Moving to Nationally Appropriate Sectoral Targets

Developing country approach post-2012

Jake Schmidt, International Climate Policy Director, NRDC

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Developing Country Package in the Copenhagen Agreement?

- Developing countries will undertake emissions reductions on their own (w/o assistance from developed countries)—the **“domestic effort”**
  - Driven by such factors as energy security, co-benefits, etc.
  - Hints of this in South Africa recent commitment, South Korean announcement, and China’s nat’l energy-intensity target?

- Developing countries will be provided with a package of incentives to “enhance” and/or “complement” their actions—**”stretch target”**

- Developed countries will provide the package of incentives to assist in developing countries in reaching a “stretch” target—**“incentive package”**

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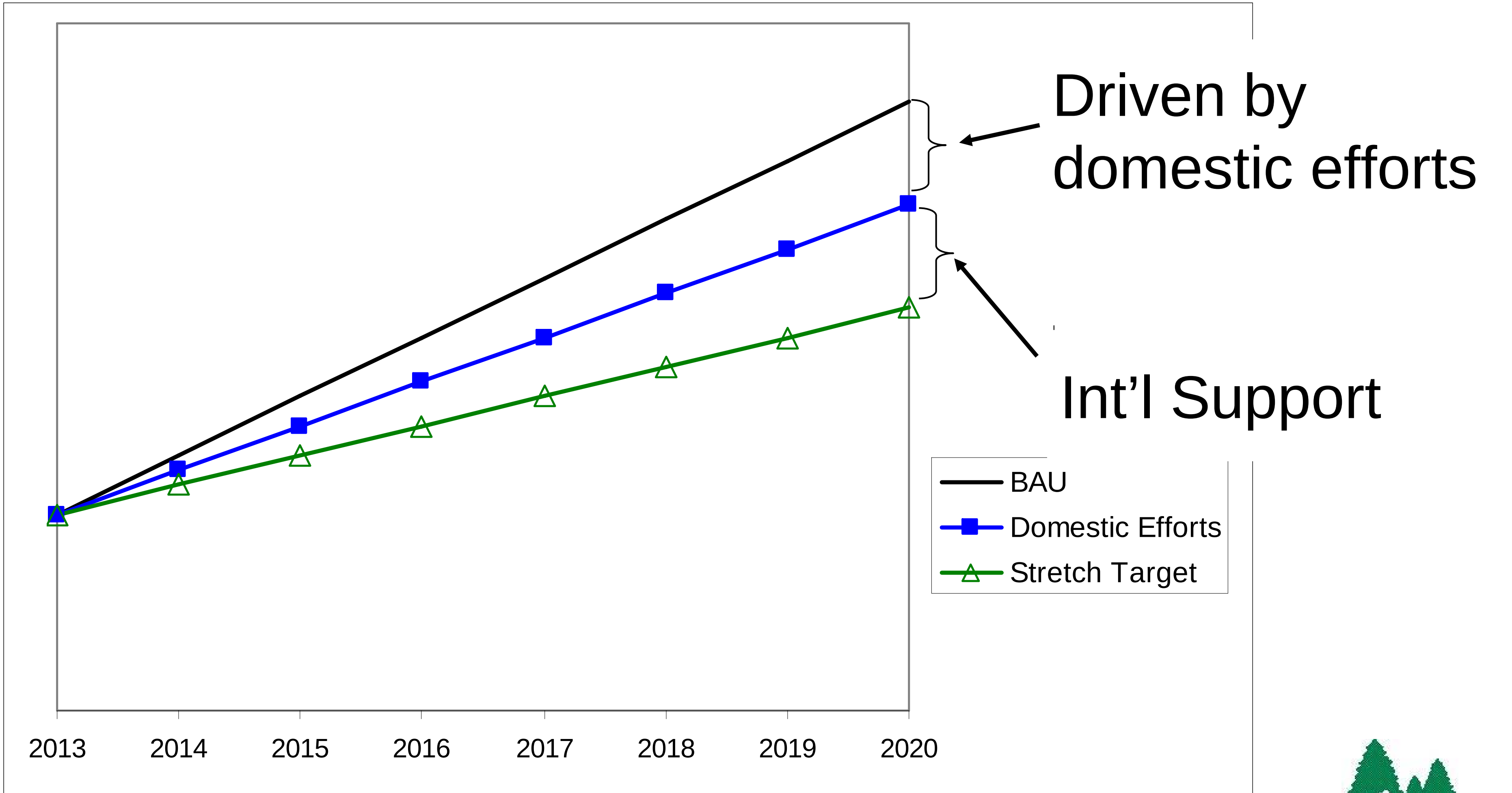
Nationally Appropriate Sectoral Targets



Sectoral Approach for Electricity & Industry

- For many developing countries these are a sizeable share of emissions
  - e.g., Industry accounts for ~70% of energy use in China
- National enforcement—not transnational
- Current technology transfer is not delivering the scale & scope needed in these sectors
  - Targeted effort could help drive innovation to transform these sectors

Are we getting close in this process?

- Discussions this week highlighted that countries are starting to “talk from the same page”
- Room for negotiations?
- Some shades of grey in how different parties are proposing sectoral approaches

Issues for Consideration—Int'l nature of the target

- Non-binding ("no lose") Int'l-Binding Domestically
  - Int'ly there are no penalties, but…
  - Could still be binding and enforced through domestic laws
- Binding Int'l
  - Developing countries would be "bound" int'ly
  - What are the int'l penalties for non-compliance?
- Hybrids?

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Issues for Consideration—Target

- Intensity-based
  - Allows for emissions growth for developing countries that are developing
  - Could be phased out over time
  - Carbon-intensity or energy-intensity?
- Absolute targets
  - Hard targets that guarantee the absolute amount of emissions from the sector
  - Risk of setting targets that are
    - too stringent (no one will undertake them);
    - they'll undertake them but not be able to meet them); OR
    - too loose (produce "hot air")

Issues for Consideration—Target (2)

- Hybrid Target
  - Target could be intensity based, BUT
  - Could have an upper bound on carbon credits generated from high activity rates
- Allows developing countries to still grow, but less “dirty”
- Prevents concern that greater than expected growth in production (e.g., steel) would overwhelm the system

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Issues for Consideration—Incentives

- Carbon market
  - Countries that overachieve can sell emissions reductions into the carbon market
- Technology finance
  - Incentives could be provided for technologies that make the sector less competitive
  - Could also provide incentives for capacity building, enforcement, and training to operate key technologies
- Carbon markets and technology
  - Technology incentives could be provided to incentive developing countries to take action (to take aggressive targets)
  - Carbon credits could be provided for “overachievers”

Why move from project-by-project CDM?

- Scaling up: moving from retail to wholesale
- Emissions reductions are sold only if the sector as a whole reduces emissions
  - Not crediting windmills while uncontrolled coal is being built next door
- Enhances developing country emissions reduction actions
- Package of incentives that promotes (carbon markets and technology together)
  - Better, more focused, and sizeable technology deployment support in developing countries
  - Increases the scale of the transition to low carbon society, while supporting developing country development

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Thank you!

- Contact me at:
  - jschmidt@nrdc.org
  - In Washington: +1-202-289-2388
  - www.nrdc.org/globalwarming

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