

Carbon markets after 2012



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- **Can the CDM after 2012 without a second commitment period (gap)?**
 - UNFCCC technical paper: no clear message
 - EG LEX: basically yes, if political will is available agreement is needed on
 - Election of CDM EB members
 - Budget needs to be agreed
 - Registry
 - etc.
- **Is the continuation of the CDM in case of a gap likely?**
 - JPN & RUS don't want a second CP
 - BOL doesn't want market mechanisms at all
 - Developing countries: no CDM without second CP
- **Conclusion**
 - Agreement would require concessions by many
 - At most 50:50 chance for an agreement
 - Therefore: EU needs to consider how to continue with offsets in the case of a gap

- **EU is by far the largest buyer of CER**
 - EU ETS
 - Will continue even in the case of a gap
 - Use of CER is limited to about 1.7 Gt up to 2020
 - Most of this budget will be used before 2013 (about 1.5 Gt)
 - Currently 0.5 Gt of CER
 - Burden Sharing Agreement (BSA)
 - Will continue even in the case of a gap
 - Several Member States have CER purchase programmes (ES, IT, NL, DK, etc.)
 - BSA allows for trading of emission quota at MS level
- **JPN: bilateral offsets with pilot projects in several Asian countries**
 - Include more project types (nuclear, forest management, etc.)
 - Reduce transaction cost, i.e. get rid of the CDM EB
 - Establish weak environmental standard for international offsets
- **Potential options**
 1. **No offsets**
 2. **EU measures**
 1. Art. 25: Linking to mandatory (sectoral) ETS with absolute caps (MEX, KOR, CHN, BRA, etc.)
 2. Art. 11a(5): Enable use of credits from projects or other activities (i.e. sectoral crediting)
 3. Other approaches (e.g. Renewables Development Fund)

- **Option 1: No offset**
 - Increased short-term incentives for a transition towards a decarbonised economy in the EU
- **Option 2: EU measures**
 - Might promote and trigger the transition towards a global carbon market as prerequisite for transition to a carbon free economy
 - Achieving the 2°C objective requires participation of all countries (IPCC 4AR)
 - However: credits may not trigger the transition to a global carbon market; once they have tasted blood ... (Kazakhstan)
 - Might allow to establish high standards for the global carbon market
 - Ensure environmental integrity and provide for units which are measurable and clearly additional (avoid leakage, perverse incentives, etc.)
 - Initiate the transition towards an efficient global carbon market
 - Promote sectoral approaches and limit the supply of project-based credits to LDCs or at least exclude ADCs from project-based credits
 - Should mechanism include development goals? Development would be promoted anyhow; but regional distribution should not be a goal.
 - Build on the experiences from the CDM
 - Efficient, transparent and be based on objective criteria
- **EU needs to decide and develop a strategy now**

Thank you for your attention!



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