



Center for
Clean Air Policy

Sectoral Approaches as Part of the Post-2012 Framework *Overview & Progress Report*

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Sectoral Approaches can help achieve Climate Progress

- GHG goals
 - » 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

Study 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
- All feeding into the Bali Roadmap and Copenhagen 2009

Key Questions: Design and Institutional Issues

- How can the design create maximum incentives for action?
- What level and incentive structure would encourage additional emission reductions?
- 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 developing countries?

Study Partners

- A Consortium of 5 Partner organizations:
 - » Center for Clean Air Policy – Europe (CCAP)
 - » 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)
- Plus in-country consultants and industry experts
 - » Tsinghua University

Timeline: Broad Objective

- Interim results will be available prior to COP 14 in Poznan
 - » Preliminary results from efforts
 - » Initial “lessons learned”
 - » Guidance for remaining efforts
- Final results will be available prior to COP 15 in Copenhagen

Industry & Country Focus

- Four sectors
 - » Iron & Steel
 - » Cement
 - » Aluminum
 - » Electric Power
- Three Countries
 - » China
 - » Brazil
 - » Mexico
- These sectors and countries are case studies. Study seeks insight as to applicability to other sectors and countries.

Study Process and Progress

- Quantitative analysis
 - » Data collection for cement sector underway
- Modelling benefits of sectoral approaches
 - » Preliminary phase. Full blown analysis will start in October.
- Identify financial incentives that would encourage countries to take additional sectoral actions.
 - » Will examine assistance for tech deployment, financial barrier removal, and policy implementation (feed-in tariffs etc)
- Better definition and articulation of each option as they would apply in each country
 - » Draft papers on sectoral approaches have been finalized and submitted to the EC for review – will be refined thru process

Overview of analytical work

- Coordination with other projects:
 - » Cement Sustainability Initiative
 - » International Iron and Steel Institute
 - » IAI's Aluminium for Future Generations initiative
- Acquisition of plant-specific data (location, capacity, annual production, annual fuel consumption by type, technologies and production processes, etc.).
 - » Data for one sector expected to be finalized by the end of October.
- Development of annual BAU estimates of key parameters through 2025 in each sector

Workshops

- In-country Workshops
 - » Successful China workshop took place July 15 and 16, 2008 in Beijing
 - » Mexico workshop will be take place on September 2 and 3 in Mexico City
 - » Brazil workshop will take place mid October, 2008
- Stakeholder Workshops
 - » First Industry Stakeholder meeting will be held in Brussels September 17 and 18, 2008.

Criteria for Evaluating Sectoral Options

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

Industry Suitability to Sectoral Approaches

- No “one size fits all” for sectoral approaches
 - » Variations within industries
 - » Variations across different industries
- Some characteristics suitable for sectoral approaches
 - » Relatively uniform product
 - » Limited number of co-products
 - » Production processes that can be compared
 - » Abilities to measure, report, & verify data
- Some industries may ultimately be deemed as too complicated for sectoral approaches

Benchmarking

- Benchmarking used in three different ways:
 1. protocols for measurement (WRI/WBCSD)
 2. indicators and standards
 3. standards differentiation
- Primary goal for this study is the enumeration of performance indicators and standards.
 - » However, much more work has been done on measurement protocols than on performance metrics.
 - » In using existing work, recognize limits in the scope of performance indicators and standards that can be developed.
- Issue: Finding the “right level” for benchmarks
 - » Not too detailed for industry-wide agreements
 - » Not too simplified for plant-level operations

Boundary Issues

- Where we draw the boundary, or “fence” has important implications for sectoral agreements
 - » What we choose to measure (or not measure)
 - » Energy use vs. emissions or both
 - » Direct use, indirect use, & process emissions
 - » How far to go “upstream”?
 - » How far to go “downstream”?
- Poor choices for boundaries and metrics can limit the potential benefits
 - » Attractive opportunities may be overlooked
 - » Good actions may be taken but not counted
 - » Unproductive activities may be rewarded



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Questions?

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Different characteristics may favor or disfavor different approaches

- Variations in production capacity
 - » Age
 - » Types of processes
- Importance of raw material supply & geology
 - » Fuels: coal, natural gas, hydro
 - » Quality of fuels and raw materials
 - » Availability of water and other supplies
- Effects of local climate on production
 - » Air & water temperature
 - » Terrain
 - » Transportation infrastructure