



The future of the carbon markets: Challenges and the way forward for the European Union

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What? Goals of the Task Force

- **Consider implications of ongoing policy development for the EU:** UN negotiations; other international discussions;
- **Address key challenges of the future carbon market:** demand and supply balance; the EU 2020 target; surplus Assigned Amount Units (AAUs); international offsetting and new mechanisms, new sectors, new commodities;
- **Examine** how effectively **indirect linking** through new commodities could develop into a global carbon market;
- **Explore possibility for completing and coordinating the designs of ETSs**, e.g. treatment of offsets; price floors/caps; auctioning.



Who and when?

- **Multi-stakeholders:** EU institutions, governments, business & industry, finance, NGOs.
- **Schedule**
 - 1st meeting: 2 July 2010
 - 2nd meeting: 15 September
 - 3rd meeting: 27 October (10 key messages)
 - 4th meeting: April 2011 or later
 - An event for launch of a final report



Ten key messages

1. Carbon markets are needed as an essential part of **promoting investment in mitigation actions** in order to reach the 2°C target.
2. Lessons need to be learned from **existing carbon markets to improve future mechanisms.**
3. Carbon markets, with appropriate short and long-term targets, are a **reliable and cost-efficient way to meet GHG emissions reduction requirements.**



Ten key messages

4. The private sector is expected to provide a significant share of international climate finance. Carbon markets are **an effective way of channelling and scaling up private investment, and enabling public funding.**
5. A comprehensive international agreement needs to be underpinned by **flexible mechanisms and their links with regional or domestic cap-and-trade systems.**
6. Until a global agreement comes into force, **the demand for international offsets will be determined by domestic or regional legislation.**
7. A common approach to the treatment of offsets will advance **the integration of carbon markets.**



Ten key messages

8. **Domestic or regional legislation, or ideally a comprehensive international agreement, is needed to bring long-term predictability to carbon markets.**
9. The development of cap-and-trade systems has started to influence investment. At present, however, **the short-term volatility and the lack of a long-term price signal have limited its scale.**
10. **The impact of the long-term price signal can be enhanced by design choices in domestic or regional cap-and-trade systems.**



For further detail about the Task Force, see:

<http://www.ceps.eu/taskforce/carbon-market-after-copenhagen-challenges-and-way-forward-eu>

Comments

- **Liva Andersone**, DG Climate Action, European Commission
- **Henry Derwent**, International Emissions Trading Association
- **Ulla Blatt Bendtsen**, Danish Energy Agency
- **Nick Campbell**, Business Europe