

Sectoral Approaches as Part of the Post-2012 Framework

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Overview

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- Key Questions

About the Center for Clean Air Policy (CCAP)

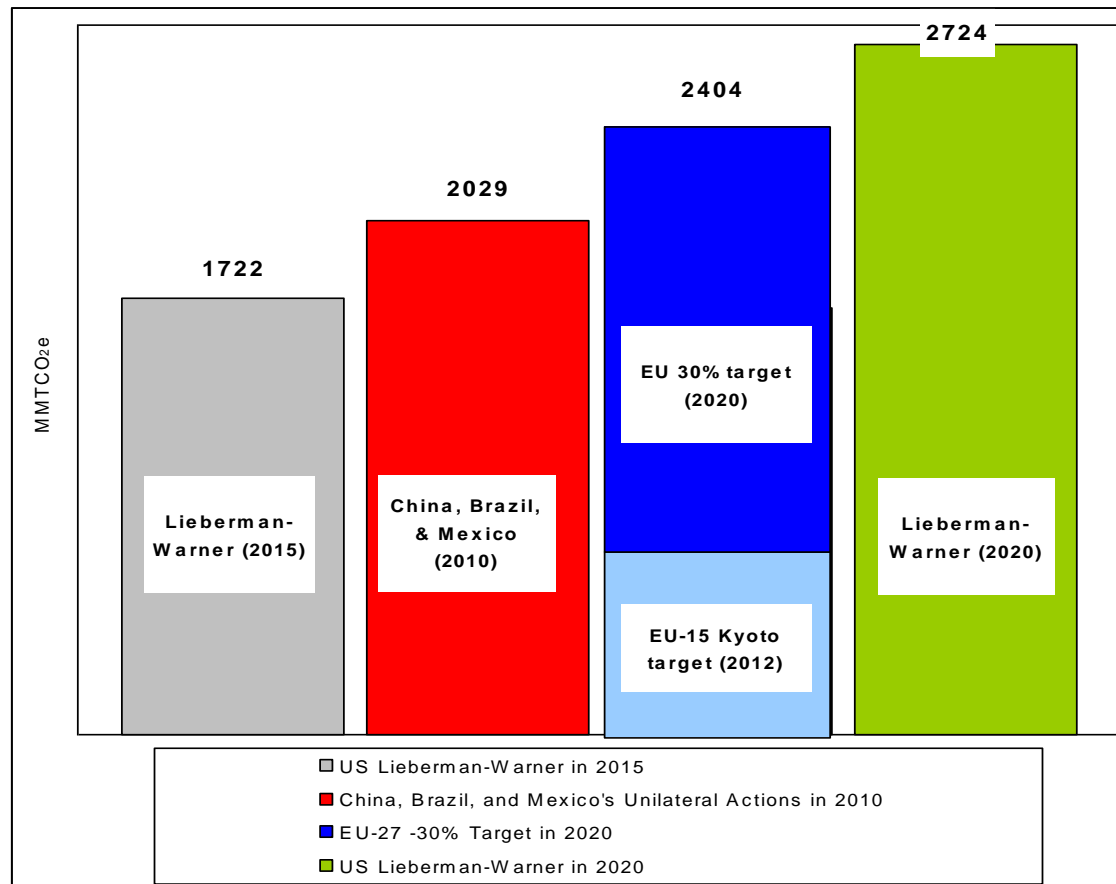
- Washington and Brussels-based environmental think tank
- Committed to advancing pragmatic and cost-effective climate and air quality policy through analysis, dialogue, and education
- CCAP's 30-country climate policy dialogue has produced agreements on emissions trading, design of CDM, & is now focused on post-2012 climate policy
- Working with key developing countries (China, India, Brazil, Mexico) and U.S. states to design climate policies
- Helped design the EU CO₂ emissions trading program
- Running multi-stakeholder dialogues in the U.S. and the EU to build agreement on elements of a US national climate policy package and EU strategy
- Active participant in past and current negotiations on land-use change and forestry under the UNFCCC and other fora

Project Objectives: Proof of concept

- DG Enterprise: “Proof of Concept” of Sectoral Approaches
- Actions necessary for sectoral approaches to become a tool in the mitigation of GHG emissions and necessary links to the world carbon markets
- Encouraging contributions from developing countries
 - » Focus on major emitting sectors
 - » Efficiency and intensity improvements
 - » Incentives: technological and financial assistance; other?
 - » Ensure sustainable development
- Understand potential GHG leakage & trade impacts
- All feeding into the Bali Roadmap and Copenhagen 2009

Developing Countries already undertaking Unilateral Actions

Unilateral Actions Compared to US and EU Efforts (Reductions from BAU)



Source: CCAP
(updated) 5

Sectoral Approaches can help achieve Climate Progress

- GHG goals require contributions from developing countries
 - » Annex I reductions alone can't ensure stabilization
 - » Bali Action Plan calls for “Nationally appropriate mitigation actions by developing country Parties in the context of sustainable development, and
 - » Supported and enabled by technology, financing, and capacity-building
- Sectoral approaches can facilitate these contributions
 - » Benefits to developing countries
 - » Focus on energy and GHG-intensive sectors
- Together with stringent Annex I targets, sectoral approaches can keep global emissions at levels that preserve potential for longer-term stabilization

Why focus on internationally competitive sectors?

- For some energy-intensive industries, climate policies can affect trade dynamics
- Internationally competitive sectors like cement, steel, paper, and aluminum account for roughly 8% of global emissions,* but
 - » are important politically because of fears of loss of competitiveness, GHG leakage, and jobs/plant migration
- EU ETS allocation problems have demonstrated the importance of these sectors to competitiveness
 - » Competitiveness in EU is affected both by allocation decisions by Member States as well as potential leakage to nearby developing countries
 - » Decisions on auction vs. grandfathering can have profound competitiveness implications

** Doesn't include emissions from LULUCF; Only direct emissions, which don't account for emissions associated with electricity use in these sectors*

Primary Sectoral Approaches

1. Transnational Sectoral Approach

- » Single international standard/benchmark for similar facilities in a sector
- » Differentiation lies in timing and level of financing provided

2. Sectoral Bottom-up Approach

- » Developing countries would adopt voluntary “no-lose” GHG intensity targets in key sectors
- » Technology and financial assistance to encourage more aggressive targets

3. Sectoral Carbon Finance Approach

- » Applies CDM approach to all plants in a given sector or subsector in a given country
- » Simplifies baselines and additionality

- A hybrid of these approaches could be developed to combine the best elements of each – “one size may not fit all”

Industry & Country Focus

- Four sectors
 - » Iron & Steel
 - » Cement
 - » Aluminum
 - » Electric Power
- Three Countries
 - » China
 - » Brazil
 - » Mexico

Project Process

- Quantitative analysis
 - » Identification of energy intensity of benchmarks for new and existing facilities
 - » Data collection
 - » Baseline development
 - » Cost analysis of achieving benchmarks
- Modelling benefits of sectoral approaches
 - » Environmental Benefits
 - » Economic Benefits to Developing Countries
 - » Int'l trade & competitiveness analysis

Project Process (cont.)

- Identify financial incentives that would encourage countries to take additional sectoral actions.
- Come up with a better definition of each option as they would apply in each country (given different characteristics of each country – common but differentiated).

Project Process (cont.)

- Present the data, results & policy options in each country workshop, and at stakeholder workshops in Europe, US, & Japan to solicit a full range of opinion from developing countries, industry and other stakeholders.
- Make recommendation to the EC on the most feasible approaches including sectoral strategies in UNFCCC post-2012 framework.

Timeline: Broad Objective

- Interim results will be available prior to COP 14 in Poznan
- Final results will be available prior to COP 15 in Copenhagen

Developing Country Workshops

- **July 14, 2008:** Initial workshop in China
- **August, 2008:** Initial workshop in Mexico
- **October, 2008:** Initial workshop in Brazil
- **April, 2009:** Final workshop in China
- **May, 2009:** Final workshop in Mexico
- **June, 2009:** Final workshop in Brazil
- **August, 2009:** Workshop in India

Developed Country Workshops

- **September, 2008:** Stakeholder workshop in the EU
- **June/July, 2009:** Stakeholder workshop in the US
- **July/August, 2009:** Stakeholder workshop in Japan

Project Partners

- CCAP – Europe
- Centre for European Policy Studies (CEPS)
- Climate Change Capital (CCC)
- Institut du développement durable et des relations internationales (IDDRI)
- Zentrum für Europäische Wirtschaftsforschung GmbH (ZEW)

In-Country Partners

- Tsingua University (China)
- Yunchuan Jing (China)
- Centro Mario Molina (Mexico)
- ICF International (Brazil)
- Giovanni Barotini (Brazil)

Coordination with other projects

- There are several other related projects:
 - » Cement Sustainability Initiative
 - » International Iron and Steel Institute
 - » IAI's Aluminium for Future Generations initiative
 - » Asia Pacific Partnership (APP) - Multisector

Engaging Developing Countries

- Encouraging countries to do more
 - » Go beyond current activities
 - » Contribute to a post-2012 framework
- Better understanding of sector potential
 - » Where they are & where they're going
 - » Availability and adequacy of data
 - » Potential improvements and contributions
 - » What's needed? Financing? Technology?
- Better understanding of institutional framework
 - » Political structures and decision-making
 - » Need for capacity building
 - » Attractiveness of incentives

Engagement with Industry

- A key element of the success of the project will be ensuring that industry is engaged, both industry in the specific countries where projects are being carried out, as well as global industry organisations.
- The project team plans to achieve this by engaging in outreach efforts to European industry and institutions, including workshop organization.

Engagement with Industry (cont.)

- Stakeholder workshops will discuss the project with companies and industry associations, non-governmental organizations, and other key stakeholders.
- The workshops will serve as a conduit to receive feedback/input from stakeholders in the EU and other developed countries to help build a stronger understanding of the results of the project.

Criteria for Evaluating Sectoral Options

- GHG environmental effectiveness
- Contribution to sustainable development
- Cost effectiveness
- Equity
- Operational feasibility
- Political feasibility
- Impact on international competitiveness

Key Questions: Design Issues

- How can the design create maximum incentives for developing country action?
- What level and incentive structure would encourage them to reduce emissions beyond what they can unilaterally achieve?
 - » How would these be implemented to meet the industry issues in both developing countries (e.g., financing, barriers to implementing best practices) and in developed countries (e.g., competitiveness, intellectual property rights)?
 - » Are there barriers that are more behavioral or organizational that require more than a financial incentive?

Key Questions: Institutional

- What barriers/issues are associated with the various types of sectoral approaches?
- What capacity building and expertise improvements in monitoring and reporting greenhouse gas emissions will be needed in key emerging economies?
- How would sectoral best practices be established and disseminated?
- How can these approaches be integrated into post-2012 negotiations?
- Can these approaches be defined effectively on a sufficiently timely basis that they can play an important role in reaching international agreement in Copenhagen in 2009?

Key Questions: Data

- Quality and availability of data
 - » Projections
 - » Costs
 - » Technologies
- Is there data consistency across sector and countries?
- Are there data limitations, transparency issues, confidentiality concerns, or antitrust issues that create barriers for regulators? How can they be overcome?

Questions?