

IETA Submission on New Market Mechanism Development

**Side Event at Bonn Climate Talks
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The Context

- Invitation in the *Outcome of the work of the Ad Hoc Working Group on Long-Term Cooperative Action under the Convention (-/CMP.16)* in Cancun for Parties and observer organizations to make submissions on new market-based mechanisms.
- IETA and over 38 Parties, international organizations and NGOs submitted their views.
- Themes among submissions included:
 - mechanisms that credit or support NAMAs;
 - need to accommodate diverse countries and sectors; and
 - desire to stimulate ERs across broad segments of the economy.
- Why the focus on market-based mechanisms? \$46 trillion in additional financing is needed to achieve 50% reduction in emissions globally by 2050 and it's clear that most of this is not coming from the public sector.

IETA's Submission

Can be found at the back of the room...

at the IETA booth...

or at the IETA website:

www.ieta.org > Publications > Position Papers

Guiding Principles

- 1. Require robust emissions data systems.**
- 2. Ensure strong environmental integrity**
- 3. Attract private sector finance at scale.**
- 4. Be adaptable to accommodate diverse countries and sectors.**
- 5. Focus on scale and standardization.**

Proposal 1: A Credit Conversion Mechanism

What does it do? Converts environmental commodity credits in denominations other than CO₂e (MWh, e.g.) into metric tons of CO₂e

Where would this work? In countries that develop new domestic environmental commodity trading systems or increase the ambition of the systems they already have.

Celsius - Fahrenheit												Fahrenheit - Celsius											
Degrés C.	Degrés F.	Degrés C.	Degrés F.	Degrés C.	Degrés F.	Degrés C.	Degrés F.	Degrés C.	Degrés F.	Degrés C.	Degrés F.	Degrés C.	Degrés F.	Degrés C.	Degrés F.	Degrés C.	Degrés F.	Degrés C.	Degrés F.	Degrés C.	Degrés F.	Degrés C.	Degrés F.
-167.8	-270	-454.0	-19	-2.2	18.9	66	150.8	66.1	161	303.8	113.3	236	456.8	200.0	392	737.6							
-165.0	-255	-445.0	-18	-0.4	19.4	67	152.6	66.7	152	305.6	113.9	237	458.6	201.1	394	741.2							
-162.2	-240	-436.0	-17	1.4	20.0	68	154.4	67.2	153	307.4	114.4	238	460.4	202.2	396	744.8							
-159.4	-225	-427.0	-16	3.2	20.6	69	156.2	67.8	154	309.2	115.0	239	462.2	203.3	398	748.4							
-156.7	-210	-418.0	-15	5.0	21.1	70	158.0	68.3	155	311.0	115.6	240	464.0	204.4	400	752.0							
-153.9	-245	-409.0	-14	6.8	21.7	71	159.8	68.9	156	312.8	116.1	241	465.8	205.6	402	755.2							
-151.1	-240	-400.0	-13	8.6	22.2	72	161.6	69.4	157	314.6	116.7	242	467.6	206.7	404	759.2							
-148.3	-225	-391.0	-12	10.4	22.8	73	163.4	70.0	158	316.4	117.2	243	469.4	207.8	406	762.8							
-145.6	-230	-382.0	-11	12.2	23.3	74	165.2	70.6	159	318.2	117.8	244	471.2	208.9	408	766.4							
-142.8	-225	-373.0	-10	14.0	23.9	75	167.0	71.1	160	320.0	118.3	245	473.0	210.0	410	770.0							
-140.0	-220	-364.0	-9	15.8	24.4	76	168.8	71.7	161	321.8	118.9	246	474.8	211.1	412	773.6							
-137.2	-215	-355.0	-8	17.6	25.0	77	170.6	72.2	162	323.6	119.4	247	476.6	212.2	414	777.2							
-134.4	-210	-346.0	-7	19.4	25.6	78	172.4	72.8	163	325.4	120.0	248	478.4	213.3	416	780.8							
-131.7	-205	-337.0	-6	21.2	26.1	79	174.2	73.3	164	327.2	120.6	249	480.2	214.4	418	784.4							
-128.9	-200	-328.0	-5	23.0	26.7	80	176.0	73.9	165	329.0	121.1	250	482.0	215.6	420	788.0							
-126.1	-195	-319.0	-4	24.8	27.2	81	177.8	74.4	166	330.8	122.2	252	485.6	216.7	422	791.6							
-123.3	-190	-310.0	-3	26.6	27.8	82	179.6	75.0	167	332.6	122.9	254	489.2	217.8	424	795.2							
-120.6	-185	-301.0	-2	28.4	28.3	83	181.4	75.6	168	334.4	124.4	256	492.8	218.9	426	798.8							
-117.8	-180	-292.0	-1	30.2	28.9	84	183.2	76.1	169	336.2	126.6	258	496.4	220.0	428	802.4							
-115.0	-175	-283.0	0	32.0	29.4	85	185.0	76.7	170	338.0	126.7	260	500.0	221.1	430	806.0							
-112.2	-170	-274.0	1	33.8	30.0	86	186.8	77.2	171	339.8	127.8	262	503.6	222.2	432	809.6							
-109.4	-165	-265.0	2	35.6	30.6	87	188.6	77.8	172	341.6	128.9	264	507.2	223.3	434	813.2							
-106.7	-160	-256.0	3	37.4	31.1	88	190.4	78.3	173	343.4	130.0	266	510.8	224.4	436	816.8							
-103.9	-155	-247.0	4	39.2	31.7	89	192.2	78.9	174	345.2	131.1	268	514.4	225.6	438	820.4							
-101.1	-150	-238.0	5	41.0	32.2	90	194.0	79.4	175	347.0	132.2	270	518.0	226.7	440	824.0							
-98.3	-145	-229.0	6	42.8	32.8	91	195.8	80.0	176	348.8	133.3	272	521.6	227.8	442	827.6							
-95.6	-140	-220.0	7	44.6	33.3	92	197.6	80.6	177	350.6	134.4	274	525.2	228.9	444	831.2							
-92.8	-135	-211.0	8	46.4	33.9	93	199.4	81.1	178	352.4	135.6	276	528.8	230.0	446	834.8							
-90.0	-130	-202.0	9	48.2	34.4	94	201.2	81.7	179	354.2	136.7	278	532.4	231.1	448	838.4							
-87.2	-125	-193.0	10	50.0	35.0	95	203.0	82.2	180	356.0	137.8	280	536.0	232.2	450	842.0							
-84.4	-120	-184.0	11	51.8	35.6	96	204.8	82.8	181	357.8	138.9	282	539.6	233.3	452	845.6							
-81.7	-115	-175.0	12	53.6	36.1	97	206.6	83.3	182	359.6	140.0	284	543.2	234.4	454	849.2							
-78.9	-110	-166.0	13	55.4	36.7	98	208.4	83.9	183	361.4	141.1	286	546.8	235.6	456	852.8							
-76.1	-105	-157.0	14	57.2	37.2	99	210.2	84.4	184	363.2	142.2	288	550.4	236.7	458	856.4							
-73.3	-100	-148.0	15	59.0	37.8	100	212.0	85.0	185	365.0	143.3	290	554.0	237.8	460	860.0							
-70.6	-95	-139.0	16	60.8	38.3	101	213.8	85.6	186	366.8	144.4	292	557.6	238.9	462	863.6							
-67.8	-90	-130.0	17	62.6	38.9	102	215.6	86.1	187	368.6	145.6	294	561.2	240.0	464	867.2							
-65.0	-85	-121.0	18	64.4	39.4	103	217.4	86.7	188	370.4	146.7	296	564.8	241.1	466	870.8							
-62.2	-80	-112.0	19	66.2	40.0	104	219.2	87.2	189	372.2	147.8	298	568.4	242.2	468	874.4							
-59.4	-75	-103.0	20	68.0	40.6	105	221.0	87.8	190	374.0	148.9	300	572.0	243.3	470	878.0							
-56.7	-88	-126.4	21	69.8	41.1	106	222.8	88.3	191	375.8	150.0	302	575.6	244.4	472	881.6							
-53.9	-68	-122.8	22	71.6	41.7	107	224.6	88.9	192	377.6	151.1	304	579.2	245.6	474	885.2							
-51.1	-64	-119.2	23	73.4	42.2	108	226.4	89.4	193	379.4	152.2	306	582.8	246.7	476	888.8							
-48.3	-62	-115.6	24	75.2	42.8	109	228.2	90.0	194	381.2	153.3	308	586.4	247.8	478	892.4							
-45.6	-60	-112.0	25	77.0	43.3	110	230.0	90.6	195	383.0	154.4	310	590.0	248.9	480	896.0							
-42.8	-64	-108.4	26	78.8	43.9	111	231.8	91.1	196	384.8	155.6	312	593.6	250.0	482	899.6							
-40.0	-76	-104.8	27	80.6	44.4	112	233.6	91.7	197	386.6	156.7	314	597.2	251.1	484	903.2							
-37.2	-74	-101.2	28	82.4	45.0	113	235.4	92.2	198	388.4	157.8	316	600.8	252.2	486	906.8							
-34.4	-72	-97.6	29	84.2	45.6	114	237.2	92.8	199	390.2	158.9	318	604.4	253.3	488	910.4							
-31.7	-70	-94.0	30	86.0	46.1	115	239.0	93.3	200	392.0	160.0	320	608.0	254.4	490	914.0							
-28.9	-68	-90.4	31	87.8	46.7	116	240.8	93.9	201	393.8	161.1	322	611.6	255.6	492	917.6							
-26.1	-66	-86.8	32	89.6	47.2	117	242.6	94.4	202	395.6	162.2	324	615.2	256.7	494	921.2							
-23.3	-64	-83.2	33	91.4	47.8	118	244.4	95.0	203	397.4	163.3	326	618.8	257.8	496	924.8							
-20.6	-62	-79.6	34	93.2	48.3	119	246.2	95.6	204	399.2	164.4	328	622.4	258.9	498	928.4							
-17.8	-60	-76.0	35	95.0	48.9	120	248.0	96.1	205	401.0	165.6	330	626.0	260.0	500	932.0							
-15.0	-58	-72.4	36	96.8	49.4	121	249.8	96.7	206	402.8	166.7	332	629.6	261.1	502	935.6							
-12.2	-56	-68.8	37	98.6	50.0	122	251.6	97.2	207	404.6	167.8	334	633.2	262.2	504	939.2							
-9.4	-54	-65.2	38	100.4	50.6	123	253.4	97.8	208	406.4	168.9	336	636.8	263.3	506	942.8							
-6.7	-52	-61.6	39	102.2	51.1	124	255.2	98.3	209	408.2	170.0	338	640.4	264.4	508	946.4							
-3.9	-50	-58.0	40	104.0	51.7	125	257.0	98.9	210	410.0	171.1	340	644.0	265.6	510	950.0							
-1.1	-48	-54.4	41	105.8	52.2	126	258.8	99.4	211	411.8	172.2	342	647.6	266.7	512	953.6							
1.7	-46	-50.8	42	107.6	52.8	127	260.6	100.0	212	413.6	173.3	344	651.2	267.8	514	957.2							
4.4	-44	-47.2	43	109.4	53.3	128	262.4	100.6	213	415.4	174.4	346	654.8	268.9	516	960.8							
7.2	-42	-43.6	44	111.2	53.9	129	264.2	101.1	214	417.2	175.6	348	658.4	270.0	518	964.4							

Example

India's Perform, Achieve, and Trade Mechanism to enhance energy efficiency.

- Based on Energy Intensity rather than an absolute measure of energy usage
- Will translate energy intensity performance into actual energy savings to enable trading of a unit of energy saved denominated in metric tons of oil equivalent (MTOe)
- Credit Conversion Mechanism could convert MTOE into CO₂e; cancel out Indian Energy Saving Certificates (ESCerts) & issue certified emissions reductions



How can this be done? The Tokyo cap and trade scheme already allows RE certs to be used as offsets in a GHG trading scheme. In Tokyo, a standard conversion factor for quantifying GHG reductions from renewable energy has been published.

For renewable energy, CDM procedures for calculating the emissions factor for an electricity grid could be used and then updated dynamically.

For energy efficiency, efficiency certificates are likely to be fungible across all energy use types, with no link to any particular GHG emitting sources (contrary to renewable electricity, which is linked to conventional power generation). Countries could use the average GHG intensity of energy across the entire economy, or across the industrial sectors covered by the scheme in question.

Source: Prag, Aasrud and Hood, OECD, June 2011.



Proposal 2: NAMAs Crediting Mechanism

IETA proposes a new crediting mechanism to credit a variety of NAMAs that fall within one of 3 categories:

Benchmark Crediting: Generates credits at the project-level based on benchmarks defined as a target level of performance of a given activity, expressed in tons of CO₂e per unit output.

Policy Crediting: Generates credits at the national or regional level based on highly standardized, country-specific methodologies for the implementation of common policy structures (feed-in tariffs!!!).

Aggregate Crediting: Generates credits at a pre-defined sectoral or sub-sectoral level by establishing an aggregate baseline based partly on historic performance.