



# **Possible Models for International Sectoral Approaches**

*International Workshop*

**Sectoral Approaches to  
International Climate Policy**

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*Session 3*

**Richard Baron & Ingrid Barnsley, IEA**



## Preliminary Observations

- SA complementary to nation-wide AI targets
- Under UNFCCC, focus on SA relates to:
  - Art 4.1(c) – tech-based cooperation for mitigation
  - But possibilities also for SD-PAMs or SNLTs?
- Under Kyoto Protocol, focus on SA relates to:
  - ‘Means’ to enhance AI mitigation goals
  - So sectoral mitigation analysis particularly useful
- If NLSTs are to generate GHG credits, further negotiation is required – CDM not appropriate
- SA activity outside the UN climate regime likely to continue: APP, MEM, EU ETS CSI, IISI, IAI...



## Preliminary Observations (cont)

- Market-based mechanisms part of post-2012 framework
- Several important issues may affect whether/how SA are incorporated into UN climate regime:
  - reform of flexible mechanisms
  - reform of rules for LULUCF
  - adaptation, technology and finance provisions
- Operational details could be finalised *after* Copenhagen



# Models

1. No Lose Sectoral Targets and Crediting Mechanism
2. SD-PAMs
3. Transnational Sectoral Agreements
4. Sectoral Approach to Technology Cooperation
5. Others....



# **Model 1: No Lose Sectoral Targets and Crediting Mechanism**

- Non-AI Parties adopt non-binding quantitative sectoral goals
- Excess emissions reductions eligible as credits to be sold to AI parties to meet their Kyoto targets



# Model 1: NLSTs/Crediting Mechanism

## COVERAGE/ELIGIBILITY ISSUES

Sectors covered      Limited number of heavy industry sectors; power sector

Eligibility              How to define eligibility of a party or sector?

## IMPLEMENTATION ISSUES

Implementing agencies      New “flexibility” mechanism – a new exec board, along with domestic authorities?  
Revised CDM: CDM EB, DNAs etc?

Impl’n period              To coincide with second commitment period under KP?

Timing of a party’s entry      At time of agreement vs graduated entry for sectors/parties?

MRV                          Undertaken domestically – if so, by a third party? Independent international body?

## NEGOTIATION ISSUES

Link to UN regime              Inside: UNFCCC (and KP?)

Negotiation mandate      Sectoral goals: BAP (1(b)(ii),(iv))  
Crediting mechanism: BAP / Art 9 review of KP? AWG work programme?

Agreement process      Sectoral goals: COP decision adequate - no UNFCCC amendment or new protocol?  
Crediting mechanism:  
- revised CDM or ET: COP/MOP decision / amendment of KP Art 12 or 17 OR  
- a new crediting mechanism: decision or amendment of UNFCCC or KP or new protocol

Outstanding issues      •Clear understanding of non-AI actions at outset – data, policies – is this possible/needed by Copenhagen?  
•Non-AI parties selling credits: reduced incentive for individual plants to act?



## **Model 2: SD PAMs or Policy-based Instruments**

- Sector-specific policies and measures in developing countries that have sustainable development as primary objective (SD-PAMs)
- Provision of funding for SD-PAMs that, with MRV, reduce emissions beyond BAU
- Binding or non-binding



# Model 2: SD-PAMs or Policy-based

## COVERAGE/ELIGIBILITY ISSUES

Sectors covered	Particular sectors as chosen by the non-AI party
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Eligibility	How to define eligibility of a party or sector?
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## IMPLEMENTATION ISSUES

Administering agencies	<ul style="list-style-type: none"> <li>• COP / SBSTA</li> <li>• Funding:             <ul style="list-style-type: none"> <li>- Existing UNFCCC/KP financial mechanisms?</li> <li>- Carbon markets: full crediting not proposed; CDM as a marginal contributor</li> <li>- Public funding?</li> </ul> </li> </ul>
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Impl'n period	Any time or to coincide with second commitment period
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Timing of a party's entry	Graduated entry possible? Limited to some countries only?
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M&V	Domestic/international verification?
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## NEGOTIATION ISSUES

Link to UN regime	Inside: UNFCCC
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Negotiation mandate	BAP (1(b)(ii); also (iv))
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Agreement process	COP decision(s) sufficient (COP/MOP if KP)
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Outstanding issues	<ul style="list-style-type: none"> <li>- Identifying sectors and actions/commitments in time; comparing actions/commitments</li> <li>- Appropriate incentives for developing countries to 'commit'? What is the 'commitment'?</li> <li>- Consequences of non-compliance</li> </ul>
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## Model 3: Transnational Sectoral Agreement

- Transnational agreement for a given industry
- Substance of agreement:
  - Quantitative and/or qualitative goals
  - Concerted R&D effort
- Nature of agreement:
  - Voluntary industry agreement?
  - Voluntary industry-govt agreement?
  - Legally binding or non-binding govt-govt agreement?



# Model 3: Trans. Sectoral Agreement (govt-govt)

## COVERAGE/ELIGIBILITY ISSUES

Sectors covered	Heavy industry (but could work for others – forestry/REDD, transport)
Eligibility	All eligible?

## IMPLEMENTATION ISSUES

Administering agencies	Through domestic policy frameworks?
Impl'n period	Threshold % of global sectoral coverage before agreement enters into force? (akin to KP 55/55 rule?)
Timing of a party's entry	Graduated entry possible?
M&V	?

## NEGOTIATION ISSUES

Link to UN regime	Inside: UNFCCC - <u>OR</u> - outside UN climate regime
Negotiation mandate	If inside: BAP(1(b)(i/ii); also consistent with 1(b)(iv)? If outside: relevant intl body (IMO, ICAO) or new negotiating forum
Agreement process	Inside: • if binding, a new Protocol to the UNFCCC (with annexes for parties/sectors covered) • if non-binding, a COP decision Outside: agreement (binding); declaration (non-binding)
Outstanding issues	Whether and how leakage concerns ought to be addressed in this model or through separate measures



## Model 4: Sectoral Approach to Technology Cooperation

- Identify sectors where significant mitigation could be achieved through enhanced international cooperation
- Develop specific task forces / work programmes for unique needs of each sector
- Collaborative activities:
  - Tech transfer, *but also* tech needs assessments, audits, data collection, staff training, capacity building for implementation of tech, R&D efforts
- Funded through existing UN funds (SCCF, GEF), a new UN tech fund, a separate fund?
- Lessons from APP?



# Model 4: Technology Cooperation

## COVERAGE/ELIGIBILITY ISSUES

Sectors covered	Particular sectors where potential for significant mitigation through int'l cooperation
Eligibility	How to define eligibility of a party or sector? Sub-sectors of the major UNFCCC sectors?

## IMPLEMENTATION ISSUES

Administering agencies	<ul style="list-style-type: none"> <li>• COP / SBSTA</li> <li>• Link with Expert Group on Technology Transfer? (note: Art 4.1(c) goes beyond 'transfer')</li> <li>• Fund:             <ul style="list-style-type: none"> <li>- Special Climate Change Fund; GEF</li> <li>- New Tech Fund with a new governing board?</li> </ul> </li> </ul>
Impl'n period	Could start earlier than 2012, and run until end of 2CP OR multiple cycles targeting diff sectors
Timing of a party's entry	Less relevant
M&V	Performance indicators being developed by EGTT

## NEGOTIATION ISSUES

Link to UN regime	Inside: UNFCCC
Negotiation mandate	BAP 1(b)(iv)
Agreement process	COP decision(s)
Outstanding issues	<ul style="list-style-type: none"> <li>• Identification of first sectors to be covered</li> <li>• Solid understanding of sectoral tech needs – but precise details of work programme can be finalised over time</li> <li>• Funding linked to carbon market?</li> <li>• Connections with other part of the Copenhagen outcome?</li> </ul>



# **Viability of Each Model?**

## **Evaluation Criteria:**

- 1. Environmental effectiveness**
- 2. Cost-effectiveness**
- 3. Fairness**
- 4. Complementarity**
- 5. Simplicity/possibility of negotiation**
- 6. Appropriateness of institutional framework**