

Carbon Market Beyond 2012 & Planned Activities in PIC's

Key Influencing Factors

- Carbon market – depends on demand
– in turn depends on Policies
- Currently a period of uncertain demand
– Positive prospects in near term
(2015)
- Second commitment period under
Kyoto Protocol – expected to be agreed
in Qatar during Nov/Dec 2012
- New Emission Trading Schemes
coming up around the world – Good
Prospects for CDM

CDM Post 2012

- Second Commitment Period – essentially means that – Demand for CERs will continue
- But with New limits! – Quantitative and qualitative limits exists on demand side
- EU preference for post 2012 CERs from LDCs & SIDs; No HFC-23 CERs
- Some Buyers prefer CERs with high SD impact

Potential Market for Post 2012 CERs

	<u>EU ETS</u>	<u>NZ ETS</u>	<u>RGGI</u>	<u>WCI</u>	<u>Australia</u>
Start date	2005	2008	2009	2013	2015
Size of cap	1880 Mt (2009)	N/A	188 Mt	184 Mt (2013)	Not yet decided
Percent economy-wide emissions covered by ETS	~40%	~50%	~25%	~85% (by 2015)	~67%
2020 reduction target	21% below 2005 levels	N/A	10% below 2009 levels by 2018	Individual jurisdiction targets	5% below 2005 levels
Market value (2011)	€81 billion	€182 million	€130 million	€31 million	N/A
Offset provisions	Limited use of Kyoto credits - qualitative restrictions apply.	Kyoto credits - qualitative restrictions apply.	Limited use of domestic and Kyoto credits allowed - quota increases with price triggers.	Limited use of domestic offsets from approved protocols. Kyoto credits not allowed. REDD credits allowed from approved jurisdictions.	Limited use of domestic and Kyoto credits - qualitative restrictions apply.

Source: Point Carbon

Competitors to CDM?

- New Market Mechanisms (NMMs) coming on board – Bilateral; NAMA; SCM; REDD+...
- Possibility of credits competing with CERs
- NAMA credits – much expected after 2020
- Japan's Bilateral Scheme & REDD – expected to generate 500 million credits by 2020
- CDM's experience on SBL/PoAs etc – could be quite useful for NMM;s and NAMA in particular

In a Nutshell

- There will be a market for CERs from CDM projects post-2012
- Demand for Emission Reductions will continue (and possibly grow), provided clear mandate and procedures for future carbon trades
- It is only the EU that currently has a clear framework for carbon credit imports
- Focus slowly shifting to LDCs & SIDS and in fact EU preference favours CDM projects in most of the PIC's

Thank You!