Working for the Global Carbon Market
German Activities and Research

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Key Objectives

1. Support **existing mechanisms** and enhance their **quality and sustainability**

2. **Carbon markets** until 2020:
   - Continue operation and development of projects
   - Continue abatement in stranded projects
   - Preserve experience and make it available for other fields, namely climate finance

3. Develop **new instruments and approaches** for post-2020
Supporting and enhancing existing instruments
Carbon Market in Key Regions: GIZ Country Manager Project

Countries currently: India, Brasil, Tunisia, Uganda

• Since 2008, funded through BMUB’s CDM/JI-Initiative – today focusing on instruments beyond CDM&JI

• Technical support, policy advice, network building for carbon market instruments

• Country-specific support according to political context & needs

• Tunisia: Pilot of New Market Mechanism, to be further developed under PMR
KfW PoA Support Center

- Est. in October 2008

- Provide **advice** on:
  - Identification of pCDM opportunities;
  - Alignment with CDM requirements;
  - First economic assessment.

- **Development of PINs + PDDs and support for validation**
  - Technical support
  - Financial support

- **Advice** during decision-making progress; capacity building **workshops**

- Dissemination of **information and publications**, e.g. PoA Blueprint Book
Foundation „Future of the Carbon Market“

- Founded as a **non-profit foundation** in December 2011
- Current volume: 10 Mio. € (by IKI), management by KfW

**Purpose:**
- Advance payments for PoAs on a pay-back basis (criteria for support: innovative, replicable, of strategic importance for host country)
- Promote the PoA concept (PoA-to-NAMA-approach)
- Cooperate & advise governments on PoAs & mitigation

**Options for cooperation** - with partner countries // buyers, other donors, financial institutions

**Second call** just started

[http://www.carbonmarket-foundation.org/home](http://www.carbonmarket-foundation.org/home)
PoA Working Group

• Est. in October 2011 on the initiative of Perspectives Climate Change with financial support of BMUB

• **Purpose:**
  - Forum for dialogue, exchange of experiences and coordination of support of PoAs by members
  - Topics: Current PoA developments, existing and remaining barriers for PoA implementation, concrete solutions

• **Current members:** inter alia KfW Development Bank, World Bank, SWE, BEL, Project Developers Forum...
Research:
What is happening until 2020?
And: What needs to be done?
Evaluating the CDM portfolio post-2012

- Empirical analysis of the situation of CDM project activities *(Ecofys)*
- Creation of previously not existing data base with great value for type-specific conclusions and recommendations
- Input to concepts and country specific strategies for further cooperation with regards to international carbon markets

**Approach:**

- **Portfolio analysis:**
  - Stratified sampling for technologies and host countries
  - Status inquiry / evaluation of projects in the sample via
    - Web-based questionnaires
    - Telephone interviews
- Policy recommendations
Options for continuing GHG abatement in HFC-23 and N2O projects

→ projects without co-benefits
→ Therefore: in danger of stopping mitigation because of low price

Research project to assess situation and options:
• Assessing mitigation potentials, costs, policy options
• Some projects stopped GHG abatement – others continue
• GHG abatement potential and costs
  - Large potential: 400 MtCO$_2$e = 3-5% of “Gap” to 2°C
  - Cheap: Average costs for continuing abatement below 1 EUR / t
  - Significant potential in new plants not eligible under the CDM
... recommendations

• **Long-term** solution is needed as emissions will grow:
  • Regulations by the host country
  • Inclusion in ETS (e.g. JI adipic and nitric acid in EU): by 2020, 80% of emissions will be in countries with ETS

• **Temporary** international support to ensure continued GHG abatement:
  • Domestic use of credits (e.g. CCERs)
  • International purchase of credits
  • International funding

• **Avoid perverse incentives and use synergies**
  • Funding for HFC-23 preferably coordinated under the Multilateral Fund of the Montreal Protocol
Develop new instruments & approaches
Research: Using CDM lessons for conceptualizing new market mechanisms

- Assessment of use of CDM elements for NMM
- Transition from existing towards future market based mechanisms,
- Role for sectoral approaches

Reflection of:
- CDM elements that can be utilized
- Definition of requirements that have to be met for embarking from CDM towards NMM
- Definition of transition pathways from CDM towards NMM
- Spelling out options for numerous host countries
- Opportunities for upscaled mitigation (sectoral approaches)

Contractor: Perspectives Climate Change
Research: The Clean Development Mechanism and Emerging Offset Schemes: Options for Reconciliation?

- The common dominator: *New schemes opt for enhanced standardization of project designs*
- CDM as “open source” for methodology development

**Conclusions:**
- Shows trends of a future carbon offset market: similar but different programs could deliver credible, consistent and compatible outcomes.
- Second research study under way: Analysis of offset policies within carbon tax systems, reflection how offsets could facilitate low carbon development strategy in these countries.

- [http://www.umweltbundesamt.de/publikationen/the-clean-development-mechanism-emerging-offset](http://www.umweltbundesamt.de/publikationen/the-clean-development-mechanism-emerging-offset)
Support the development of standardized baselines

• **Rationale:** Standardized Baselines as tool for ambition & process simplification

• **Capacity development** and **Standardized Baseline development**
  
o Ethiopia: Off-grid rural electrification (*GFA Envest, Wuppertal Institute, Perspectives, UNEP Risoe*)
  
o Rwanda & Senegal: Focus on QA/QC requirements in biomass sector (*Perspectives*)
  
o Uganda: Overall capacity building for CDM & SBL (*GIZ*)

Spreading Information – the JIKO project

- Website with current Infos

- Quarterly Magazine: *Carbon Mechanisms Review*

- Policy Papers on recent carbon market issues

→ Website: [www.jiko-bmub.de](http://www.jiko-bmub.de)
... and a lot more activities

- Activities Funded by the **International Climate Initiative (IKI)**, e.g.:
  - Market mechanisms in the building sector, China *(GIZ)*
  - Foster carbon markets in Africa (e.g. *African Carbon Asset Development Facility*)
  - Innovative tools for underrepresented regions *(Gold Standard)*
  - Support for ETS development, China *(GIZ)*
  - Support for MRV on installation level, Turkey & Brazil *(GIZ)*
  - ....many more projects on NAMA, MRV, LEDS...
- Annual workshops on carbon market & building / urban sector (“CTI-Workshop”)
For more details and a comprehensive list:

http://www.jiko-bmub.de/english/773.php
Thank you for your attention!