



Center for
Clean Air Policy

*Sectoral Approaches and Project-Based Mechanisms:
Can they be Compatible?*

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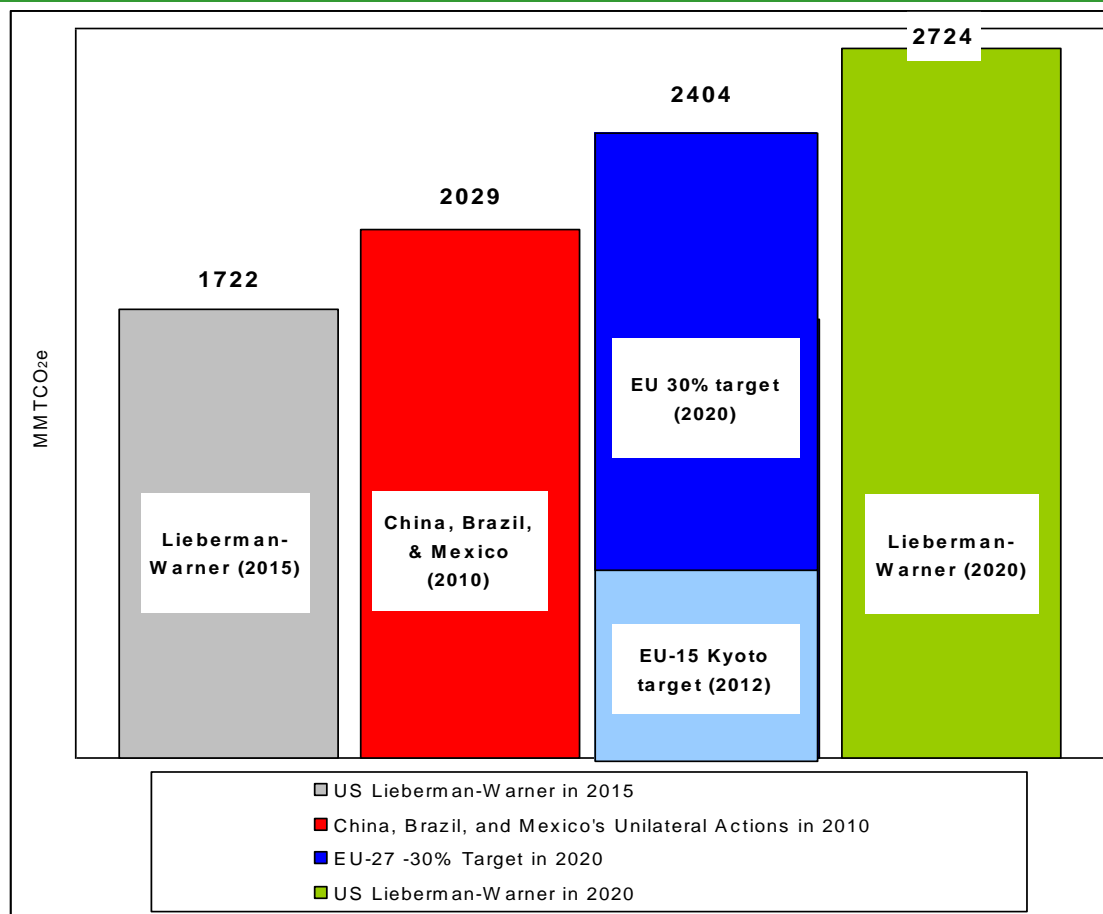
Carbon Expo

Barcelona, 28 May 2009

The Task

- Copenhagen is not Kyoto
- We need more action from developing countries to stay below 2 degrees

Developing countries are already doing more than many believe

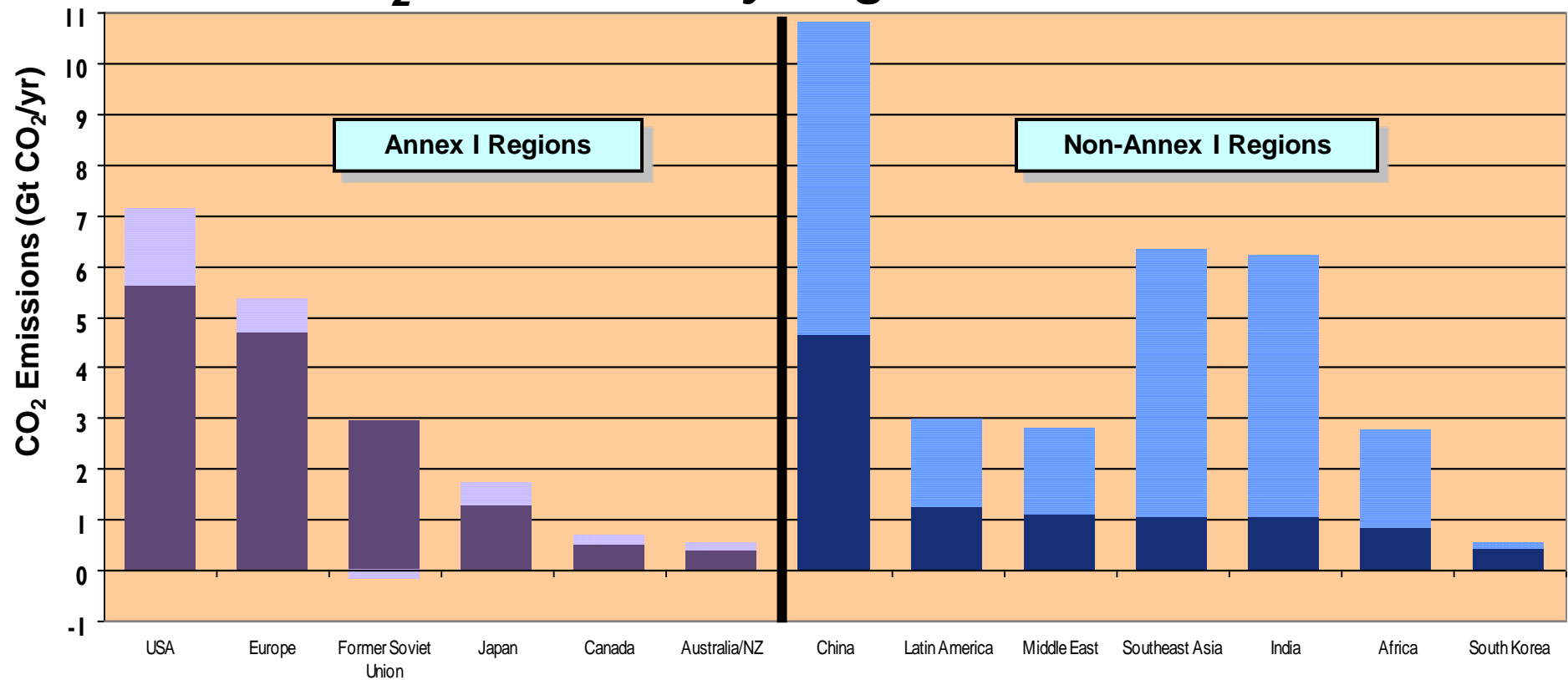


Reductions from BAU

Source: CCAP, updated

... But outlook for Developing Country emissions growth remains substantial

CO₂ Emissions by Region - 2000 & 2050



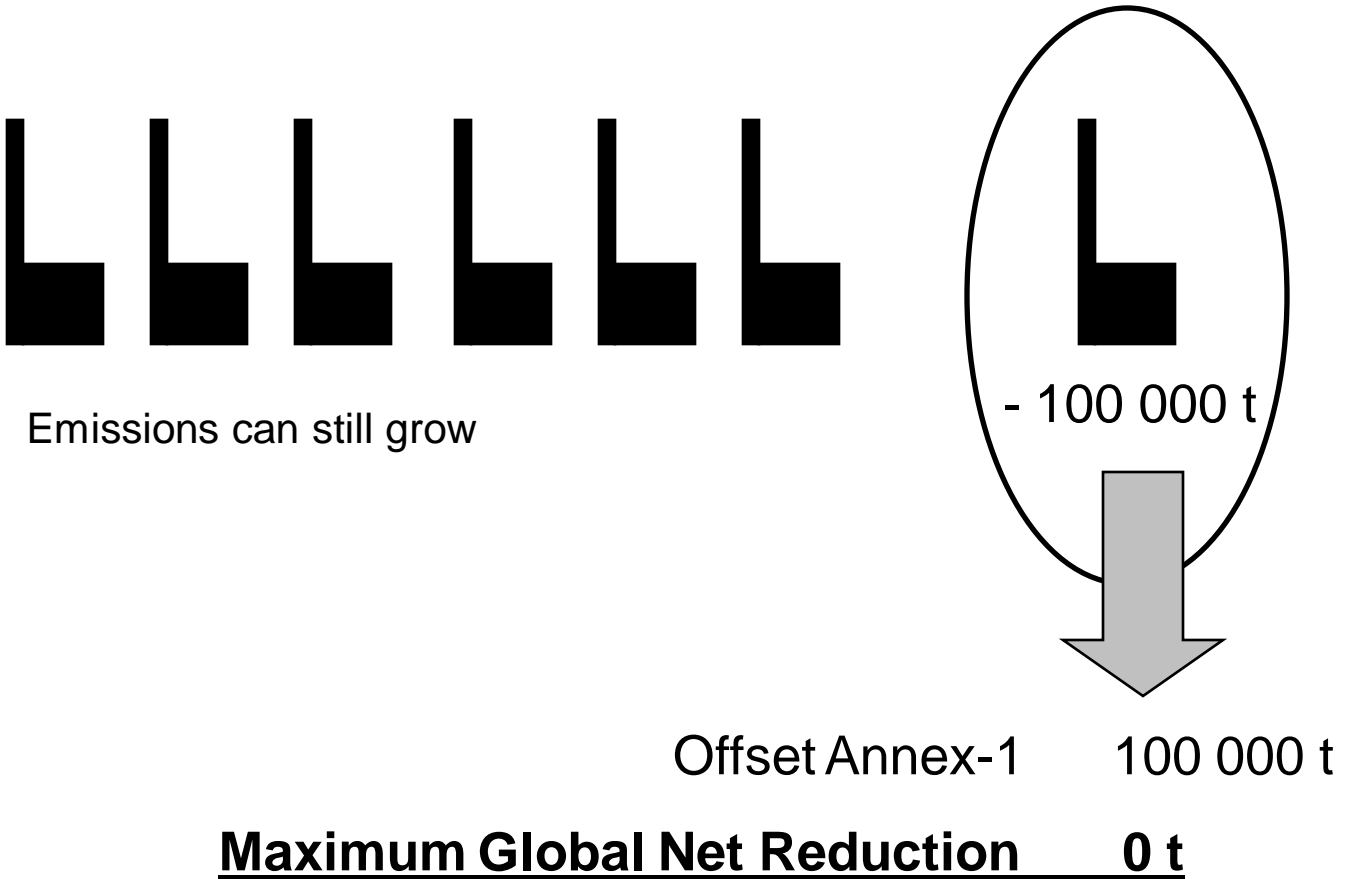
¹ Includes Fossil and other industrial CO₂.

Source: U.S. Climate Change Science Program. 2007. *Scenarios of Greenhouse Gas Emissions and Atmospheric Concentrations* (MINICAM Results).

International Policy Context

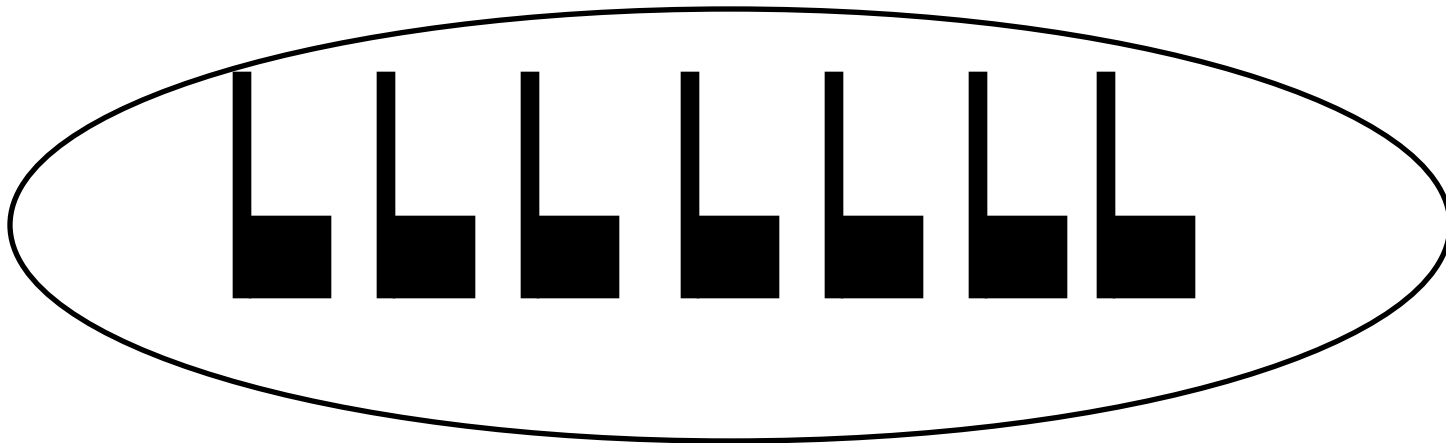
- Bali Action Plan calls for verifiable nationally appropriate mitigation actions (NAMAs) by developing country Parties in the context of sustainable development
- NAMAs are supported and enabled by verifiable technology, financing, and capacity-building support from Annex 1 countries
- Developing countries would submit climate plans (e.g., low-carbon growth strategies) that list their intended NAMAs and associated requests for support
- NAMAs could be grouped to achieve broader objectives, such as sectoral program goals and reductions from deforestation and degradation (REDD)

CDM



Sectoral Crediting

No-Lose target - 650 000 t



Reduction - 700 000 t

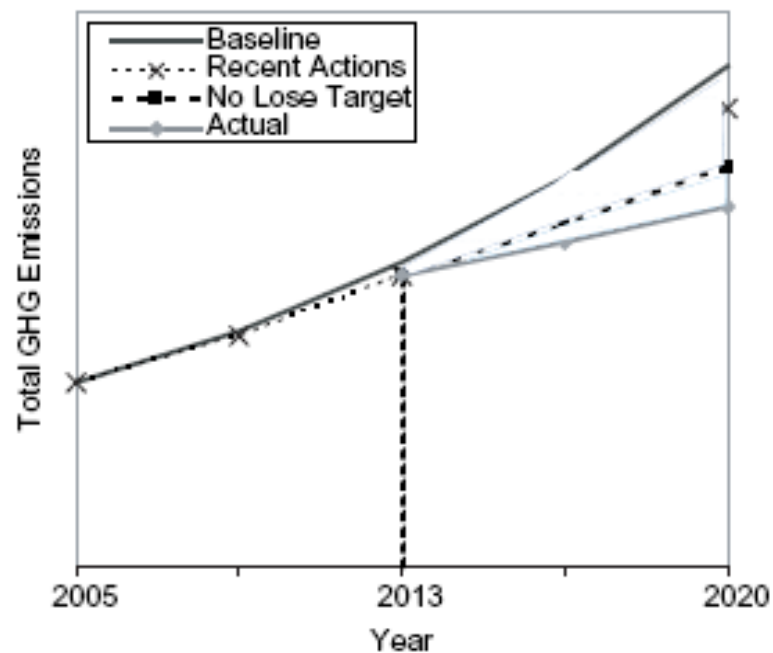
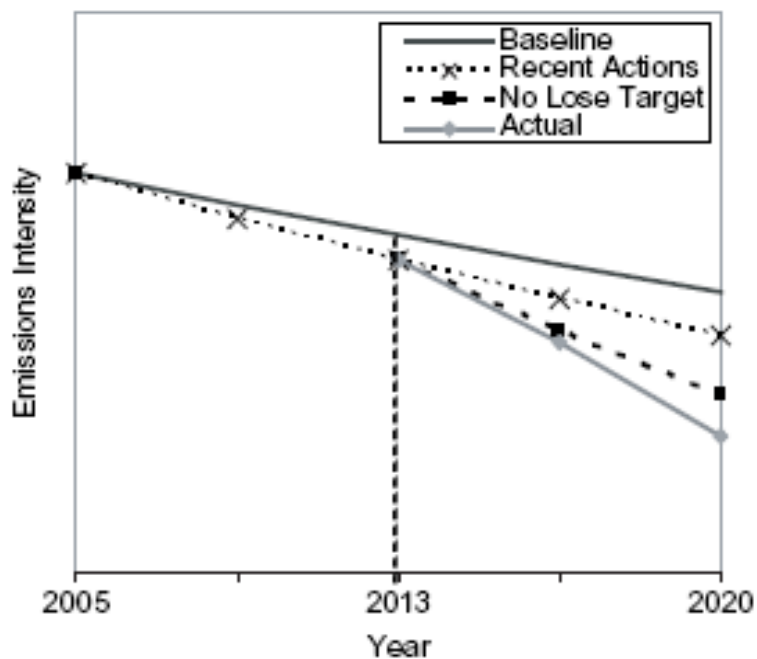
CER 50 000 t → Offsets A-1

Global Net Reduction - 650 000 t



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Sectoral baselines



Where to start?

- Sectoral Approaches will probably start in major developing countries: South-Africa, South-Korea, Mexico, India, Brasil, China, Indonesia
- Sectors: Electricity, Cement, Iron & Steel, Oil, Gas, Aluminium, REDD (?)

CDM and Sectoral parallel?

- No more new CDM-projects in these sectors in these countries
- Avoid double-counting
 - plants with CDM are not allowed to be part of sectoral programs
 - or
 - CDM-reductions are calculated in baseline  tougher baseline

More mitigation action

- CDM will move to countries and to sectors that are not part of sectoral approaches: traffic, housing, light industries
- CDM + Sectoral = More countries, more sectors

Private Investments

- Companies in developing countries and governments are starting to implement efficiency measures because they better understand their own interests
- Upfront financing for NAMAs can help to overcome barriers and to start implementation
- Crucial: How CERs for overfulfilment of no-lose-target will be distributed to companies

Incentive for cap and trade

- Sectoral approaches are a huge incentive to set up cap and trade programs in major developing countries. The system guarantees that companies benefit from investments immediately.
- Without cap and trade, governments in developing countries decide how incentives will be forwarded to private investors.

Supply smaller than potential

- Missing data in developing countries
- Reluctance against international verifiers
- Lack of administrative capacities
- Most of the reductions are needed to fulfil no-lose target, only part of it generate CERs

 Growth of supply will be much slower than estimated by some studies

Thank you

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