



# **Working for the Global Carbon Market**

## **German Activities and Research**

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# Key Objectives

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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



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# Supporting and enhancing existing instruments



## Garbon Market in Key Regions: GIZ Country Manager Project

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### 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

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- 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“

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- 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>*



## PoA Working Group

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- 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

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- 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:**
  - o Stratified sampling for technologies and host countries
  - o 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 N<sub>2</sub>O projects

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- 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<sub>2</sub>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

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- **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



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# Develop new instruments & approaches



# Research: Using CDM lessons for conceptualizing new market mechanisms

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- 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?

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- 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>



## Support the development of standardized baselines

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- **Rationale:** Standardized Baselines as tool for ambition & process simplification
- **Capacity development and Standardized Baseline development**
  - o Ethiopia: Off-grid rural electrification (*GFA Invest, 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*)
- Regional **Grid Emission Factor development** in South African Power Pool (2011) Western Africa (2014) (*through African Carbon Asset Development Facility*)



## Spreading Information – the JIKO project

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- 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)





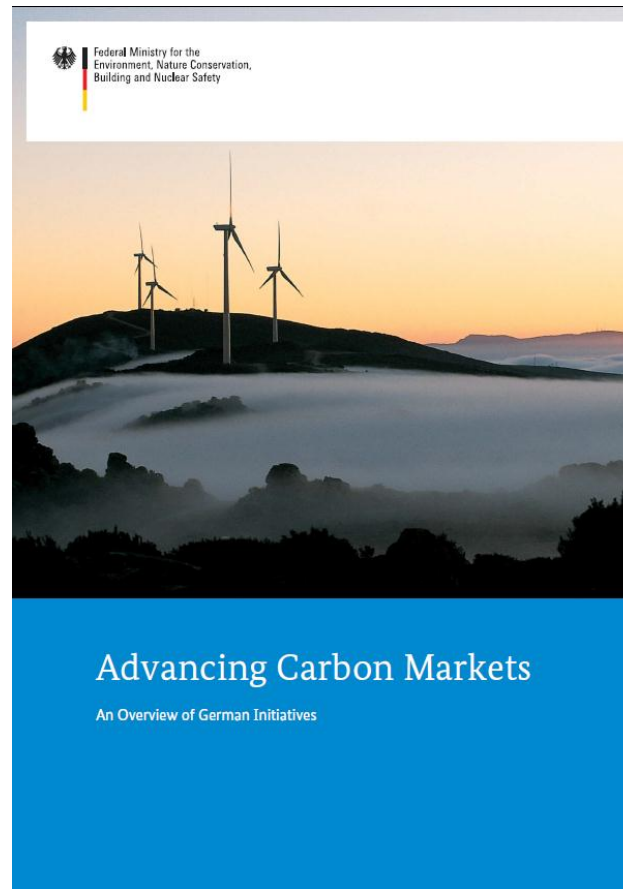
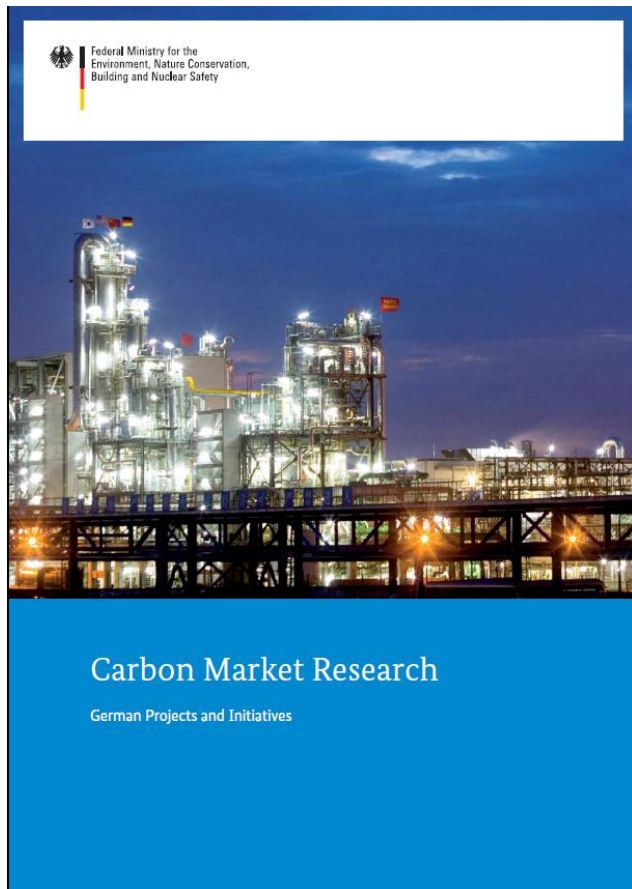
## ... and a lot more activities

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- 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!**