A Meaningful 2015 Deal

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Scale

From small scale local projects to large scale regional change
Carbon pricing

From billion dollar public funding to trillion dollar carbon market financing
Financing

From micro-funding to very large scale project financing
A carbon market is a key enabler for change

Maximum scale at lowest cost to society

- Danish-ETS
- UK-ETS
- US States or Federal carbon pricing
- Global shipping carbon price
- US States or Federal carbon pricing
- EU-ETS
- Norwegian ETS
- EU-ETS
- CDM evolves to includes sectors
- ADP / Linkage framework
- Japan technology standards
- China adopts ETS approach
- New technology mechanisms evolve (e.g. for CCS)
- CDM evolves to includes sectors
- Linkages develop between various approaches
The “glue” that makes the current system work is the Assigned Amount Unit (AAU)

The AAU;

• Establishes compatible supply / demand across boarders;
• Ensures legitimacy and environmental integrity;
• Binds systems together with a common MRV protocol;
• Leads to the management of emissions on an absolute basis.

Linkage is simplest between compatible systems with absolute targets. Otherwise complex arrangements such as gateways may need to be developed.
The roles of the FVA and the NMM

• The Framework for Various Approaches (FVA) recognises that a bottom up process is underway (in response to a global need, e.g. 2 C goal)

• Market based linkages between various approaches can improve the cost effectiveness of the pathway forward.

• A New Market Mechanism (NMM) could be created which is the linking instrument between the approaches under the FVA.
Some direction for the EU team at COP 19 / 20 / 21

• Don’t start with ambition, end with it.

• Focus on the basics – the global energy market needs a robust carbon price. This is what business can and will respond to.

• Don’t forget one critical technology – carbon capture and storage. Without it, the climate issue doesn’t get resolved.

• Work with the global energy system, don’t fight it.