

Key messages from the 1st meeting

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Scope: What is in

- “The carbon market”: the roles of the market, the state of the market (demand and supply), incentives for the private sector, how to make the market work better, the toolbox (mechanism options)
- “Challenges and the way forward for the EU”: the EU’s contribution to development of carbon markets, how the EU ETS Phase III can drive the market development

Scope: What is out

The following concerns may be equally important, but ...

- The EU 20-20-20 target and ways to achieve it
- Non-market measures, e.g. support for technology, taxation
- Public finance
- Third countries (US, Australia, Japan etc.)

Key messages (1)

- I. The carbon market is one of the tools to reduce GHG emissions in a cost-efficient way
- It has already played a role in reducing GHG emissions
 - It is grounded in the UN legislation or/and domestic legislation
 - It plays three roles : mitigation, financing, and support for technology deployment
 - Success of the EU ETS in fuel switch and renewables

Key messages (2)

- I. The carbon market is one of the tools to reduce GHG emissions in a cost-efficient way (c'ed)
- The carbon market could assist the EU in moving beyond 20%
 - "After COP15" or "after recession"?
 - Current opportunities/challenges in three main areas :
 - Allocation and auctioning
 - Innovation
 - Link to other mechanisms : recognition of CERs, surplus AAUs, new mechanisms (e.g. REDD+)

Key messages (3)

II. The carbon market can help finance climate actions

- The carbon market directly complements public finance and other policies
- The auctioning revenue can indirectly finance such actions

Key messages (4)

III. The market equilibrium needs to be ensured to favor emission reductions

- General consensus on the fact Phase II is likely to be long: potential impact on Phase III
- Some variance in the range of estimates for demand and supply

Key messages (5)

IV. The Carbon market is not a perfect tool but it can be improved or reformed

- Lessons to be learned from CDM/JI
 - the timeframe to design and operationalise the system
 - building new mechanisms on the designs of the existing ones
 - the need to simplify mechanisms
 - the need for stable rules with flexible provisions under a clear and defined time table
 - support for different mechanisms to meet different objectives
 - to develop new mechanism and continue the CDM reform

Key messages (6)

IV. The Carbon market is not a perfect tool but it can be improved or reformed (c'ed)

- qualitative restrictions on CERs to improve the economic efficiency (economic rent) or the environmental efficiency (possibility for an inflated production of HFC)
- Regulatory uncertainty or arbitrariness is a concern for the private sector