



Policy Uncertainty, Investment and Commitment Periods

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Outline

- **What is a commitment period (CP)?**
- **Why think about CPs?**
- **What length to choose for CPs?**
- **How to set CPs – what are the options?**
- **Implementation issues**

What is a CP?

- CPs define a time period within which emission reduction efforts are achieved and evaluated
 - To be considered as well: the time lag between adoption of commitments and end of commitment period
- CPs are one important element of international climate policy coordination

What is the role of CPs?

- Today's investment decisions affect tomorrow's levels of GHGs
 - Investors' expectations is one of the factors driving technology choice and timing of investment
- CPs can
- ↪ influence certainty/predictability,
 - ↪ influence investment decisions,
 - ↪ influence move to lower GHG-path?

What length to choose?

● No straightforward answer

Long
commitment
period

Short
commitment
period

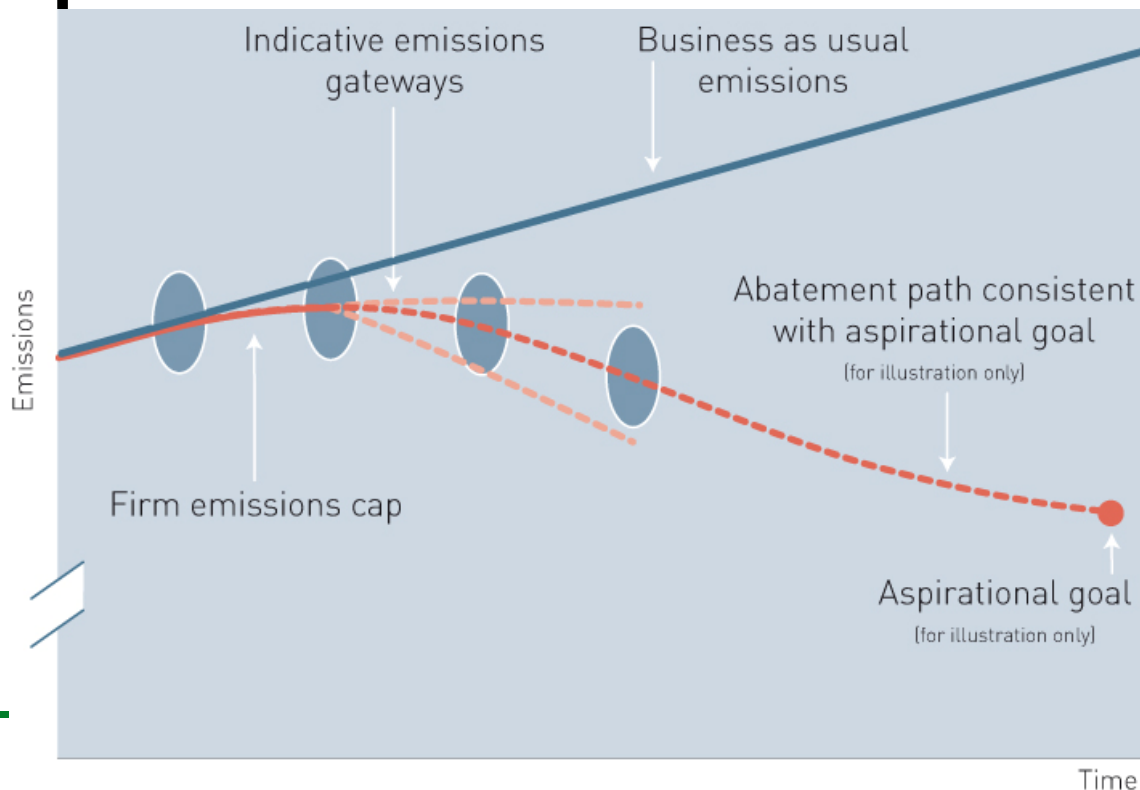


How to set CPs (1)?

- **'Rolling commitment periods'**
 - ◆ **Automatic adjustment process of commitments (BASIC, 2006)**
 - ◆ **Process that decides upon upcoming targets in advance ('carbon budgets', UK Climate Change Bill)**
- ➔ **Combination of extended CP length with periodic adjustments**

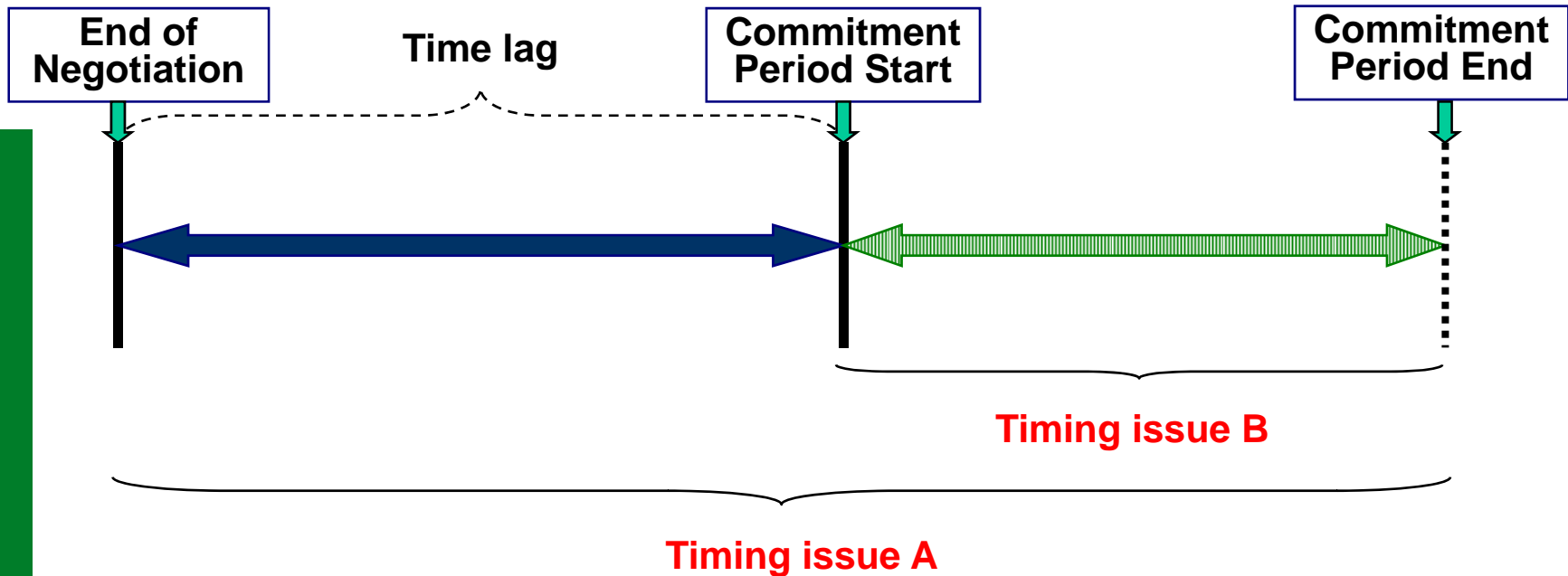
How to set CPs (2)?

- The 'Gateway' proposal (Australia)
 - ◆ Firm short-term targets (extended on 'rolling' base), medium-term range of expected future abatement efforts



Implementation issues (1)

● Timing



Implementation issues (2)

- **Adjusting length to types of commitments**
 - ◆ **Interaction with type of commitment**
- **Participation**
 - ◆ **Graduation provisions?**
 - ◆ **Different lengths of CPs according to different country categories?**
- **Monitoring & compliance**
 - ◆ **Multilateral – national schemes**
 - ◆ **Review mechanism**

Summary

- CP length/structure can have significant impact on investment decisions
 - ◆ eventually domestic policy issue
- This decision (unlike implementation details) decided internationally
- (Dis-)advantages of long or short CPs
- **“Rolling CPs”** can improve balance between economic certainty and certainty on emission levels

In closing

- **Four components help increasing a CP's contribution to both a GHG- and investor-friendly environment:**
 - ◆ **Longer-term emission reduction target or range**
 - ◆ **Shorter-term targets**
 - ◆ **Periodic reviews**
 - ◆ **Strong monitoring and compliance rules**



Carbon Capture and Storage in the Clean Development Mechanism

**Cédric Philibert (IEA), Jane Ellis (OECD)
and Jacek Podkanski (IEA)**

- **Context**
- **Seepage and permanence**
- **Project boundary and liability issues**
- **Leakage**

Emissions Trading: Trends and Prospects

Julia Reinaud and Cédric
Philibert (IEA)

- **Update of existing, announced and proposed Emissions Trading Schemes**
- **Design features: trends and prospects**
 - ◆ Cap-and-trade vs. output-based
 - ◆ Coverage/extensions / Offsets
 - ◆ Allocation/points of obligation
 - ◆ Cost-control measures
 - ◆ Interactions with other policy objectives and measures