



Center for
Clean Air Policy

Dialogue. Insight. Solutions.

Moving Towards Agreement in Copenhagen and Beyond

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Reunion de Negociadores de Cambio Climatico

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Outline of the Presentation

- Big Picture – What at a minimum must be agreed to in Copenhagen?
- Elements to be Completed Post-Copenhagen
- Conditional NAMAs vs. sectoral crediting
- Where the Reductions can come from in 2020
- NAMA Governance
- REDD as a NAMA?
- Key Questions

Expectations for the International Climate Negotiations

On the road to Copenhagen (December 2009)

- » Need to reach global agreement on the basic policy architecture for both developed and developing countries for action beginning in 2012

After Copenhagen (2010-2011)

- » Parties will negotiate the specific details required for implementation of the policy architecture

Priorities for Copenhagen

- » A1 targets based on principles of comparable effort
- » A1 aggregate financial commitments for mitigation, adapt, & technology
- » Range of DC aggregate actions
- » NAMA architecture & Financing mechanism
 - Combination of Mexican green fund and Norwegian auction proposal
 - Definition of eligible activities
- » NAMA matching mechanism – FAST START
- » REDD mechanism
- » Capacity building
- » Shared Political Vision

Issues to be settled in 2010-11

- Specific negotiations to match up-front funding with NAMAs
- Decisions on sectoral crediting baselines for key DCs
- Country-specific funding levels for adaptation and least-developed country mitigation
- The “Accords” – the technical rules
- Implementation of any new financing entities

Schedules: A Way to Buy Time for Agreement beyond Copenhagen?

- Australia and the US have suggested creation of schedules or annexes where developing country NAMAs and developed country financial commitments (as well as other elements) could be recorded as part of the Copenhagen package in 2010-11 to be ratified
- Can this buy time for the process, yet still keep us on the global track for a robust agreement for the 2012-20 period?

Schedules vs. Registries

- Can co-exist – registry could include both proposed conditional NAMAs and financial agreements on NAMAs
- Schedule would only include the agreed-on conditional NAMAs plus unilateral ones
- 3rd party verification would be tied to A1-financed conditional NAMAs

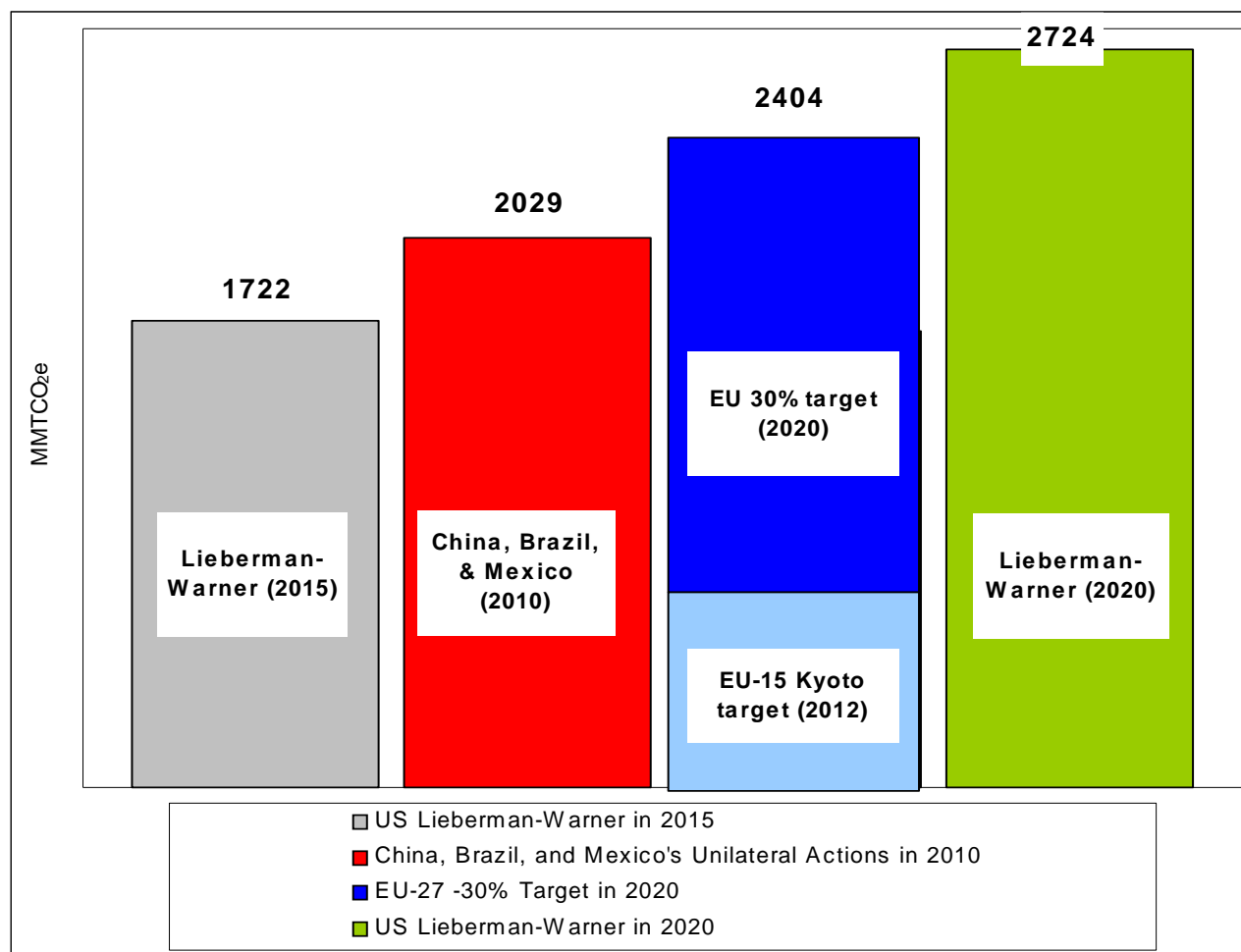
Negotiating tracks: Kyoto Protocol (KP) and Long-Term Cooperative Action under the UNFCCC (LCA)

- Key threshold question is what can/should these processes produce?
 - » Amendments to the Kyoto Protocol – new A1 targets, additional mechanisms to involve US and DCs
 - » A new protocol blending elements of UNFCCC w/ KP
 - » Amendments to the UNFCCC
 - » Implementation Agreements and Decisions pursuant to the UNFCCC
- G-77 officially prefer two tracks
 - » Would like to see how Annex I comply with Kyoto Protocol
 - » Concerns over preserving the “common but differentiated” principle
- Developed countries prefer one track – To streamline the negotiating process and produce one blended protocol w/ US in



G-77 approach could improve chances to avoid U.S. Senate ratification

GHG Mitigation: Developing Countries Are Already Doing a Lot

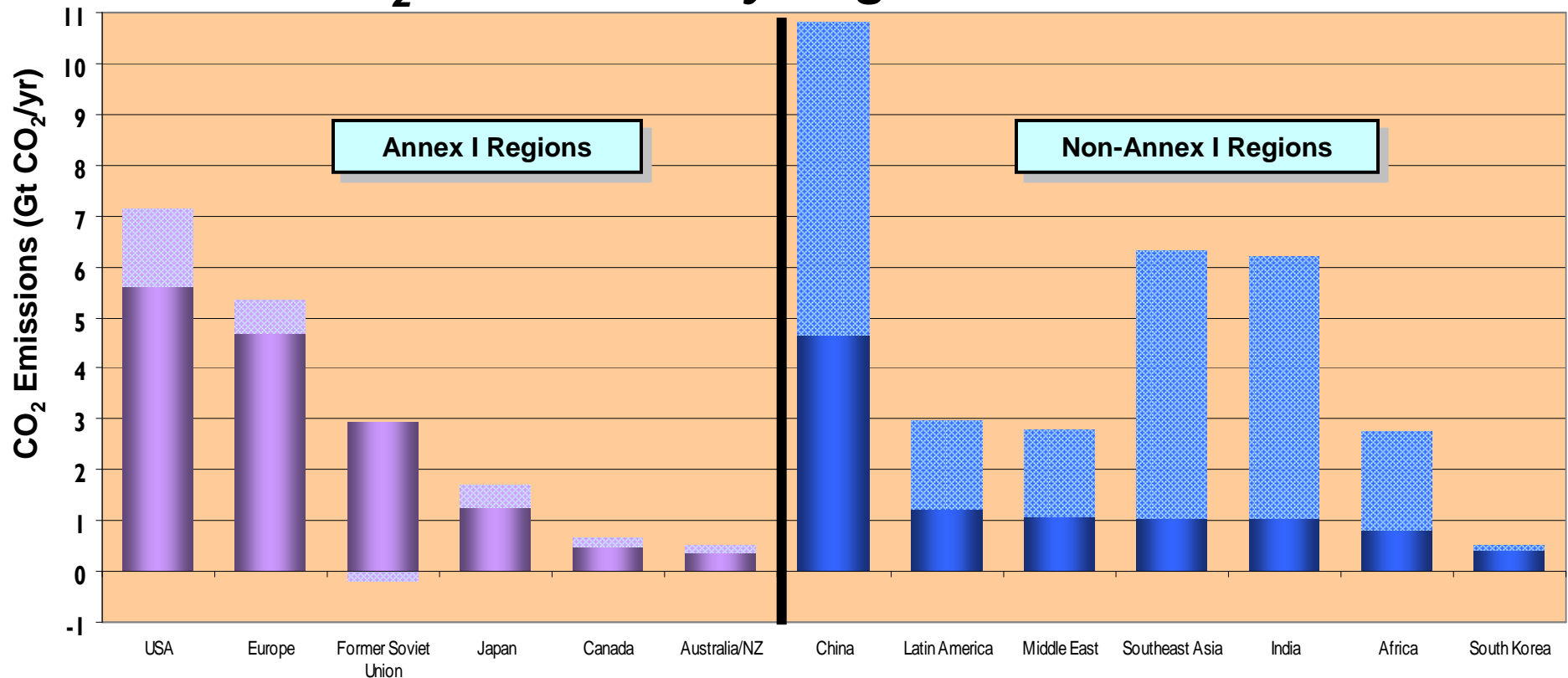


Reductions from BAU

Source: CCAP, updated

... But Outlook for Developing Country Emissions Growth Remains Substantial

CO₂ Emissions by Region - 2000 & 2050



The Sectoral Study

- CCAP is leading a “**proof of concept**” study of sectoral programs in China, Mexico and Brazil (w/ parallel efforts in India & Indonesia)
 - » Funded by EC, Hewlett Foundation, BP Foundation, UK Special Programme Fund
 - » Partners are CEPS, ZEW, CCC, IDDRI
 - » Sectors: power, cement, iron & steel, aluminum, oil (Mexico only)
- Key questions/issues:
 - » What data is available (technologies, costs, emissions, fuel use?)
 - » Can potential sectoral goals and financing needs be determined from the available data? If so, how?
 - » How big an impact can sectoral programs have on global emissions?
 - » How can sectoral programs fit into the Copenhagen agreement?
- Developing potential sectoral goals in Mexico and China

Setting Sectoral Goals

- Accounting for **national circumstances** is the key to setting equitable and feasible sectoral goals.
- Basic analytical procedure:
 - » Collect data
 - » Develop a BAU baseline
 - » Analyze mitigation options (emission reduction potential, costs)
 - » Determine/examine the **barriers** to implementing each option
 - » Set the goals (emissions intensity and technology deployment)
 - Unilateral
 - Conditional (including assistance needed)
 - » Design the implementation strategy – **flexibility** is key
- Includes determination of the **capacity-building** needed for analysis and implementation

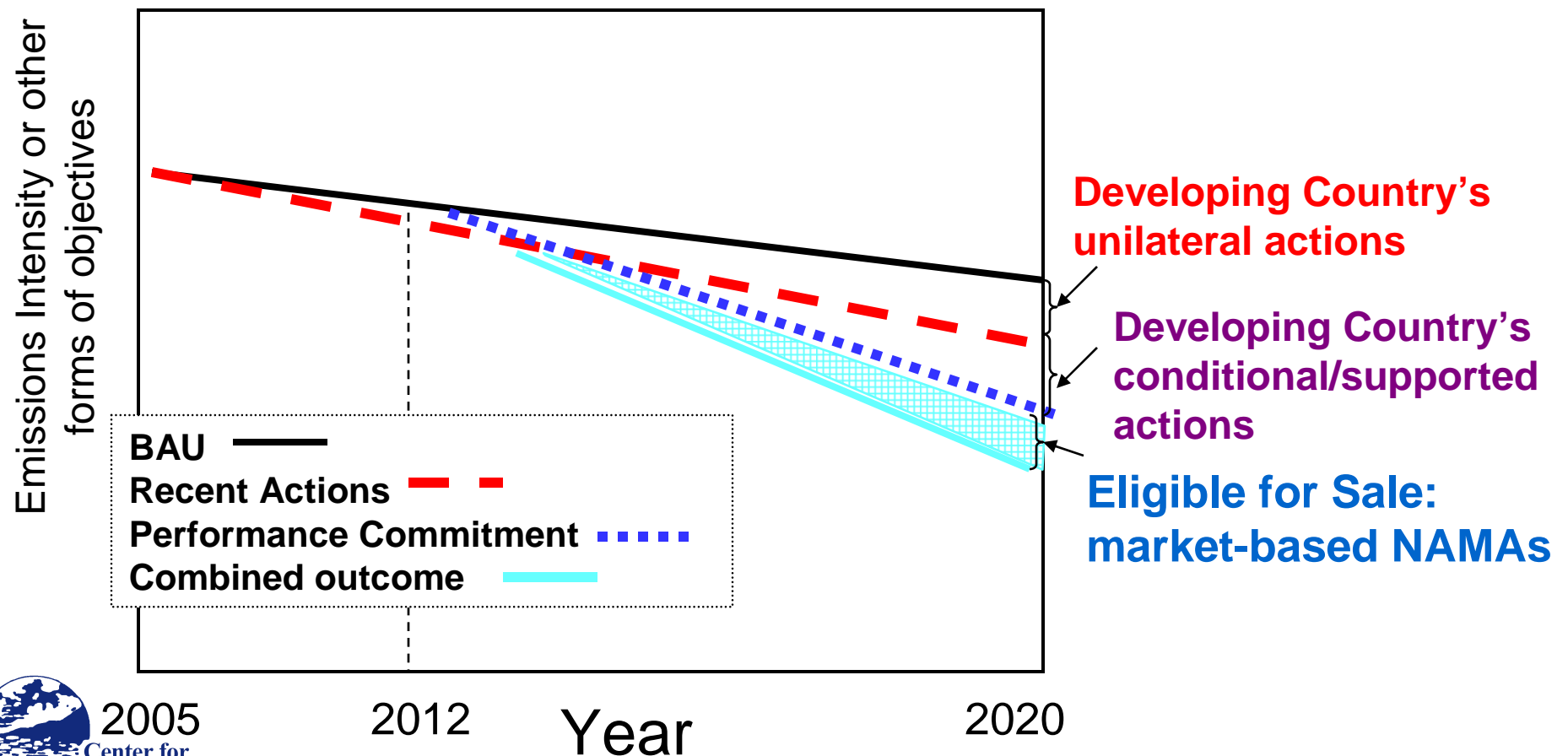
Broad Sectoral Approach Lessons

- Sectoral approaches should:
 - » have clearly defined objectives
 - » build on ongoing unilateral mitigation actions
 - » produce material participation and material emission reductions across sectors and countries
 - » support national sustainable development strategies
 - » be flexible and take national and local circumstances into account (e.g., with respect to sector boundaries)
 - » produce technological innovation and transfer
 - » offer sufficient incentives to both governments and industry in both developing and developed countries

NAMAs Background

- International debate centers on three types of NAMAs:
 - » Unilateral
 - » Conditional/Supported
 - » Credit-generating
- Goal of unilateral and conditional NAMAs is to produce developing country emissions reductions that are not offsets – DCs' contribution to climate protection
- 6-10 large developing countries are responsible for 80-90% of DC emissions in key sectors

Developing country contribution to GHG mitigation: three categories of NAMAs



Types of NAMAs

- NAMAs can be individual actions, groups of actions, and policies and may include:
 - » SD-PAMs
 - » Regulations and policies
 - » Technology deployment,
 - » energy efficiency or energy-pricing programs or measures
 - » Cap-and-trade programs
 - » Carbon taxes
 - » Sector-wide actions (sectoral targets, mitigation actions, standards, or crediting baselines)
 - » REDD+, agricultural or related activities

Nature of NAMA support

- Capacity building
- Finance for advanced technologies
- Finance for policy implementation (e.g., to write down the costs of a feed-in tariff for renewables)
- Finance to help overcome domestic barriers (e.g., creation of Special Purpose Entities by IFIs like the IADB)
- Flexible financing tools such as loans, guarantees, grants etc

- Carbon credits

Conditional/Supported NAMAs vs. Credit-Generating NAMAs

- Conditional/supported NAMAs provide up-front finance while credit-generating NAMAs provide carbon credits after the reductions are achieved
- Unilateral and conditional NAMAs are designed to allow developing countries to capture “the low hanging fruit” as their contribution to protection of the climate
- Credit-generating baselines are designed to offer higher cost reduction options to the carbon market as offsets
- Conditional NAMAs can create a “race to the top” as some proposals from different developing countries compete for up-front financing

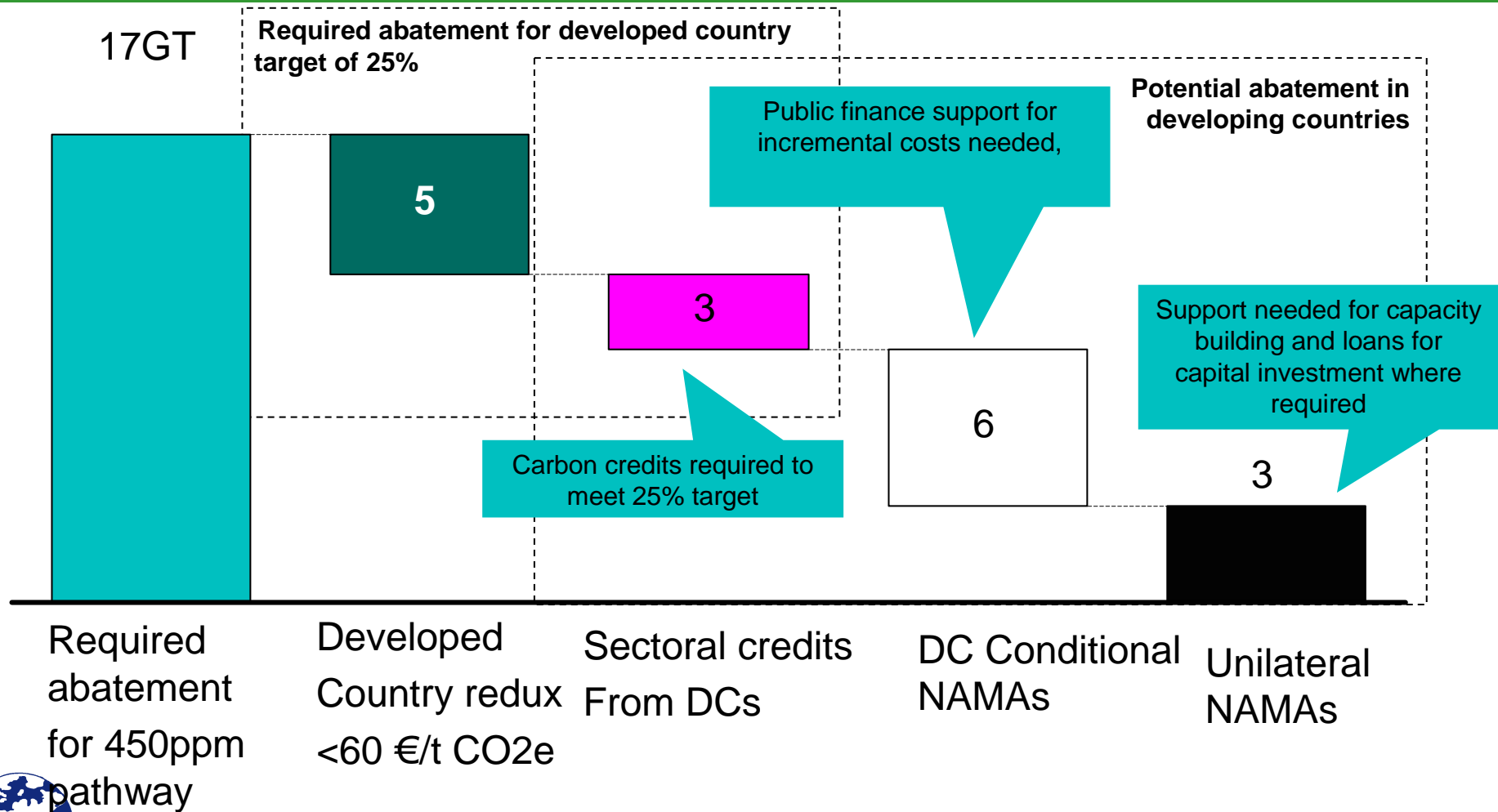
Conditional NAMAs vs. Credit-generating NAMAs (2)

- Emphasizing sectoral crediting to the exclusion of conditional NAMAs could invite a “race to the bottom” where the incentives for host countries and the private sector is to set weak baselines to maximize credit generation, as has existed to a degree with the CDM.
- The big challenge for conditional NAMAs is how to generate enough public finance to provide the needed incentives while sectoral crediting can leverage larger private sector carbon market sources
- The no-lose target of conditional NAMAs is not necessarily the crediting baseline for sectoral crediting

Conditional/Supported NAMAs

- Could be viewed as partnership actions:
 - » developing countries identify actions and create enabling environments
 - » developed countries support actions through financing, capacity building, technical assistance and technologies.
- Comprehensive Low Carbon Development Strategies could be developed by developing countries to ensure coherence of individual national NAMAs and document a path to low carbon future.
- LCDS would also be helpful for reviewing and evaluating individual NAMAs and developing long-term financing and technical assistance plans for their implementation.

Project Catalyst Assumes bulk of 2020 reductions are financed by Developed Countries



Governance of NAMA Finance

- Structure of governance is critical – who decides what NAMAs get support and who distributes the support?
- Some options:
 - » Build on existing UNFCCC institutions like GEF and Secretariat
 - » New UNFCCC matchmaking body to align requests and pledges
 - » Delegate responsibility to IFIs like the World Bank or a similar institution to decide how the funding is distributed
 - » New fund like Mexican green fund
 - » Direct access – similar to Adaptation Fund
- Seems to be preference for separate entities to do NAMA matching and to evaluate crediting baselines – answerable to COP
- Preference for centralized fund or centralized review process to avoid forum shopping and to insure assessment of aggregate materiality of proposed NAMAs
- Partnership model of WB forestry effort cited as excellent building block for NAMAs

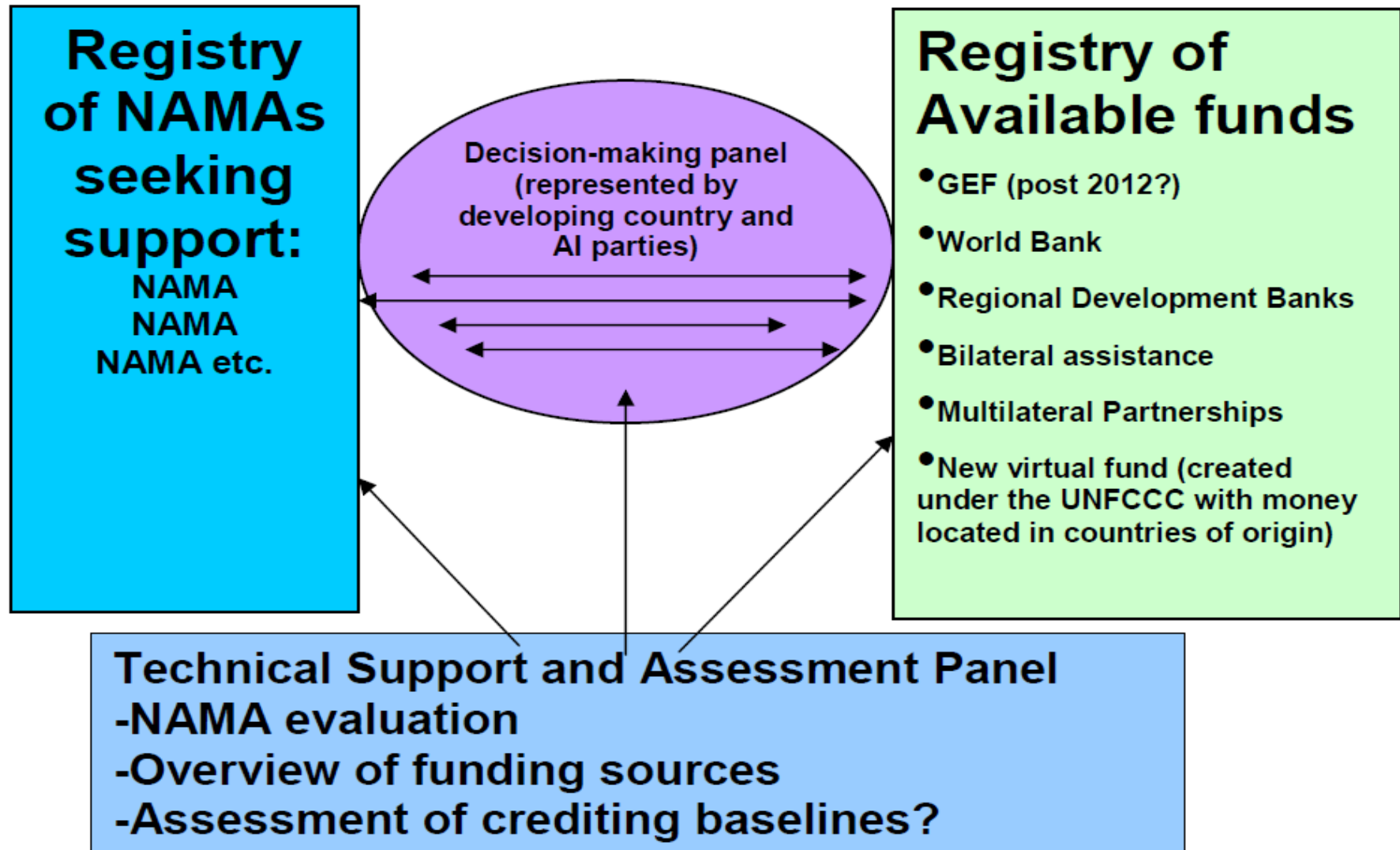
Governance of NAMA Finance – CCAP Dialogue Recommendations

- Seems to be preference for separate entities to do NAMA matching and to evaluate crediting baselines – answerable to COP
- Preference for centralized fund or centralized review process to avoid forum shopping and to insure assessment of aggregate GHG reductions that could result from proposed NAMAs
- Partnership model of World Bank forestry program effort cited as excellent building block for NAMAs
- Delegates were split on whether NAMA finance should be decided by a “race to the top” or by a formula/direct access model

Principles of financing – agreed by many Parties

- Scaled up and predictable global mitigation actions
- Effectiveness
- Simplicity
- Efficiency /cost-effectiveness
- Fairness and equity
- Mutual accountability
- Ability to leverage other public and private money
- Coherence (in terms of how NAMAs fit into bigger national plans and overall concepts)
- Sustainability (in terms of technologies that will be there in 30-50 years)
- Transparency

Multilateral Financing Facilitative Mechanism under the UNFCCC (Matchmaking Process)



A “Fast Start” for NAMAs – Criteria for Prioritizing NAMAs

- Possible criteria:
 - » Cost effectiveness
 - » Materiality (size of reductions)
 - » Transformational policies
 - » Solid MRV
 - » Other?
- Tension may exist between nationally appropriate (sustainable development) and international criteria
- Tension between predictability/certainty desired by DCs and “race to the top” competitiveness element desired by A1
- Could potential for finance slow unilateral actions by DCs?
- Some NAMAs like capacity building and transformational NAMAs should be funded in all DCs and based on other criteria than the ones proposed above

Future of the CDM

- Both U.S. legislation and European Climate Package propose elimination of CDM for major developing countries in key internationally competitive sectors (cement, steel, oil refining, pulp & paper, chemicals)
- U.S. legislation would require that all facilities in a sector participate in a sector-wide program that establishes a sector cap. CDM would be permitted only for minor sectors or for least developed countries
- Reform of the CDM will be an important part of the UNFCCC negotiations **but it will also be affected dramatically by restrictions imposed on domestic trading systems by developed nations** like the US and Europe
- We saw this after Marrakech when AF/RF CDM projects were not allowed in the EU ETS

NAMAs: A place for REDD?

Three phases of REDD (per Norway): readiness, initial implementation, and full implementation with national level credit-generating

- » 3 phase model fits with conditional NAMAs and sectoral crediting baseline NAMAs
- » All 3 phases require support, first two from funds or auction revenues, crediting phase is supported from the carbon offset market

The NAMA structure fits well with the concept of gradual development of REDD programs with crediting occurring once programs are mature

Tough Criteria Needed to Move between the “conditional” and Crediting Phases

Stringent criteria for crediting e.g. Waxman-Markey offset provision

- » Must address leakage, permanence, accounting for reversals, biodiversity, etc

Additional criteria could include: secure land tenure policies, enforcement, MRV, avoiding perverse land conversion incentives, etc

Conditional NAMAs would include national programs and could include subnational for smaller emitters initially

U.S. Waxman-Markey Approach to REDD

- Two Programs:
 - » Supplemental REDD – where EPA awards allowances to countries or entities w/in countries to build programs and to reduce emissions – produces reductions for atmosphere, NOT OFFSETS
 - » Offsets program – includes purchasing offsets from national programs in all countries and subnational/projects in all but the largest countries
- Supplemental REDD has 5% of US allowances per year available for support
- Offsets cap larger than likely supply

Key Questions

To get a ratifiable treaty by 2010/2011 will need to know size and scope of developing country actions

How do we insure that NAMA finance negotiations in 2010-11 produce material reductions if many countries submit climate plans/strategies?

- » Prioritize NAMAs/countries? – concentrate first on a specific list of key sectors/NAMAs that produce significant emissions reductions (e.g., electricity, C&T) and on specific developing countries

To have a “fast start” we will need to use existing entities. Which existing organizations are the best candidates for this role?

Should the same body that makes decisions on conditional NAMAs and matching make decisions on sectoral crediting baselines?

REDD and NAMAs: Key Questions

Should the same supervisory body that makes decisions on conditional REDD NAMAs make decisions on other NAMAs?
Does REDD fit best as a NAMA or in a separate mechanism?

If some subnational REDD programs are part of conditional NAMAs, what incentives could we include to insure the transition to national conditional programs?

Thank You

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Visit: www.ccap.org