



Center for
Clean Air Policy

Dialogue. Insight. Solutions.

Post-2012 “Roadmap”: What is Bali all about?

Ned Helme, President
Center for Clean Air Policy

House Select Committee on Energy Independence & Global Warming
Dec. 3, 2007

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 the Clean Development Mechanism, now focused on post 2012 climate policy
- | Working with key developing countries (China, India, Brazil, Mexico) and U.S. states (California, New York, Connecticut, Maine) to design climate policies
- | Helped design the E.U. CO₂ emissions trading program; and
- | Running multi-stakeholder dialogues in the U.S. and the E.U. to build agreement on elements of a national climate policy package and E.U. strategy.



Encouraging Major Developing Countries Post-2012

New CCAP study found:

- Unilateral reductions in China, Brazil, and Mexico are greater than the reductions under the Kyoto Protocol (without the US), the EU's reduction commitments in 2020, and the annual reductions estimated in the early years of the main US legislative proposals.

Moving international climate policy forward will require a framework to:

- Recognize and encourage developing countries "unilateral actions"
- Provide incentives for more expensive emissions reduction opportunities
- Establish a global policy structure coupling needed incentives for developing country actions with tough emission reduction goals sufficient to protect the climate

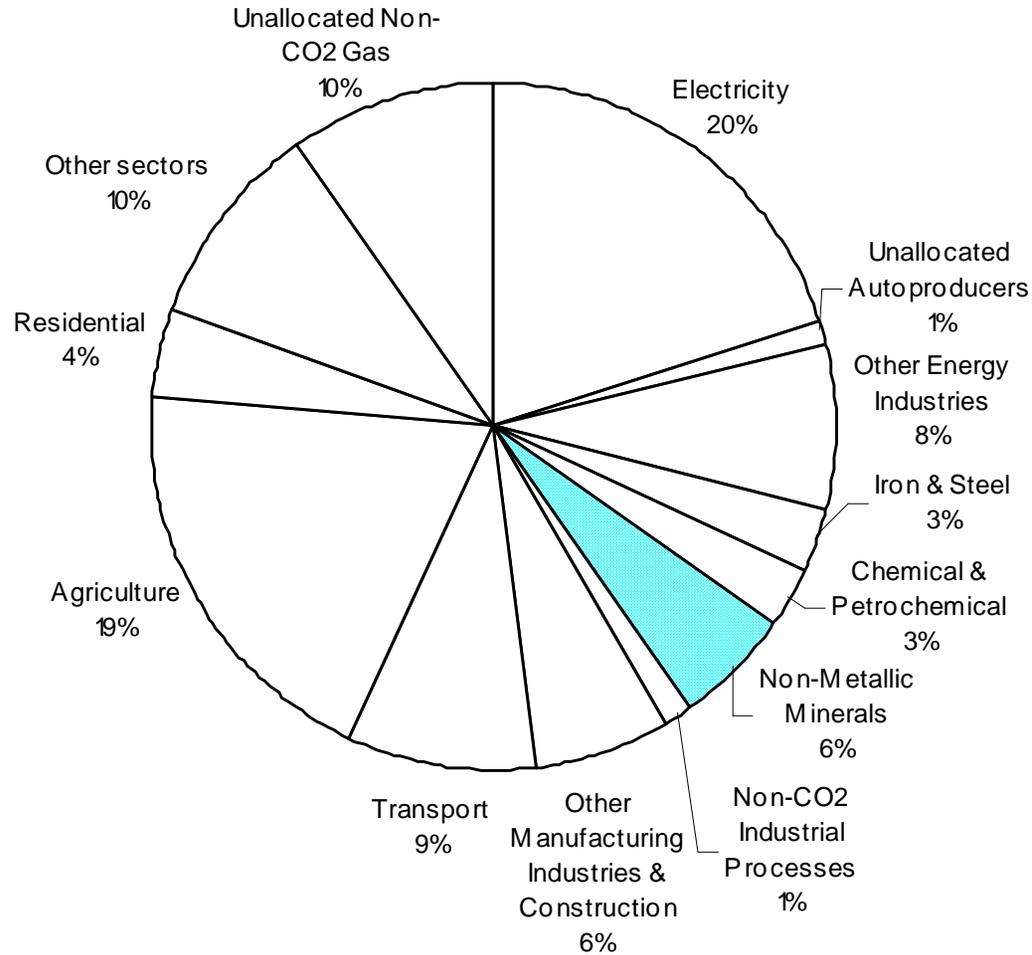
What is a Sectoral Approach to Post-2012 GHG Reductions?

- Bottom-up method for encouraging sectoral (e.g. steel, cement, electricity) emissions reduction contributions
 - Could be applied to both developed and developing countries OR
 - Only developing countries
- ⇒ We argue for maintaining hard economy-wide targets in developed countries and encouraging sectoral approaches for developing countries
- In general, could be done through:
 - Country-based

Possible Advantages of a Sector Approach Compared w/ Economy-wide

- | Administratively (and politically) easier to target a given sector instead of the entire economy
 - » Countries can start reducing GHG incrementally and reduce concerns about undertaking an economy-wide approach.
 - Ultimately, however, any climate change response will need to address all sectors/emissions in order to achieve global stabilization levels
- | Easier to develop and collect robust data from a limited number of sectors (especially for certain sectors).
 - » May also smooth international negotiations since data is available and accessible for these specific sectors
- | There are some internationally competitive sectors in developing countries that are equal to or more carbon-efficient than those in Annex I countries. A program that includes these sectors from both developing and developed countries may be a “fairer” and “more equitable” than one that only targets one group.

Non-Annex I Sector GHG Emissions in 2000 (w/o LUCF)



Potential Post-2012 Frameworks for Developing Countries

- “ No-lose” Sector-based Approaches
- Reducing Emissions from Deforestation and Degradation (REDD) in developing countries
- Sustainable Development Policies and Measures (SD-PAMs)

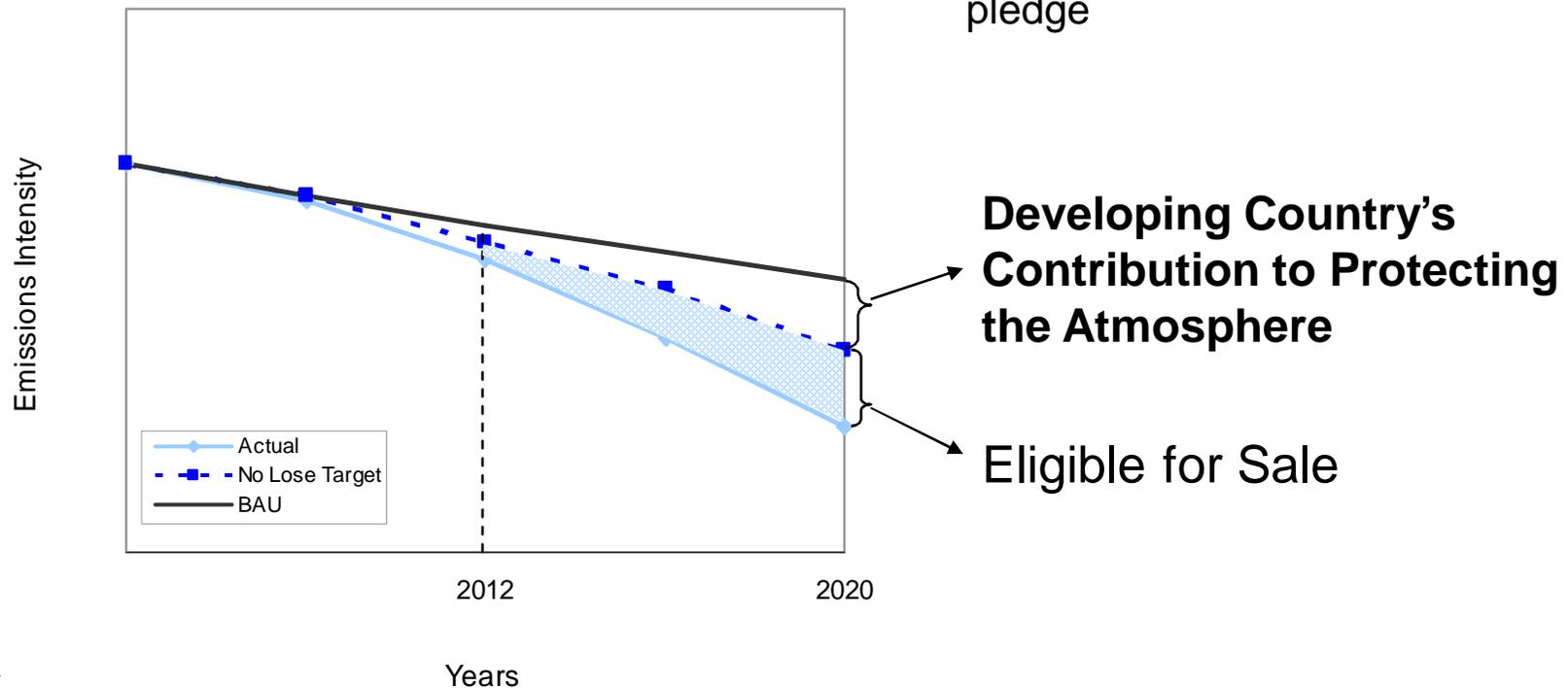
A Sectoral Approach to Post-2012 GHG Reductions

- Bottom-up method for encouraging sector-wide actions in developing countries & for deriving economy-wide targets in developed countries
- Based on analysis of what is technologically feasible and economically cost-effective in each industrial sector both globally and in each country
 - » Start with electricity and industrial sectors, which account for 1/3 of total developing country emissions (excluding LULUCF) and 1/3 of global emissions
- In each sector, developing countries pledge to achieve a carbon intensity level and are rewarded for beating the target but not punished for falling short
- For Annex I countries, carbon intensity goals are the basic building blocks for the next national tonnage targets



Establishing the “No-Lose” Sector Target

- A voluntary “no lose” intensity target (e.g., ton CO₂ / ton of steel) is established
- Emissions reductions beyond the “voluntary pledge” are eligible for sale
 - » No penalty for not meeting the pledge



Reducing Emissions from Deforestation and Degradation (REDD)

- | Deforestation and land-use change account for ~20% of global carbon emissions
- | Sustained and significant resources are needed (Stern Review estimates \$5 billion annually)
- | *Market*: Would allow sales of REDD credits on the global carbon market
 - » Can leverage significant private and public sector money and generate lower-cost offsets, but has large potential to destabilize carbon markets and create price volatility
- | *Non-Market*: Funds capacity building and implementation directly, but source of and incentives for funding unclear

“Dual Markets” Approach

- | *CCAP’s Dual Markets Approach*: Creates a new REDD market separate from the post-2012 global carbon market
 - » Developed countries commit to separate domestic GHG reduction and REDD targets to meet overall target. For example, a national target of 30% could be met with 25% domestic efforts or CDM, 5% REDD.
 - » REDD target is met with purchases from developing countries
 - » Avoids destabilization of carbon market, establishes some minimum global demand for REDD

Scenarios for 2020 to Maintain Possibility of Holding Global Temperature Increases Below 2 ° Celsius

- | CCAP has modeled several scenarios for 2020 that would maintain that possibility.
- | Building on actions to date, one scenario =
 - » EU and other developed countries reduce GHG emissions to 30% below 1990 levels
 - » Key developing countries reduce the emissions intensity in key sectors of the economy (e.g., electricity and major industry) while continuing growth
 - » Deforestation emissions are reduced and
 - » *the U.S. reduces emissions to levels at least as aggressive as Lieberman-Warner*

Conclusions

- | Bali will be about beginning a formal negotiation process on the critical elements of the post-2012 agreement with an aim for agreement by 2009/2010...
 - » The structure of that formal negotiation will begin to shape how the global deal is likely to be structured
- | Crucial moving parts are:
 - » Where will the US fit?
 - » How will developing countries more open willingness to take on more active emissions reduction roles begin to be translated into the international framework?
 - » What progress will be made on crucial sub-issues, such as adaptation and reducing emissions from deforestation.

Thank You

Ned Helme

President

202-408-9260

nhelme@ccap.org

www.ccap.org

For more information on post-2012 options see:

www.ccap.org/international/future.htm



www.ccap.org

“Roadmap” for Post-2012 Agreement

- | What is **overall stabilization level** for atmospheric CO₂e concentrations that we wish to achieve (e.g., 450/550 ppm CO₂e) and **what does that translate into for a global 2020 CO₂e level?**
 - | What **combinations of domestic pledges and incentives** create a package that is politically and economically feasible **to meet the desired 2020 emissions level?**
 - | What **international or multilateral structures** should be available to assist countries or groups of countries in meeting the desired emissions level?
 - | What adaptation actions are supported and how?
- ⇒ **Likely developed in both a bottom-up and top-down manner**
- ⇒ **Based on individual national pledges and international incentives**