



SECOND COMMITMENT PERIOD OF KP: THE FUTURE FOR CDM IN AFRICA?

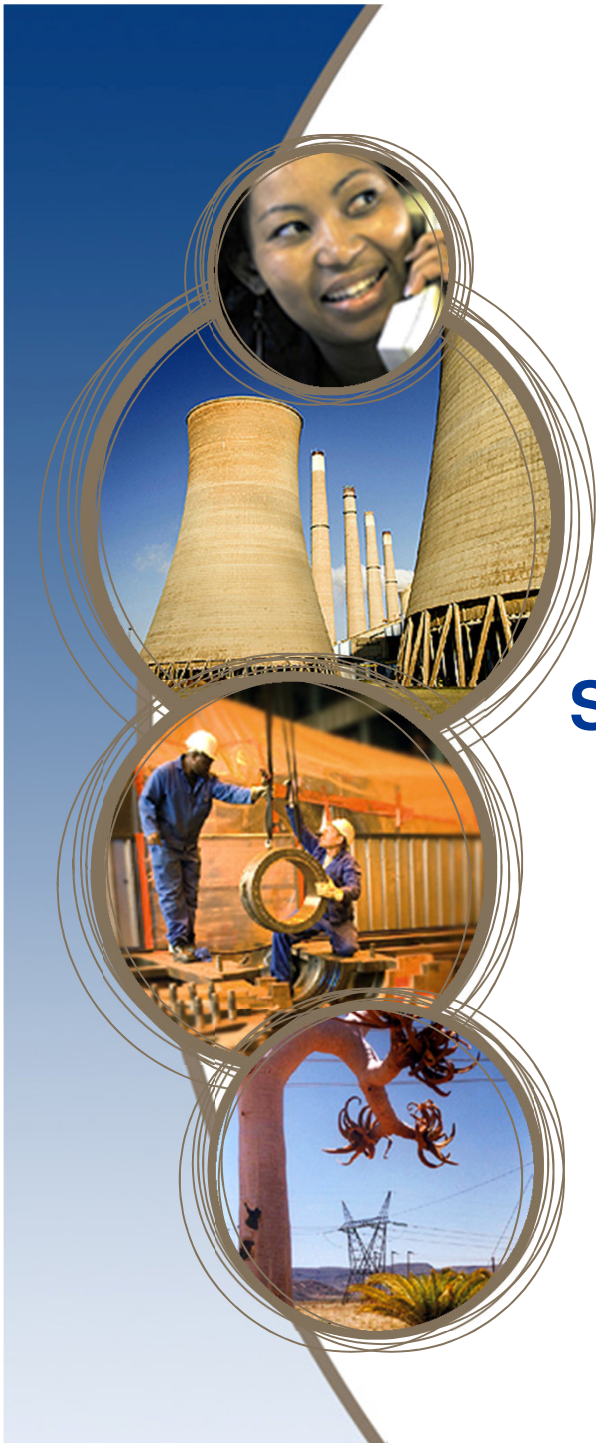
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CONTEXT & OUTCOMES OF COP 17



- Key outcomes related to KP and markets:
- Agreement on the Second Commitment Period of Kyoto Protocol (2nd CP)
 - This means continuation of CDM market, which promotes SD in developing nations as well as low carbon development pathway
- Establishment of Ad Hoc Working Group on Durban Platform (AWG-DP) for Enhanced Action
 - Facilitates road map to discuss targets & commitments from all developed countries (incl. USA) and major emitters in the DCs (e.g. India, China, etc.); including pledges under conv
- Agreement to define new market-based mechanisms under convention to enhance mitigation actions

COUNTRIES NOT IN 2ND COMMITMENT PERIOD



- Japan and Russia remain KP parties, but are not taking new targets, while Canada has withdrawn from KP
- USA was never a KP party and therefore it will not take place in the 2nd Commitment Period (CP)
- Australia and NZ were undecided at COP 17, but their domestic actions and ETS confirmed
- **Implications for Africa:**
- These countries were not biggest buyers of emissions in Africa in the 1st CP and this outcome may not 'dent' the CDM market significantly in the continent
- AU and NZ will use CERs to meet part of their pledged commitments; they will form a combine ETS in 2015
 - Will make use of CERs to meet their domestic targets
- Their inclusion in 2nd CP would have amplified the CDM market though

- HFC-23 and N₂O (Adipic Acid) will be excluded in the EU-ETS in 2013
- CERs of projects registered before 2013 allowed
- CERs of newly registered projects restricted only to LDCs from 2013
- **Implications for Africa**
 - Exclusion of HFC-23 & N₂O opens market for Africa, as these will no longer flood market from 2013
 - Great opportunity for most of countries in Africa, which are LDCs

OTHER NEW MARKETS POST 2012



- New market-based mechanisms (NMBM) – have to operate under guidance of COP
- Procedures and modalities of NMBM to be decided in COP 18
- Sectoral Crediting Mechanism (SCM)- ***proposed*** to increase impact of market-based mitigation; and to focus more on sectors than individual projects
 - SCM proposed to co-exist with CDM
 - There should only be ‘gain’ for DCs and no ‘net loss’
- Japan proposed to operationalize its new BOCM (bilateral offset credit mechanism) in 2013

PARALLEL PLEDGES UNDER CONVENTION



- Developed nations not participating in the KP to demonstrate their effort (ER) through implementation of CPH and Cancun pledges
- Pledges negotiated under Convention and must be quantified
 - This includes countries like USA, which are not KP parties
- Those countries not interested/included in KP or 2nd CP will use bilateral mechanism(BM) to meet their pledges
- More work is required to make these BMs be recognised under multilateral framework
- Africa must be proactive to identify opportunities under BMs and other NMBM market

PERIOD LENGTH OF 2ND CP



- The 2nd CP is expected to start from 1 January 2013 to 2017/20
 - The period is expected to be concluded in COP 18 (Dec 2012)
 - It will either be 5-year or 8-year period
- **Implications for Africa:**
- Period of 8 years would be better for Africa, so that it coincides with the commencement of the new global legally-binding framework (treaty) in 2020
- This will enable avoidance of Emissions Reduction gap, while this new treaty is negotiated till 2015
- Period of 5 years will only narrow the emissions gap instead of avoiding it
- Commitment of emissions cut by developed nations continues (Africa acknowledges this responsibility)
- Opportunity for Africa under 8 years means CDM market continues longer for trading benefits and project development
 - Provides enough window to build capacity and allow lengthy processes of project registration

CDM REFORM

- Improved POA – investment encouraged in methodologies which are simplified
- Standardised baseline & suppressed demand
- Simplified demonstration of additionality
- EB improve efficiency; transparency in its decisions
 - Reduce waiting period btw request for registration and completeness check
- **Implications for Africa:**
 - completion and implementation of the above presents more project development
 - Efficiency will significantly reduce “lead time” of project registration processes

NEW/REVISED PROJECT ACTIVITIES & GASES



- CCS accepted as new eligible CDM project activity
- There will be seven GHG including NF₃ in the 2nd CP
- EB taken action of revising ACM 0013 (supercritical coal)
- **Implications for Africa**
 - Active participation from Africa is important in the revision of this supercritical methodology
 - Africa has more potential to develop more coal projects in near future to meet continental energy needs (in cost-effective manner)
 - African countries are discovering coal reserves within their boundaries (e.g. Nigeria; Kenya, Botswana, etc.)
 - Will the new gas (NF₃) present any project opportunities in Africa?

SURPLUS ASSIGNED AMOUNT UNITS (AAU)



- Surplus AAUs in the 1st CP to be transferred and used in 2nd CP
- ERU to be used for emissions reduction after 2012 proposed to be derived from AAU to meet 2nd CP targets
- Future of AAU surplus to be decided at COP 18
 - Needs to be concluded prior to amending Annex B of KP
 - EU will not consider these units in the 2nd CP
- **Implications for Africa**
- These units will flood the market and pose unfair competition to CERs from Africa
- Surplus AAUs have possibility to lower the carbon price
- Less emissions cut effort by some of developed countries through the use of AAU

EQUITABLE DISTRIBUTION OF CDM PROJECTS



- Decision made for CDM to cover equitable distribution of projects and simplification of process
 - No tool/meth determined on how this will practically happen
- To promote ED CMP tasked UNFCCC Secretariat to:
 - Provide tech training to DNAs, DOEs and Project Participants
 - Provide training on implementation of standardise baselines
 - Strengthen other institutions within the process
 - EB to allocate funds to support these tasks
- **Implications for Africa**
- Africa must be proactive on how it can increase its slice in the “CDM pie” by making use of this decision
- How can this decision be used to scale up CDM in Africa?

CO-BENEFITS & KEY MESSAGES

- What does 2nd CP mean for Adaptation, esp. for Africa?
- Does this mean continued cut of emissions will lead to lesser climate change impacts in a long run?
- 2nd CP of 8 years will lead into generation of more adaptation fund (from issued CERs) required by Africa
- Should NMBM also include levy for Adaptation same as in CDM?
- Africa should be more proactive as there is short window for CDM (lessons learnt from 1st CP)
- Also be proactive in the design & involvement in NMBM and how Africa can access it



Thank you

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