

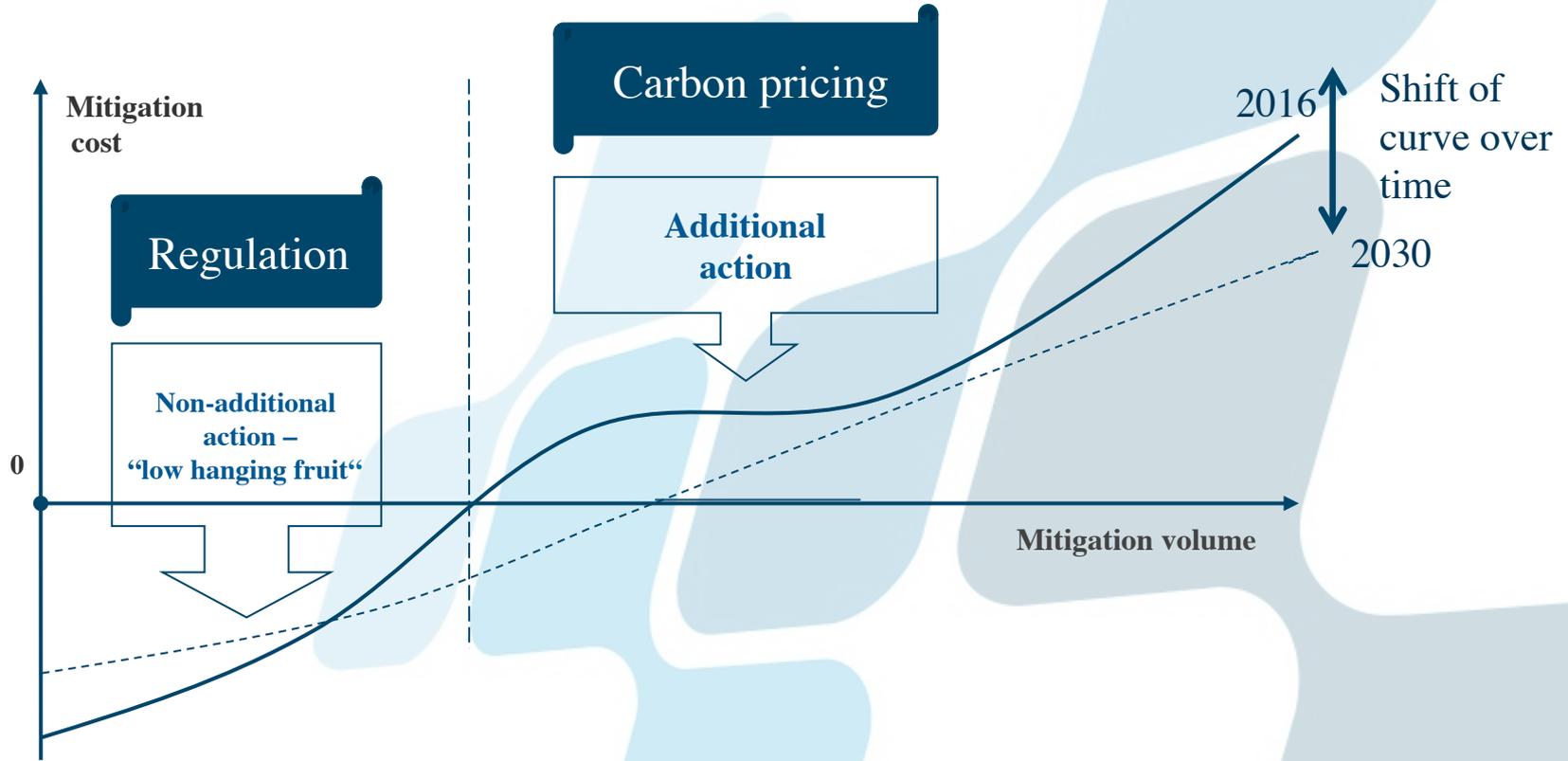
Environmental integrity of crediting policies

The implications of the Paris Agreement for a New Generation of International Market Mechanisms

Paris, 1 June 2016

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High level view of additionality and policy instruments





The additionality challenge for policy crediting

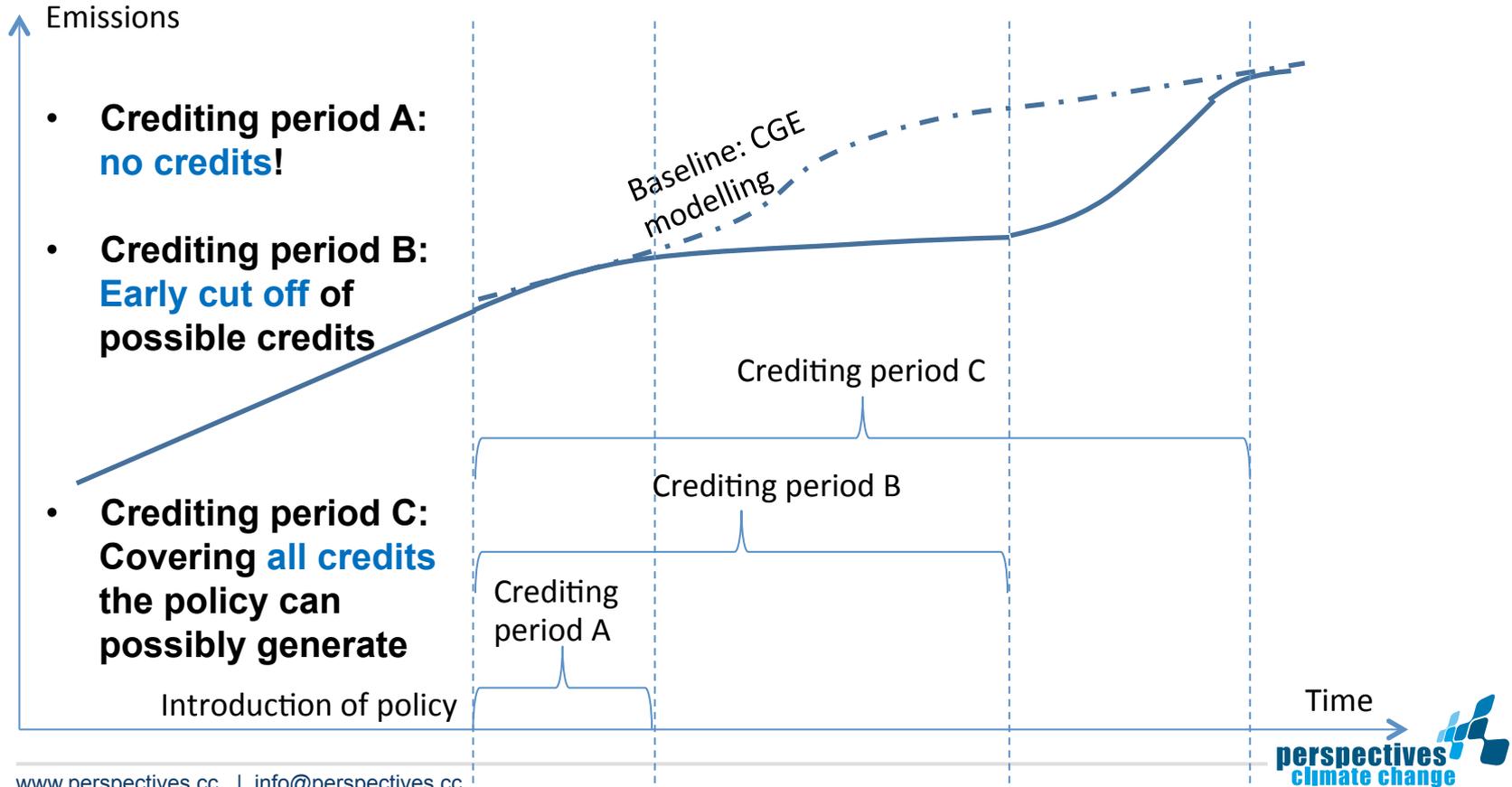
- Baseline: situation **without policy**
- Theoretically:
 - **Policy costs > benefits**: policy is additional and not baseline
 - Including **reduced cost due to less adaptation needs**?
 - Calculation on a societal level, use of **social discount rate**
- What factors really drive introduction of a policy?
 - **Short-term political gain**
 - Catering for lobbies
 - Who **carries the policy cost**?
 - **Co-benefits** are often not considered by policymakers (own experience from many NAMA support activities)
 - Challenges in **valuing** non-monetary benefits
 - Lack of **trust** that co-benefits actually accrue



Potential solutions for additionality in policy crediting

- **Positive list** of policies
- **Fiscal policies and market mechanisms**: **Carbon price threshold**: policy is deemed additional if it generates a carbon price exceeding a pre-defined benchmark
 - Theoretical: at **level of social cost of carbon**, i.e. including reduction of adaptation outlays due to mitigation
 - ~ 10 - ~50 €/t CO₂
 - Differentiation according to **country development status**?
 - 5 €/t CO₂?
- **Regulation**: additional if **payback period** of mandated technologies generally exceeds a level of [x] years
 - $3 < [x] < 5$ years
- Non-additional policies should be **part of the baseline**
- Rules should be **similar** for SDM and CAs and international climate finance institutions to prevent competitive advantage of one mechanism

Length of crediting period is crucial for global mitigation





Thank you!

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