

A Sectoral Approach to “Scaling Up” Investments

**Latin America Carbon Forum
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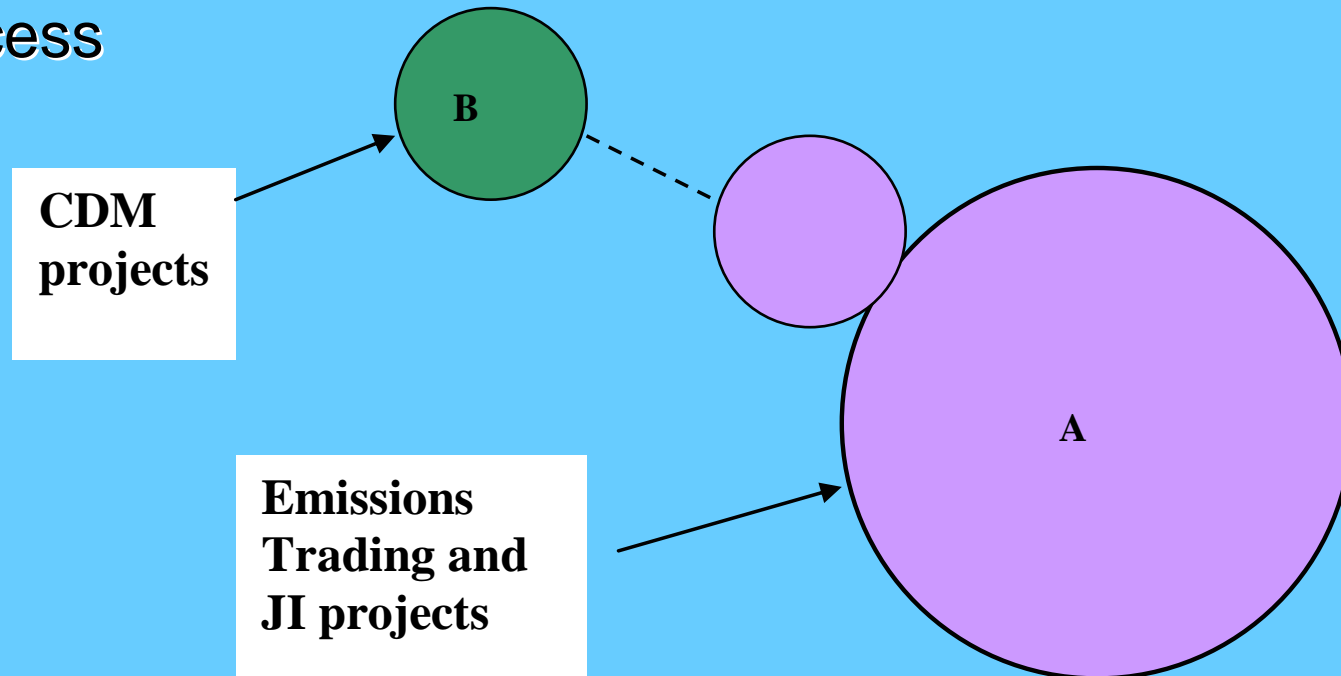
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GtripleC
www.GtripleC.co.nz

Kyoto CDM framework

- A (sum of Annex B targets) is about 55 billion units (tonnes)
B (CDM) is 1.5-2 billion tonnes over 2008-2012
- Additionality is the core issue of the CDM institutional process



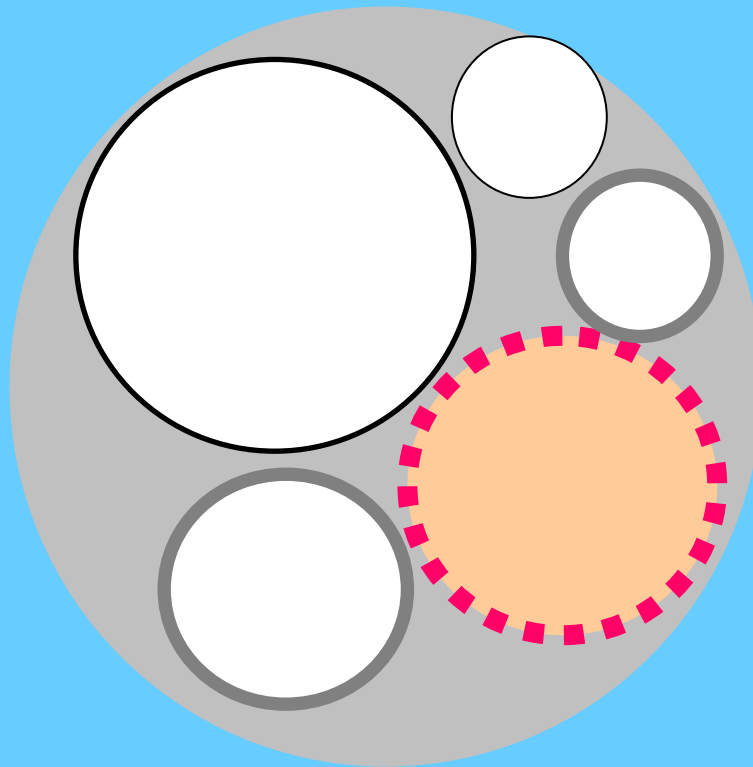
Quantitative Policy Architecture(s)

More flexibility is needed...and possible

- A policy framework can be much more flexible than the Kyoto Protocol in terms of how emissions commitments are framed – e.g. **perhaps** a mix of:
 - binding fixed emission limits for industrialised countries
 - ... perhaps combined with price caps
 - ... perhaps for some sectors in some regional groupings
 - binding transnational sectoral emission limits for some key sectors represented by multinational ‘operators’ e.g. aviation and marine bunkers, cement, steel, aluminium
 - **‘no lose’ sectoral crediting baselines (targets) for developing countries to mobilise greater investment in clean technology in their priority sectors**
 - a CDM-like crediting mechanism to cover the ‘gaps’

Potential Hybrid Framework

- An overall sense of quantitative outcome
- Cover more under the ‘tent’ of simpler “ET” engagement with the international carbon market
- Greater flexibility of forms of ‘commitments’



Sectoral approach for developing countries could be

- CDM version (“Sectoral CDM”)
 - Retain role of an Executive Board type institutional process to judge methodologies and baselines for “additionality”
- Sectoral “no lose targets” version
 - Baselines agreed in same post-2012 multilateral negotiating process as Annex I country targets
 - Additionality no longer an issue, so CDM processes don’t apply
- Feasible to have a mix of both within overall multilateral agreement (but not in same sector in same country)

This presentation on “no lose targets” sectoral approach

- But some of the issues and developed ‘tools’ could be common to “Sectoral CDM”
- Policies and Programs of actions within countries can be the same and underpin the meeting of country baselines
 - But who approves and issues credits would be different than “programmatically CDM”
 - More like domestic crediting schemes for projects and programs

Some concepts for “no lose targets”

- Developing countries are taking actions that reduce GHG emissions or enhance sinks
- Many “sustainable development” (incl MDGs) reasons
 - health, energy security, land-use, biodiversity
- Range of support currently from ‘outside’ to do this and more is possible
 - UNDP, UNEP, UNFCCC and Kyoto Protocol
 - Multilateral and private development banks
 - Bilateral and plurilateral assistance (e.g. AP6)
 - Private sector....and private individuals
- This allows action to get to some ‘line’
 - Where carbon market finance takes beyond

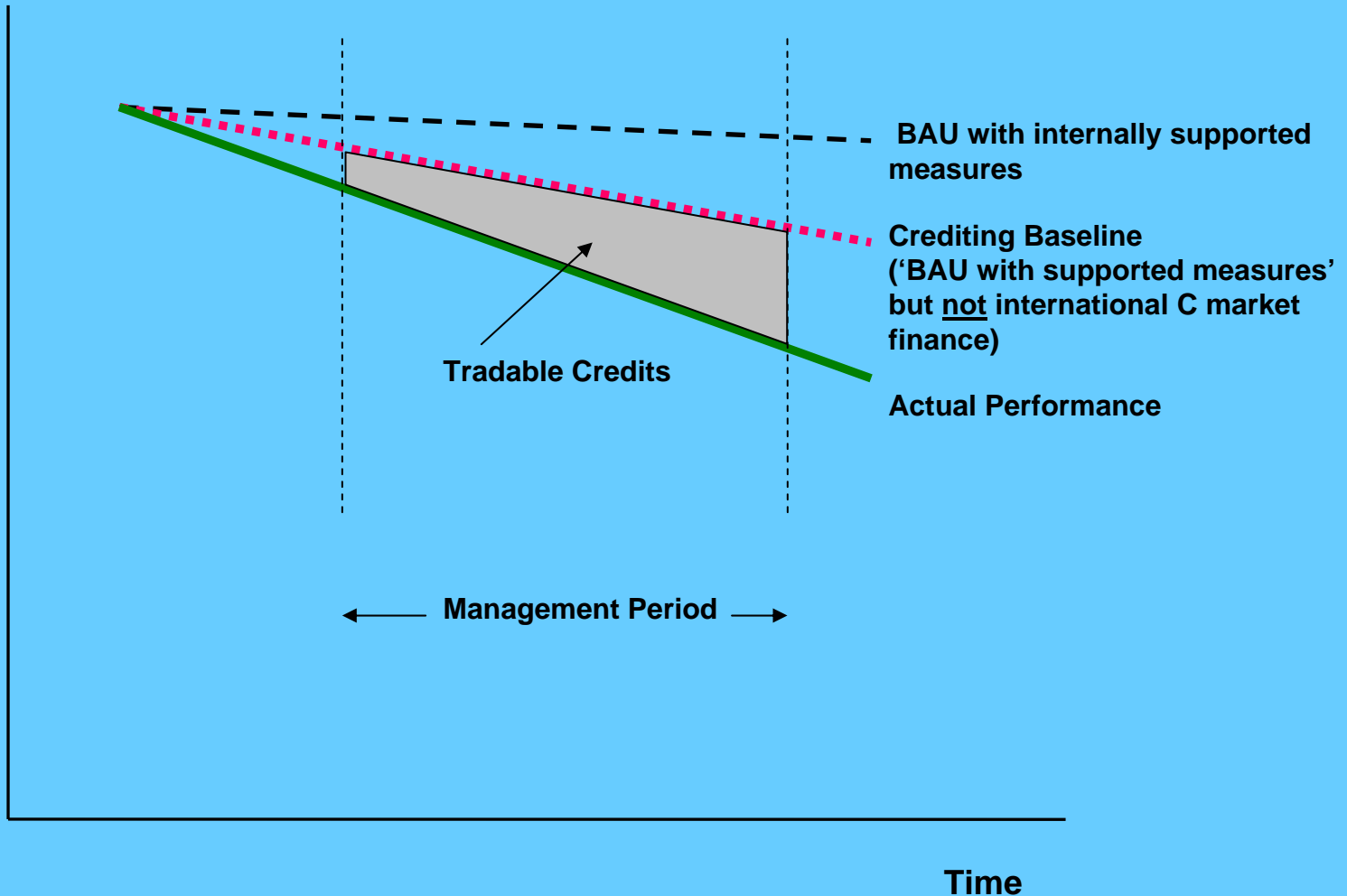
“No lose” targets

- Proposed by countries for sectors where they need to mobilise additional inward investment given their SD priorities
 - existing ‘capital stock’, infrastructure, land-use
 - new investments (best ‘climate clean’ technology)
- For ‘sectors’ where institutionalised CDM approach (with its focus on additionality) is too constraining
- Likely to be dynamic, not absolute, targets
- No penalty if sector performance not achieved
 - but no credits either!

Establishing sector baselines and getting credits

- A simple depiction

Emissions
(per activity
level)



Challenges to this approach.....1

- **Setting and agreeing credible targets (baselines) through negotiation**
 - Practical in all key sectors?
 - Projections, based on past trends?
 - Comparability, across sectors and countries
 - What methodologies?
 - Understandability, internal and external
 - Simplicity

Sectoral Proposals Template (SPT)

- **Capacity building**

- A tool to assist developing countries think about, prepare and present sector-based proposals

- **Facilitating future process**

- In the absence of such an aid, could become very complex, politically challenging and drawn out (...perhaps dysfunctional?)

- **Not only for, or dependent on, a particular post-2012 framework**

- Could be applicable in a more CDM-like framework, albeit different institutional process
- Or some other framework that provides carbon-market incentives for developing countries at a sector level

See: www.sectoral.org

- Test the practicality and workability of the concept at a methodological level
- Produce a number of “Version 1.0” templates covering some key sectors
 - Cement manufacturing
 - Electricity generation
 - Transport
- Roadtest the ‘product’ in country-specific workshops:
 - Mexico and Argentina (?) before Bali
 - Other countries next year....Peru? Chile? Others LACs?
- Inform and engage the broader climate change policy community...at Bali and in future events
- A basis for ongoing development of a library of templates... if seen as worthwhile

Testing sectoral targets for developing countries for a future climate change regime

ECOFYS



Sectoral Proposal Templates

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Sectoral Proposal Templates

The 'Sectoral Proposal Templates' aim at supporting developing countries in proposing sectoral emission baselines under a post-Kyoto climate regime. The sectoral approach underlying this work is seen as a means to **scale-up investments** in clean technology and systems in developing countries. GtripleC and Ecofys are currently developing "Sectoral Proposal Templates" for selected sectors with the goal to perform a reality check by 'road testing' them in some developing countries.



Challenges to this approach.....2

- **How might it interface with domestic policies and programs... and the international carbon market**
 - Who agrees baselines, verifies performance and issues credits at the domestic level?
 - How does this fit with CDM (current and evolving versions)?

Upcoming “Policy Paper”

- Test the practicality and workability of the concept at a policy level:
 - General concept
 - Getting international agreement through negotiations
 - Interface with investment facilities and the carbon market
 - Domestic policy issues,
 - links to SD PAMs and “policies and programs”
 - Compliance and legal issues
 - Data needs and monitoring, verification and reporting
 - Transitions and linkages
 - Programmatic CDM, policy CDM, sectoral CDM
 - Voluntary carbon market