Determining Thresholds: Creating a "Bright Line" Between NMMs and NAMAs

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Introduction

- About CCAP
- How will CDM, NMMs, NAMAs and climate finance work/fit together?
- The offset supply-demand problem
- Avoidance of double counting
- Avoidance of cherry picking the low hanging mitigation fruit in developing countries
- Possible solution
- Examples of market based instruments
- Tradable intensity standards

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UNFCCC Anticipates Several Paths to Mitigation in Developing Countries

- CDM – CDM Executive Board convened a high-level panel to consider future role of the CDM.
- NAMAs – Many developing countries have made pledges to the UNFCCC and are now developing unilateral & supported NAMAs.
- NMMs – In Durban, the COP defined a new market-based mechanism that may assist developed countries to meet their mitigation targets or commitments.

Developing country actions "credited" under more than one path creates risk of double counting.

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The Supply vs. Demand Problem

CDM risks collapsing after 2013

No room for (offset generating) new market mechanism, unless Annex I ambition level goes up (significantly)

The Problem with Double Counting: We will not meet the 450 ppm goal

- Meeting 450 ppm goals <u>require</u> actions by developing countries; Even if Annex I emissions are reduced to zero, it won't be enough.
  - Offsets are counted towards meeting Annex I commitments.
  - Supported NAMAs should count towards developing country pledges.
- If a given action (e.g., a new wind farm) is incented through a supported NAMA (e.g., a feed-in tariff) *and also* receives offset credits for emissions reduced, the same emissions reductions would be counted twice. If this happens:
  - Developed countries would essentially pay twice for the same emissions reduced.
  - Developed and developing country emissions reductions can't be added together towards meeting 450 ppm mitigation goal.

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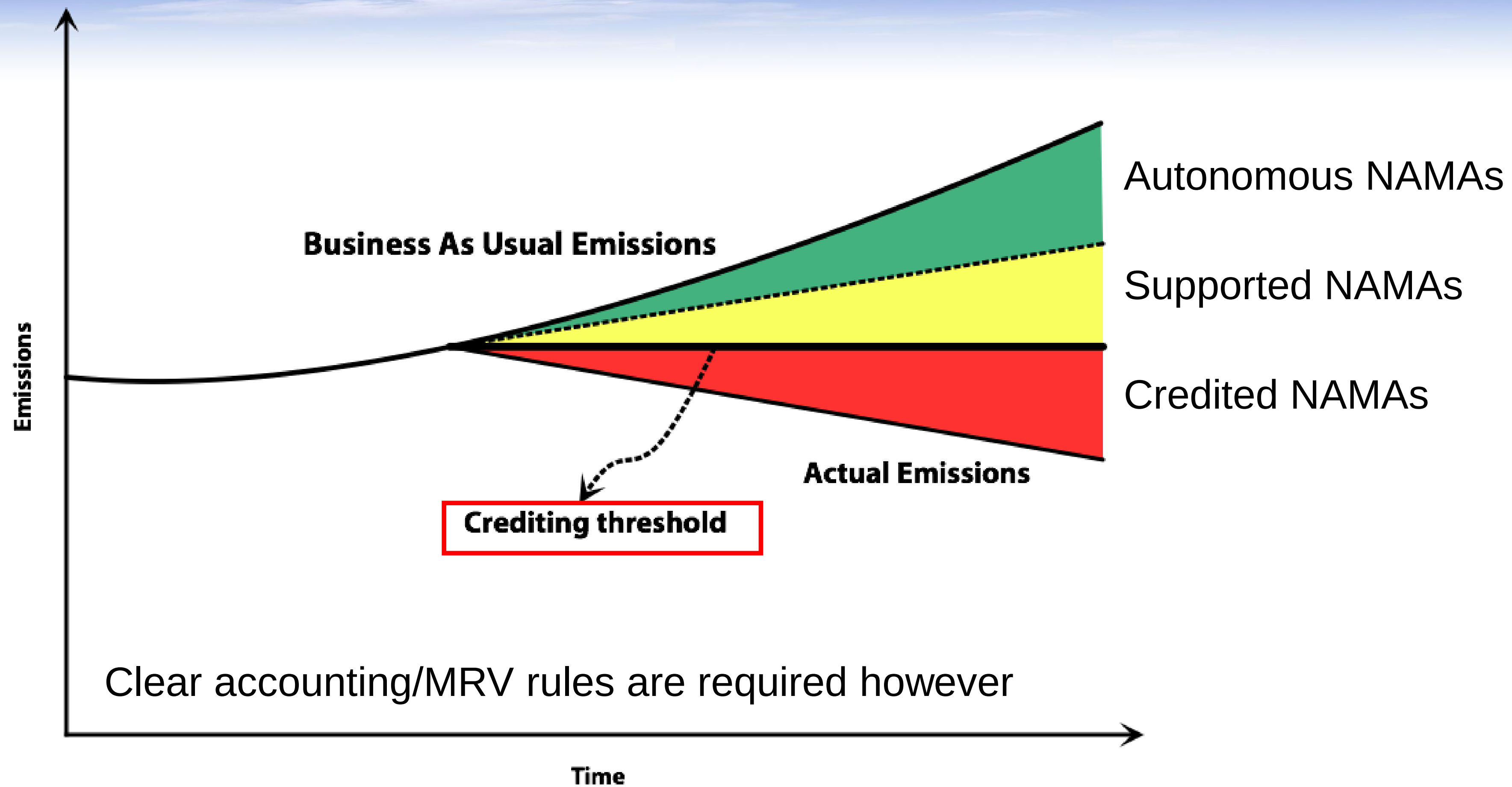
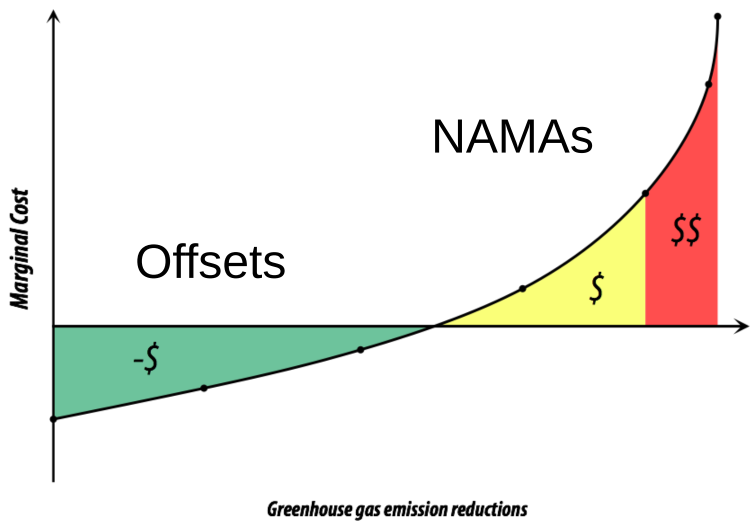
The Solution: Create a "Bright Line" Distinction between NAMAs and NMMs



- A distinction is also needed between NAMAs and CDM.

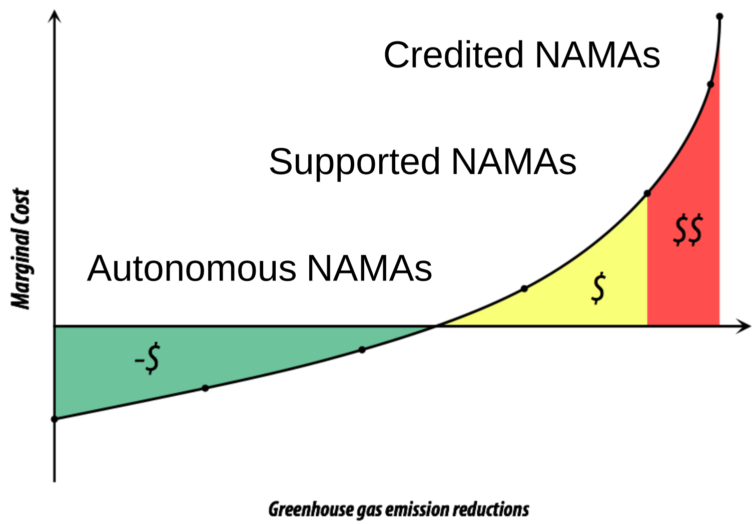
This also solves “low-hanging fruit” problem

Offsets take low-cost mitigation



Wrong: Developing countries are left with more expensive mitigation

Offsets generated, above crediting threshold



Correct: Autonomous and supported NAMAs at lower cost for developing countries

Examples of Market-Based Mechanisms

- Domestic cap & trade (linked)
- Sectoral crediting (or no lose trading)
- Tradable intensity standards

A tradable intensity standard for sector crediting
CCAP - 2009

Global Sectoral Study
CCAP - 2010

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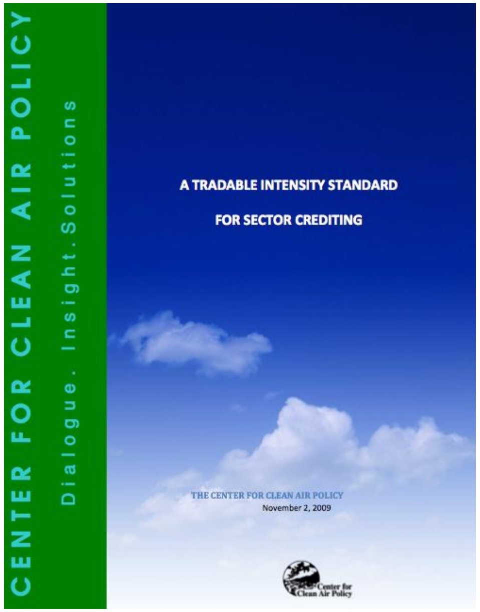

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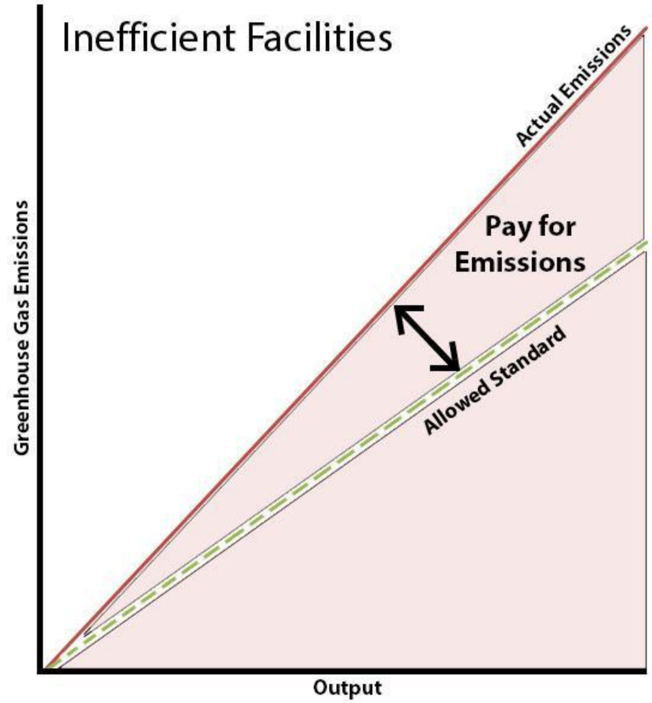
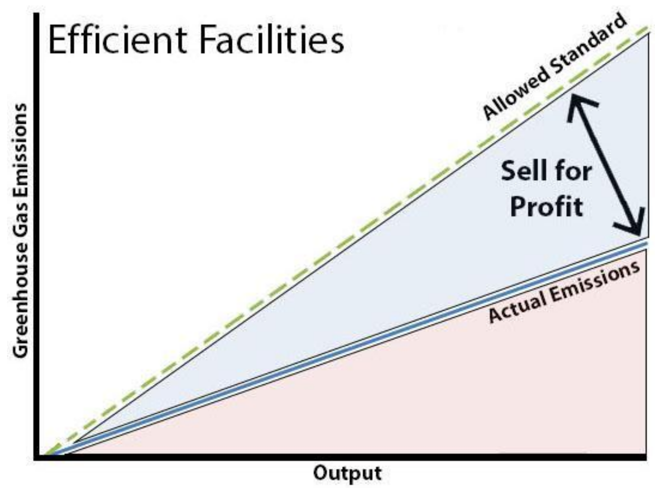
Specific Example:
Tradable Intensity Standards

What are they?

- Each facility faces a mandatory limit (GHG/output)
- Output not restricted; If output grows, emissions can grow
- Inefficient facilities pay for emissions in excess of standard (not for all emissions, as in cap-and-trade)
- Efficient facilities profit from sales, lowering costs and increasing production
- Can be done with or without linking to international markets





Tradable Intensity Standards (2)

How international linking would work:

- Set intensity standard at baseline for international crediting.
- International credits used as compliance instrument.
- Developing country government gets credits from international body if sector beats baseline.
- Inefficient facilities buy credits from market to submit to government.
- Government gives credits from both sources to facilities that beat intensity baseline (one credit per ton).

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Thank You

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CCAP works to significantly advance cost-effective and pragmatic air quality and climate policy through analysis, dialogue and education to reach a broad range of policy-makers and stakeholders worldwide.

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