

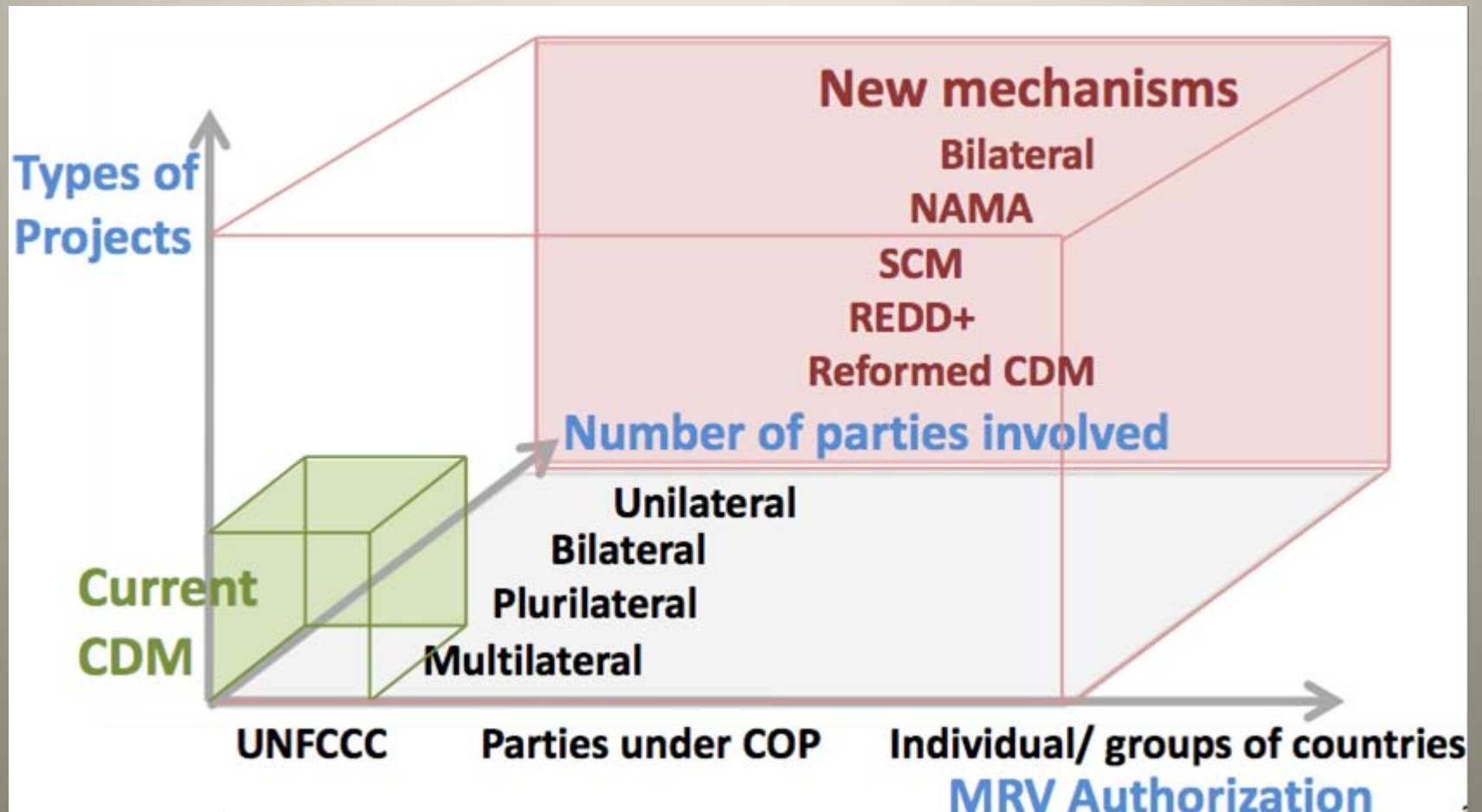
Future of Carbon Market

Srikanth Subbarao

Current Status of Carbon Market

- Kyoto Protocol ends in 2012. No progress on successor treaty as yet.
- Currently imports of CERs for compliance in EU ETS III (2013-2020) allowed from CDM project registered during Kyoto Protocol from developing countries/LDCs and project registered 2013 onwards ONLY from LDCs.
- Strong feeling that current CDM framework is not designed to drive the structural transformation of industry in developing countries that the transition to a low-carbon economy requires.
- New market mechanisms discussed to scale up emission reductions to meet the target of global warming below 2°C.

New Market Mechanisms

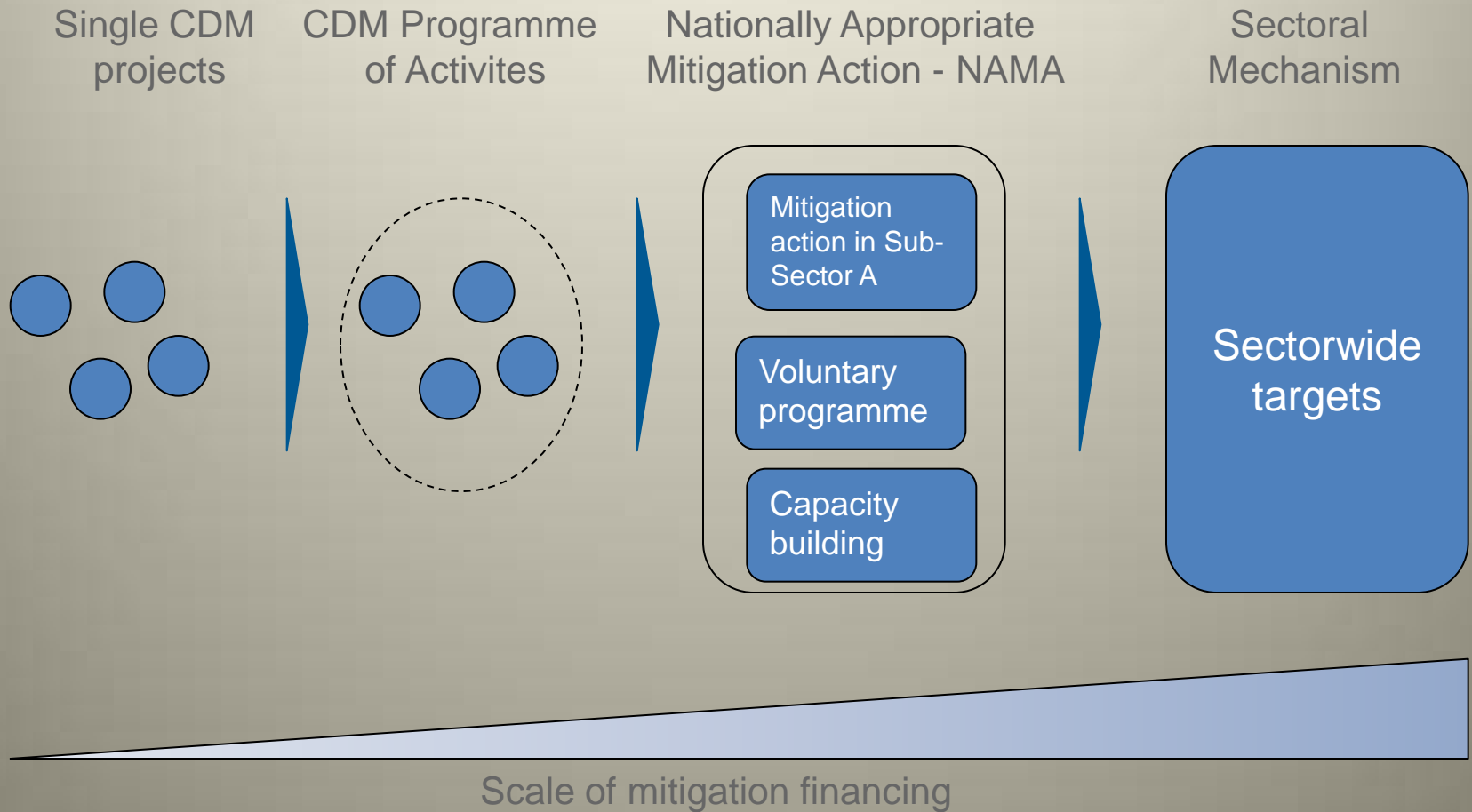


Reformed CDM

Some CDM reforms being discussed are:

- Introduction of standardized baselines and monitoring methodologies.
- Increase use of technology benchmarks for additionality testing.
- Improvement in governance arrangements.
- Revision of decision-making procedures (transparency, due process).
- Expand coverage of CDM through programmatic CDM.

Nationally Appropriate Mitigations Actions (NAMA)



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- NAMA Concept created in the Bali Action Plan (2007)
- **‘Nationally appropriate mitigation actions’** by developing country Parties in the context of sustainable development, **supported** and enabled by technology, financing and capacity building, in a **measurable, reportable and verifiable** manner.”
- NAMAs can basically be
 - Unilateral NAMAs: mitigation actions independently funded and carried out by developing countries

Nationally Appropriate Mitigations Actions (NAMA)

- Supported NAMAs: climate protection measures in developing countries, supported by technical assistance and/or direct funding for climate protection from Annex I countries of the Kyoto Protocol ("directly" supported NAMAs)
- Credited NAMAs: climate protection measures in developing countries, that generate certified emission reduction credits (credits) to be sold on the international carbon market (e.g. sectoral measures)

Sectoral Crediting Mechanism

- EU and other parties are advocating SCM.
- Under SCM the crediting baseline will be set tighter than BAU projections to help ensure that credited reductions are truly “additional” and to provide a net environmental gain from its use .
- Expected to scale up the emission reduction efforts in developing countries
- SCM can co-exist with CDM

Reducing Emissions from Deforestation and Forest Degradation (REDD)

- Significant development was achieved at the Cancun Conference (COP 16) on REDD+
- Actions include
 - reducing emissions from deforestation (actions to diverge from the reference level by reducing the conversion of forest to nonforest);
 - reducing emissions from forest degradation (diverging from the reference level by reducing the gradual loss of biomass because of activities under the canopy);
 - conservation (continued good stewardship of forests);
 - sustainable management of forests (reducing emissions through harvesting activities with lower impact); and
 - enhancement of forest carbon stocks (enhanced sequestration, for example, through reforestation).

Other Initiatives

Post 2012 Carbon Funds

- Multilaterals and Government agencies purchase carbon credits generated in the post Kyoto period.
- By assuming the inherent regulatory risk, the Fund aims to give confidence in the development of a post Kyoto regime while directly supporting environmental projects.

Green Climate Fund (GCF)

- Established at Cancun Conference in Dec 2010.
- Aims to mobilize \$100 billion a year by 2020 to address the mitigation and adaptation needs of developing countries.

Other Initiatives

Bilateral Mechanism

- The Japanese govt. is proposing a bilateral mechanism.



Thank You