



World Ecological Forum

1 July 2010
Gotland

Towards a climate deal: Binding and Global?

Simone Ruiz



IETA

INTERNATIONAL EMISSIONS
TRADING ASSOCIATION



What is IETA?

- Only cross–sectoral, private sector international organisation promoting emissions trading to secure environmental goals
- Founded in 1999
- Membership: 170 companies
 - 50% emitters
 - 50% project developers, intermediaries, financial institutions, brokers, verifiers, legal firms
 - 60% EU, 30% US/Canada, 10% Asia
- Swiss non profit
- Offices: Geneva, Brussels, Washington, Ottawa
- Role in Australia, Japan



1. Update climate negotiations





UNFCCC

- United Nations Framework Convention on Climate Change
- 1st major initiative for international cooperation in GHG reduction
- Signed in 1992 at the Rio 'Earth Summit'. Nations committed to:
 - Annual reporting of national GHG inventories
 - Review of progress GHG abatement
 - Technological assistance to developing countries
 - Participation in the meetings of the Conference of Parties (COP)
- Annex I (industrialised nations): recommended measures
- Non-Annex I (developing nations): may participate on a voluntary basis.
- COP 1 (1995): voluntary commitments of 1992 were insufficient.
- COP 3 (1997): Kyoto Protocol (KP) was agreed.
- Subsequent COPs held annually (last one COP 15 – Copenhagen)



From Kyoto to Copenhagen

- **Kyoto (1997):** creates international carbon market
 - legally-binding emission targets for developed countries
 - concept of differentiated responsibility
 - emission reductions by at least 5% by 2012 (EU: 8%)
 - introduction of market-based 'flexible' mechanisms (e.g. JI/CDM)
- **Bali (2007):** road map for post-2012
 - It global goal for emission reduction to be set by end 2009
 - An action plan for the post-2012 environment
 - The crumbling of US objections
- **Copenhagen (2009)**



Copenhagen Accord

- Recognition of **2 degree temperature objective**
- **Targets by developed countries & actions by Developing countries** registered as from 31 Jan
- **Financial commitment:**
 - fast-start (\$30 billion) for 2010-2012
 - long-term (\$100 billion) per year by 2020
- Creation of a **High Level Panel** to supervise disbursement
- **Copenhagen Green Fund:** mitigation, adaptation, capacity-building & technology transfer
- **“Robust” MRV** (measurement, reporting & verification) process
- **Technology mechanism:** enhance tech development/transfer
- **Use of markets** to enhance cost-effective mitigation
- **Review in 2015** with reference to explore a 1.5. degree pathway



Copenhagen: 'a great failure' ?

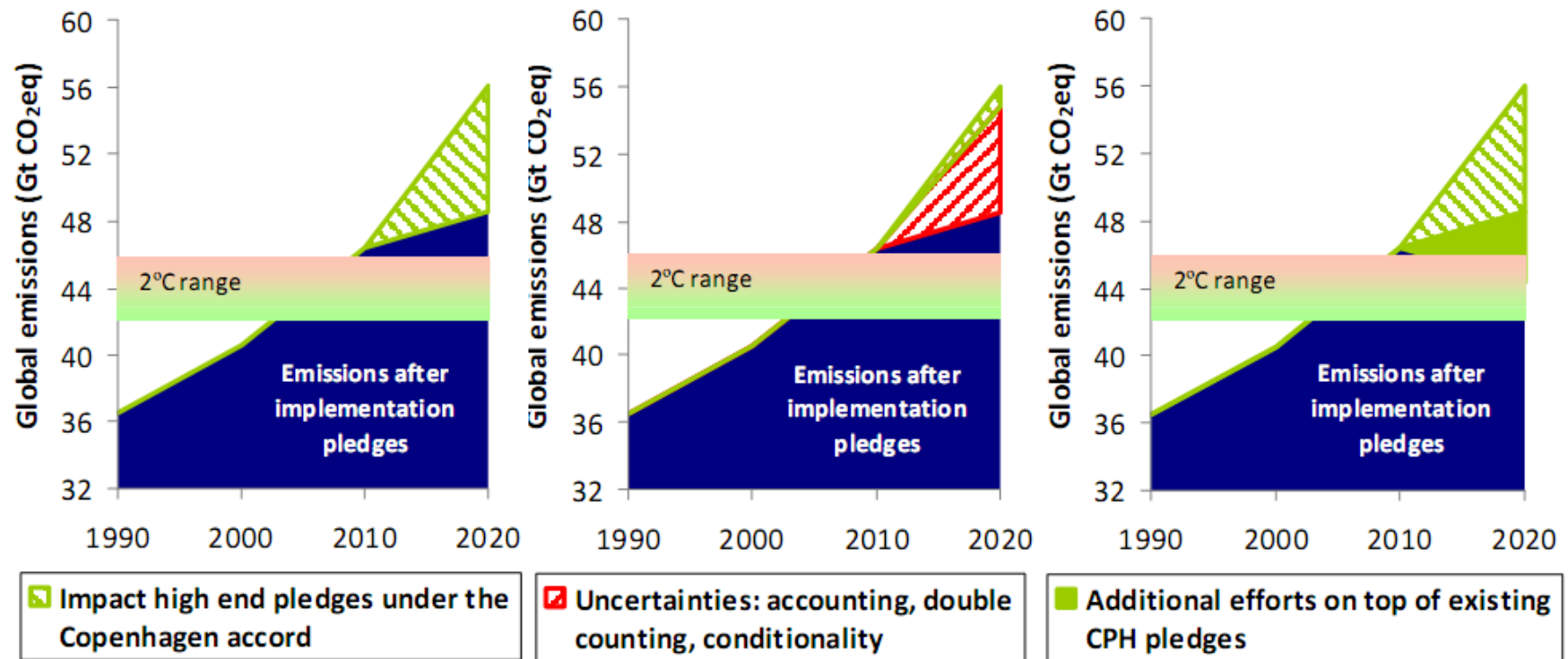
- Yes, as no credible commitment for action (no binding agreement)
- Yes, as Assembly took only 'note' of Copenhagen Accord (CA)
- Yes, as lacks ambition - targets insufficient to meet 2 degree obj.
- Yes, as technical details missing – uncertainty remains

BUT:

- Countries accounting for 80% of global emissions submitted targets
- For the first time emerging economies recognize co-responsibility
- US was brokering the compromise, while absent before
- And: what is the value of a binding agreement without legal repercussions for non-compliance (see KP)



Three perspectives



Source: MNP, EU Commission Communication 26 May



Since then:

- 2 meetings took place in Bonn (April/June)
- June session - 'constructive' but no real progress achieved
- AWG-KP: new numerical commitments, forestry, mechanisms
- AWG-LCA: advance draft text, for revision in August:
 - 25-40% developed nations by 2020 (no base year)
 - Emissions to peak by 2020 (no option 2015)
 - Sharp reactions: US/G77/China/India
- 'Common Space': joint discussion? US concerns!
- Emphasis potential business-related issues:
 - Financing of nationally appropriate mitigation actions;
 - REDD+ ;
 - IPR issues;
 - carbon market, etc.
- New Executive Secretary: Christina Figueres



2. What can Cancun deliver?





‘Waiting for US congress’

- Will US commit to climate programme?
 - not adverse to legally binding treaty
 - request symmetry and transparency
 - main issues: financing, MRV, mitigation
- Mexico: progress in selected areas
 - Decisions on technology, adaptation and REDD+
 - Integrate CPH Accord into negotiation texts
- Difficult to achieve
 - Delegates want a complete package
 - Japan/Russia won't accept protocol amendment
- Avoid 'gap' between commitment periods
- Global treaty in COP 17, South Africa, 2011?



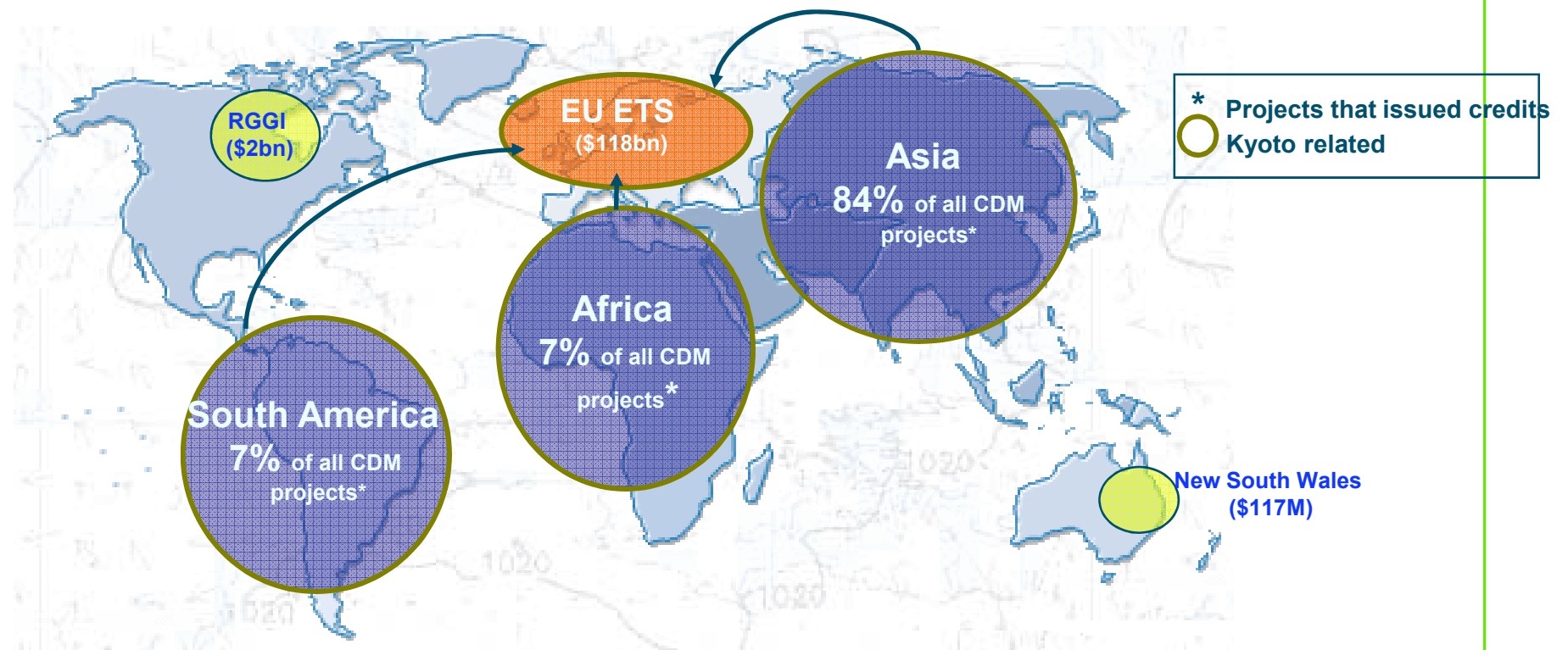
Business engagement

- Formal consultations (15/16 July)
- New mechanisms
- financial flows & impact on competitiveness
- Intellectual property
- Monitoring, reporting, verification
- No alternatives (yet) to multilateral solution under UNFCCC
- Robust legal framework





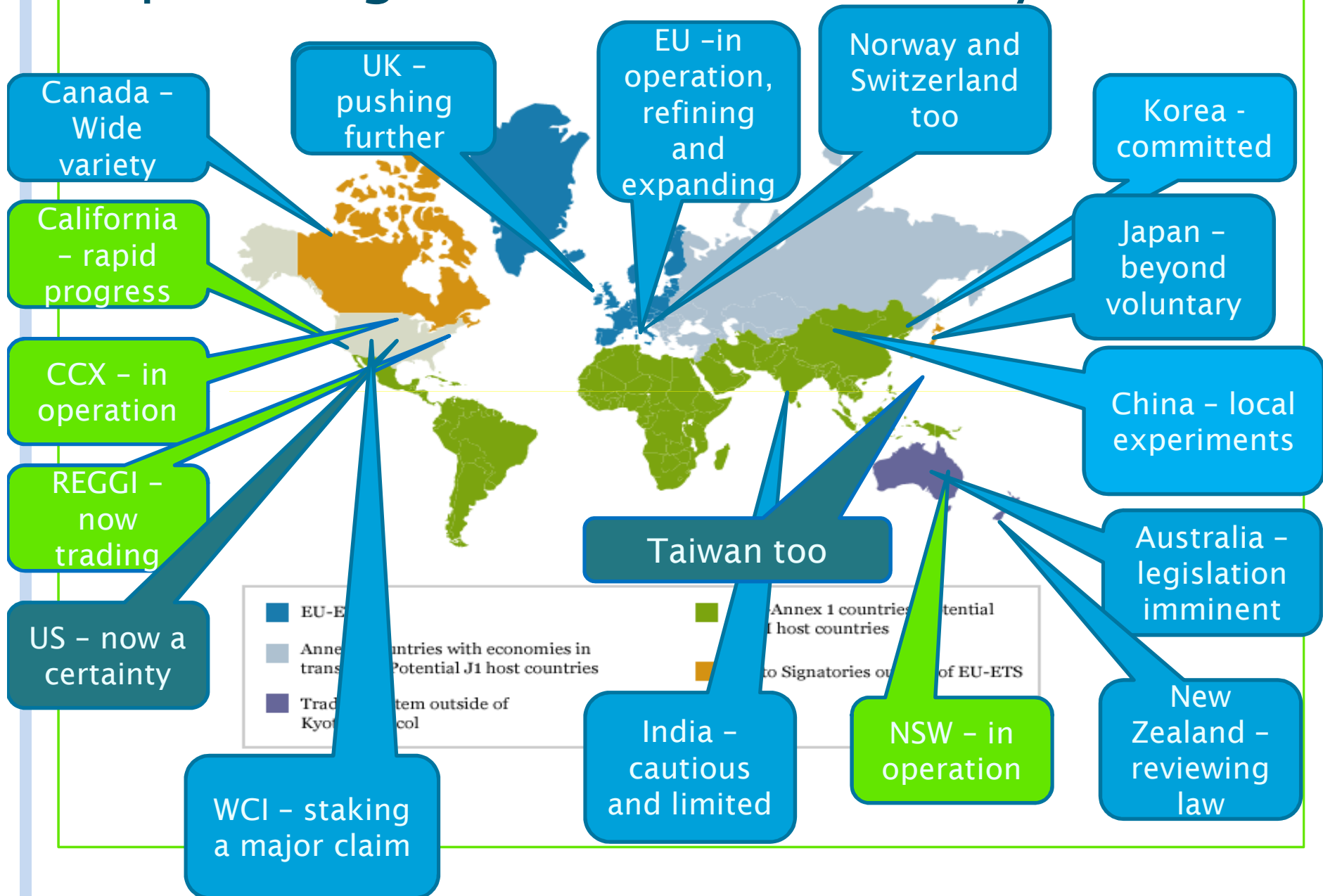
3. Prospects global market?



Source: World Bank, Unep Risoe, Deutsche Bank



Spreading across the World - Kyoto or not

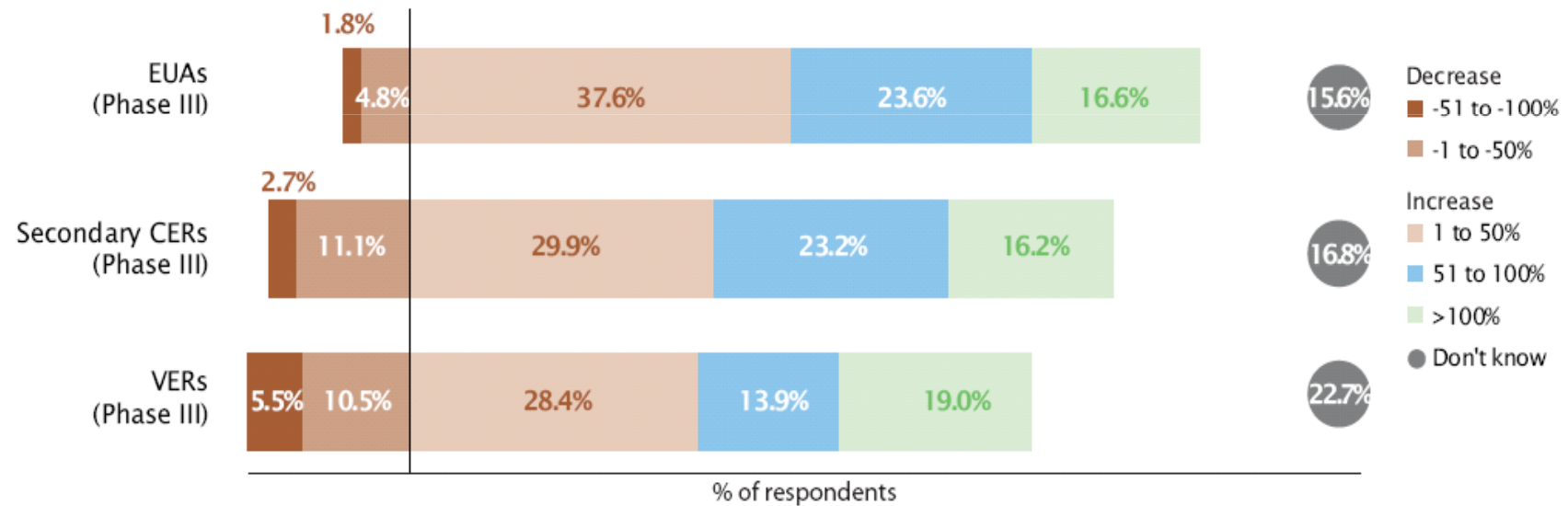




...expectations hold up...

The carbon market isn't depressing; it's just been in a depression

Market Sentiment: Predicted Phase III EUA, sCER and VER trading volumes (change on present day)



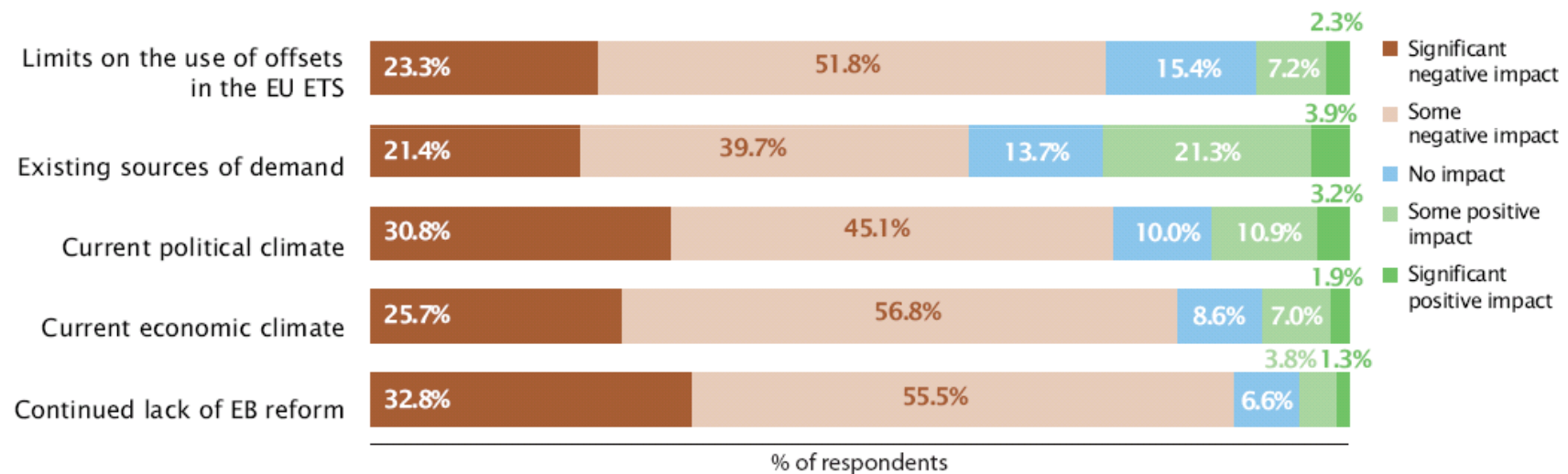
Source: IETA's GHG Market Sentiment Survey, April 2010



...just now.

“Market prices are dependent on market momentum and the last few months have indicated a real concern about whether governments are really committed to doing something about climate change.”

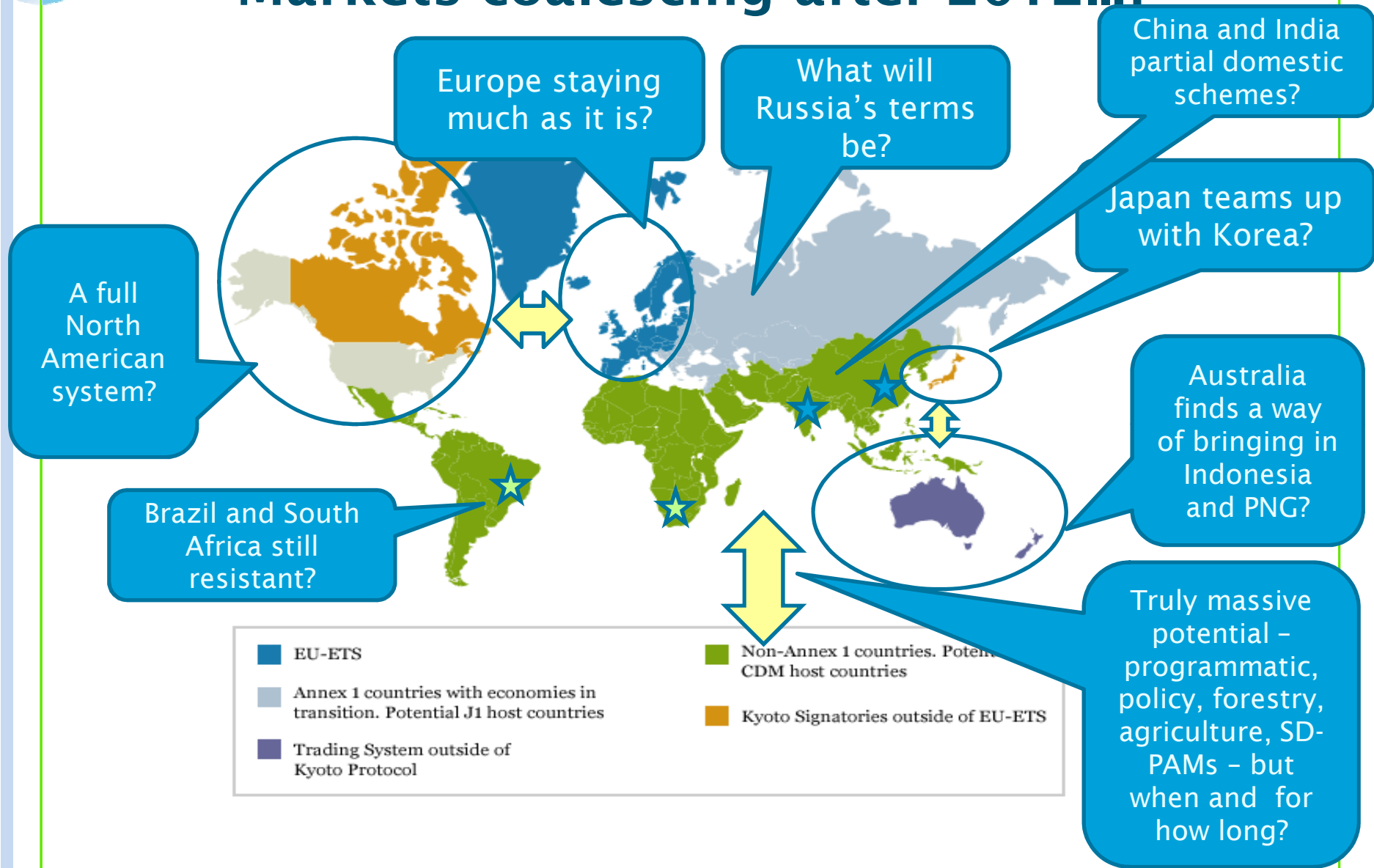
Potential impacts of factors affecting levels of low carbon investment



Source: IETA's GHG Market Sentiment Survey, April 2010



Markets coalescing after 2012...?





Thank you

ruiz@ieta.org
www.ieta.org



IETA
INTERNATIONAL EMISSIONS
TRADING ASSOCIATION