Thoughts on a New Market Mechanism

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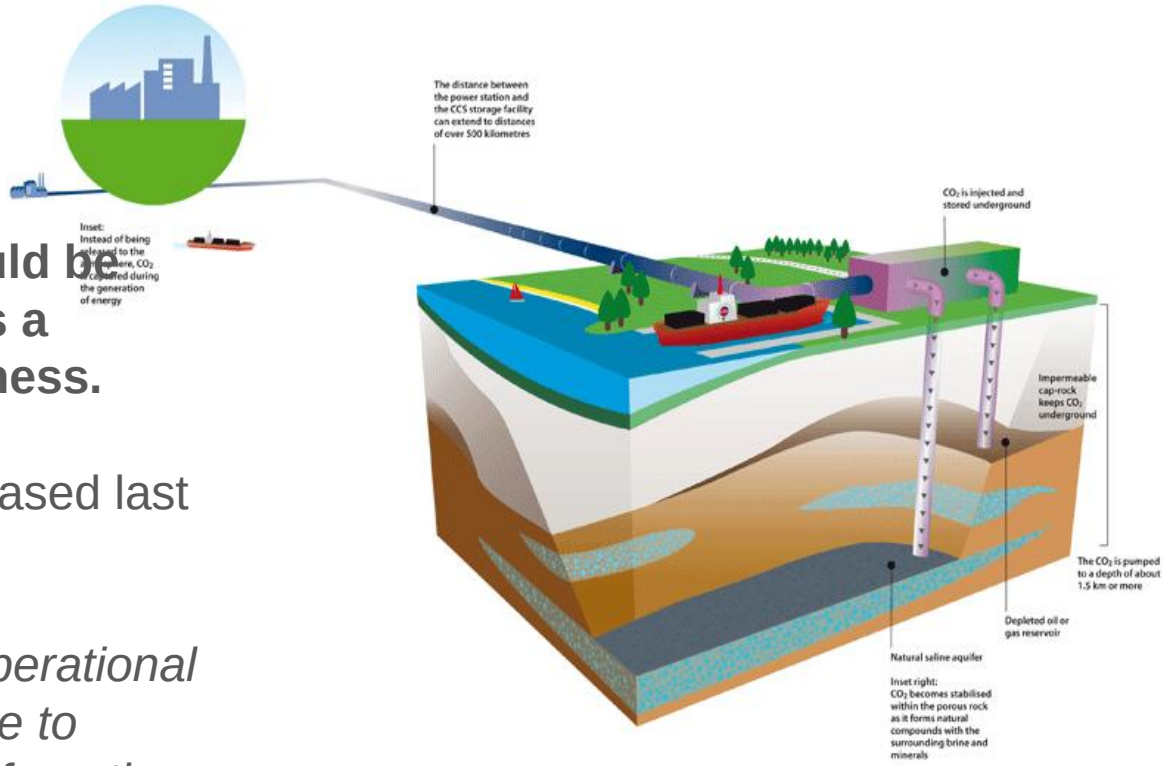
International Emissions Trading Association

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A question of scale

Arguably, CCS is the only real way of managing and reducing emissions.



Real climate policy should be driving CCS – at least as a measure of its effectiveness.

But the GCCSI report released last week says:

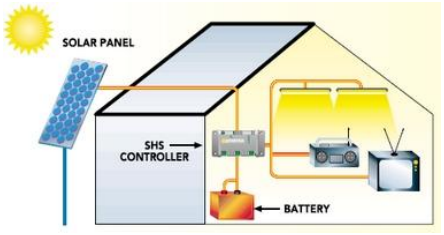
> *. . . . the number of operational projects must increase to around 130 by 2020, from the 16 currently in operation or under construction.*

A major transition is required from the current paradigm

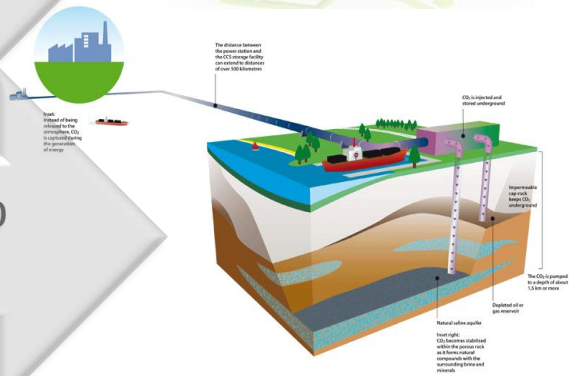


From micro-funding / financing to very large scale project financing



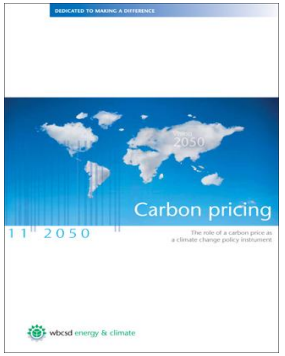


From small scale local projects to large scale regional change

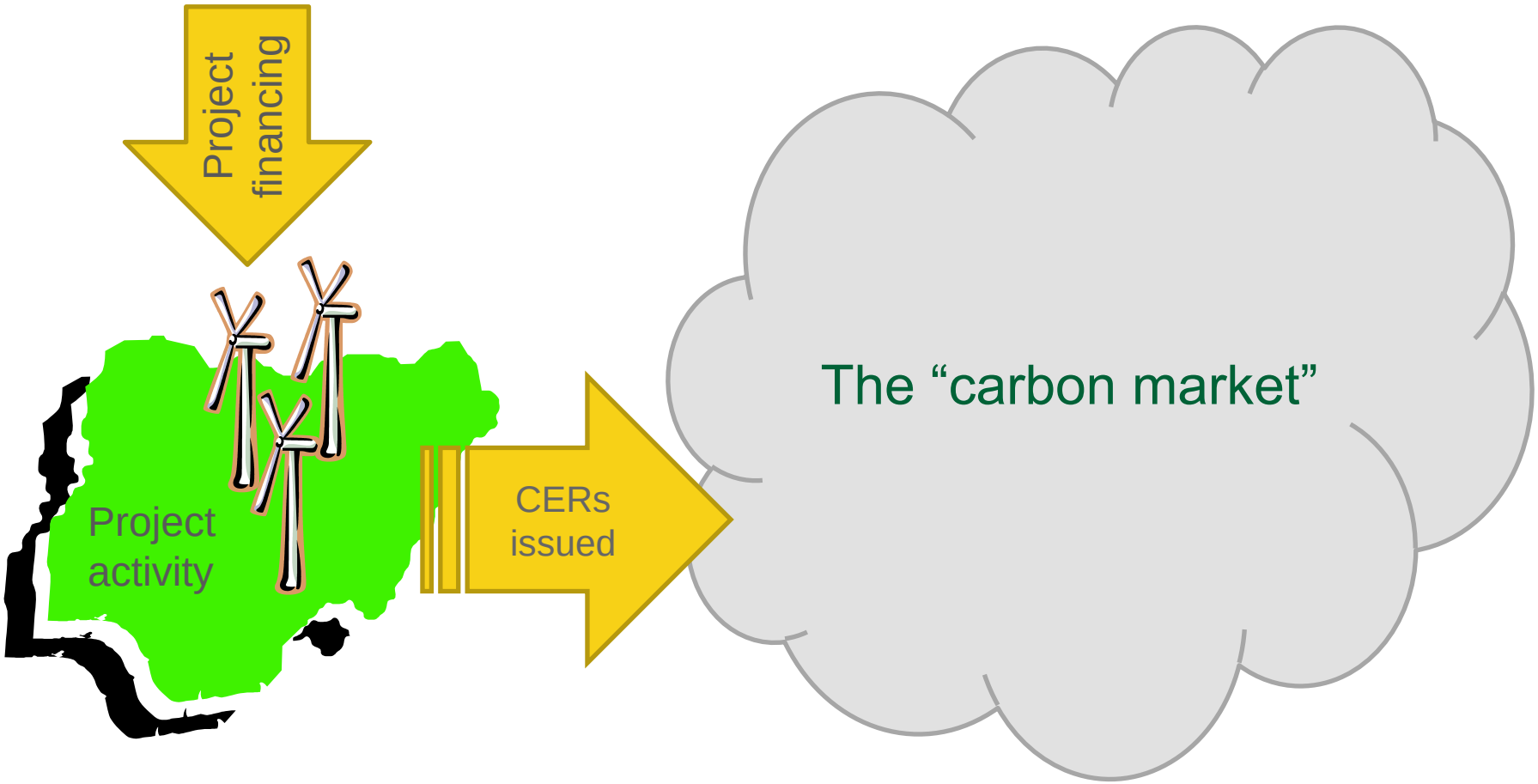




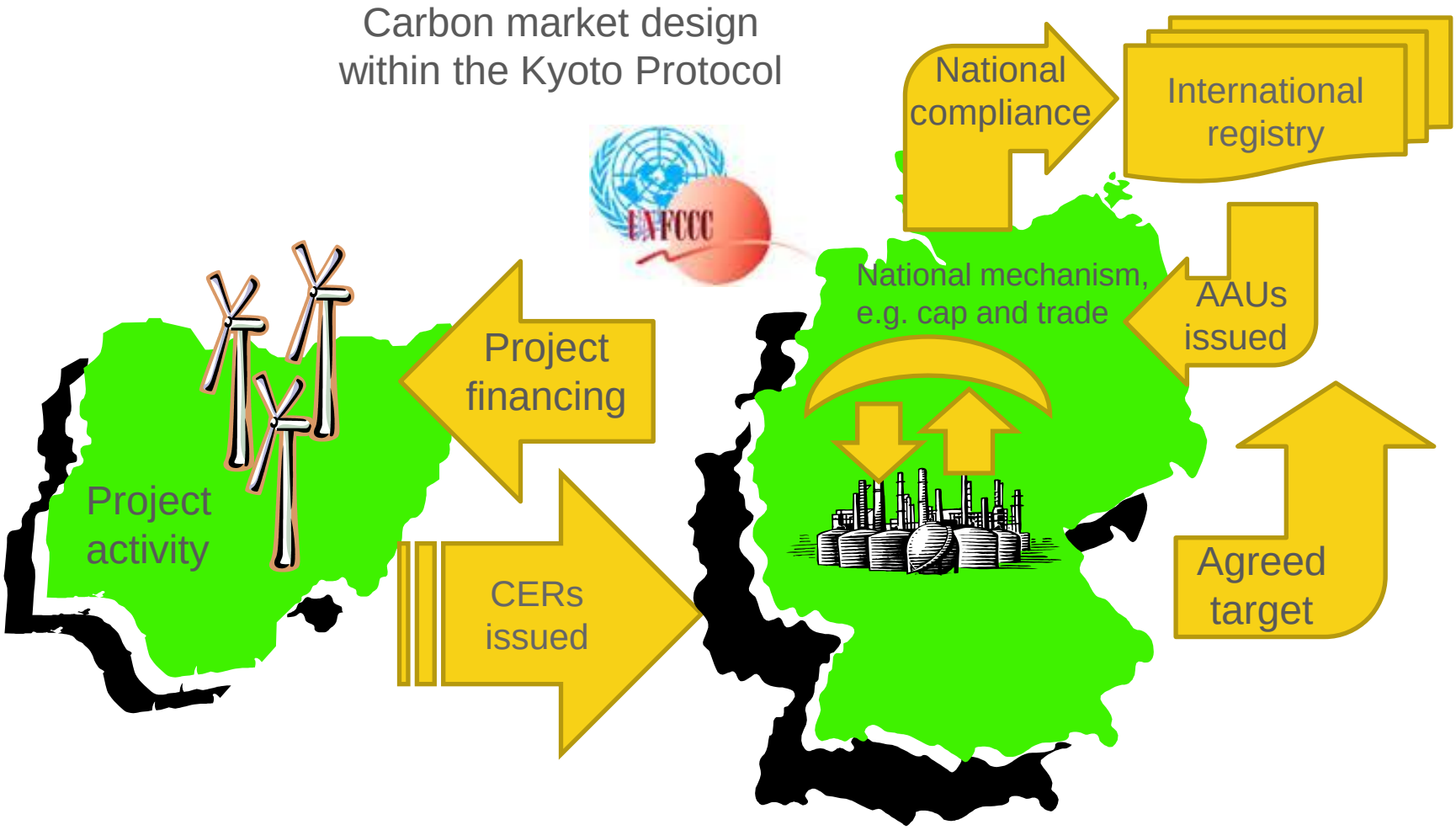
From billion dollar public funding to trillion dollar carbon market financing



An existing “market mechanism”
The conventional view of the CDM



The full market mechanism in operation



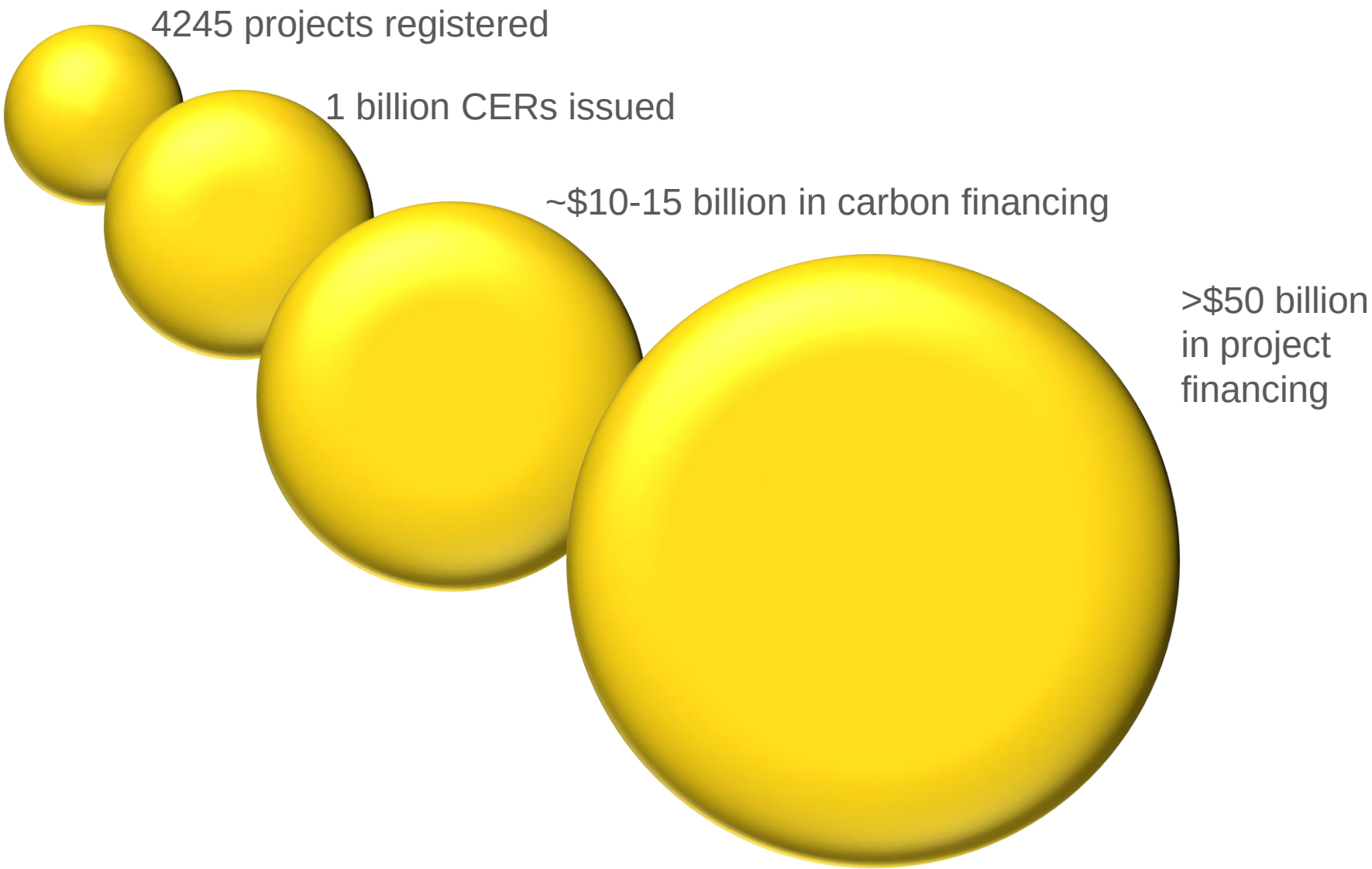
The definition of a “market mechanism”

Means by which the forces of demand and supply determine prices and quantities of goods and services offered for sale in a free market.

The market mechanism is an alternative, for example, to having such decisions made by government.

As a standalone instrument the CDM is not a market mechanism – it is only one part of the much broader carbon market mechanism within the Kyoto Protocol.

But the potential for scale and real change was there



The LCA contains only modest support for carbon markets as one opportunity amongst many

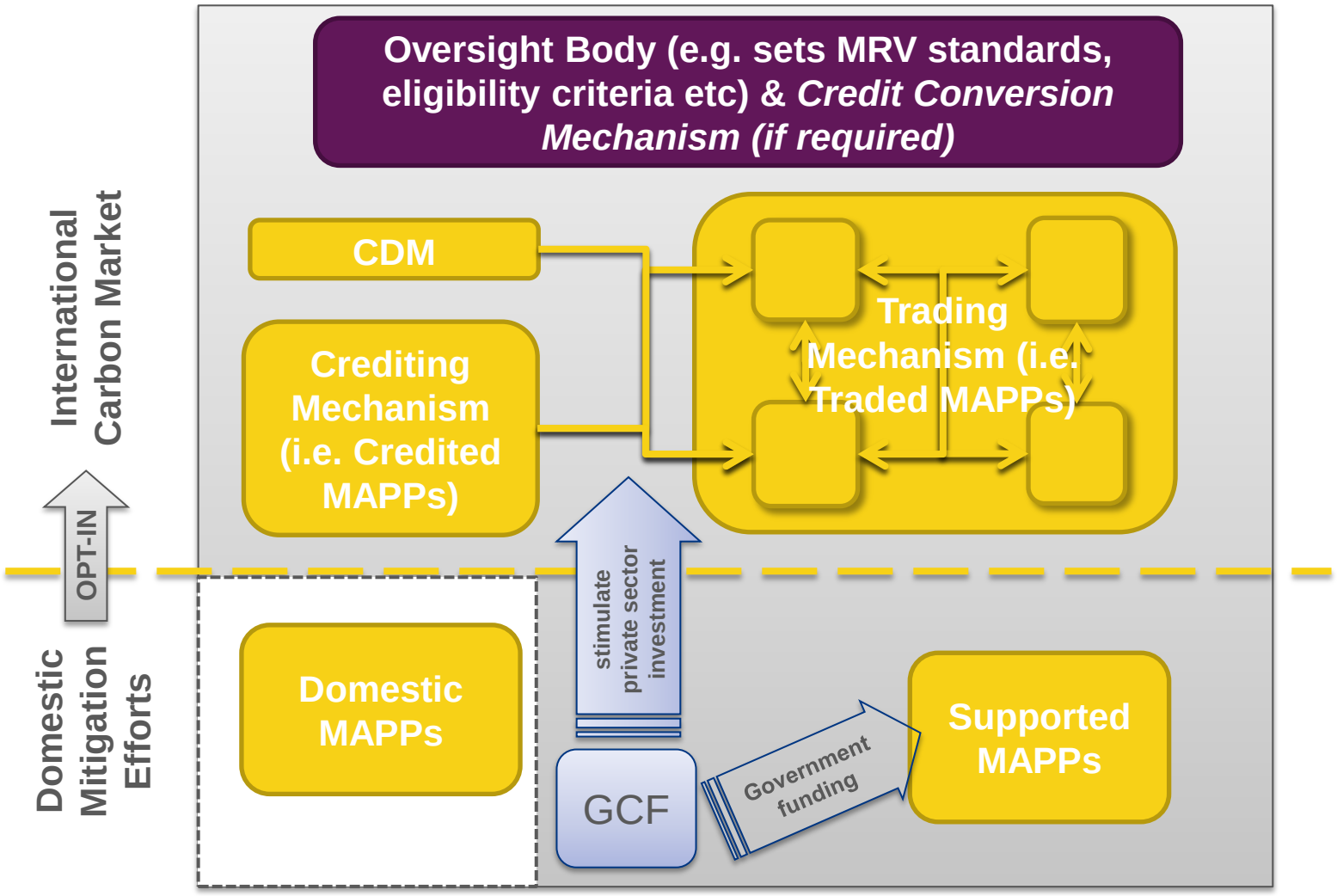
At COP 16 and COP 17:

Various approaches, including opportunities for using markets, to enhance the cost-effectiveness of, and to promote, mitigation actions, bearing in mind different circumstances of developed and developing countries.

> Decides to consider the establishment, at the seventeenth session of the Conference of the Parties, of one or more market-based mechanisms to enhance the cost-effectiveness of, and to promote, mitigation actions, taking into account the following . . . . .

> Requests the Ad Hoc Working Group on Long-term Cooperative Action under the Convention to conduct a work programme to consider a framework for such approaches, with a view to recommending a decision to the Conference of the Parties at its eighteenth session . . . . . .

We need a more holistic view which seeks to create a functioning carbon market.



MAPP - mitigation actions, policies and programmes. This would include both developed country mitigation actions / policies and developing countries plans (i.e. their Nationally Appropriate Mitigation Actions or NAMAs).



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