



The Role of ETS in a Future Climate Regime

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Econcern – Emissions Trading – complementary or alternative to a post-2012 agreement?

8 December 2008

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Better living for all—sustainably

What will the global carbon regulatory landscape look like?

A generally consistent network of regulatory regimes around the world?

OR

A patchwork of regulatory regimes of different types and stringencies?

Greenhouse Gas Markets

- EU-ETS
- Norwegian ETS (linked with EU ETS from 2008)
- New South Wales GHG Abatement Scheme
- Voluntary - Chicago Climate Exchange, European Climate Exchange, Montreal Climate Exchange, Tianjin Climate Exchange, Powernext, NordPool, Asia Carbon Exchange

Under development

- US - President-elect Obama will implement economy-wide cap and trade program, Western Climate Initiative (WCI) Midwestern Regional GHG Reduction Accord, Regional Greenhouse Gas Initiative (RGGI),
- Australia NETS, Japan, Canada

Outlier – New Zealand suspended ETS in late November

Emissions Trading Schemes

- While the most efficient market for emissions would be a single, harmonized market, realistically this is impractical in the short term
- Differing priorities (e.g., political as well as environmental) can present a barrier to adopting harmonized offset standards, and to linking with other programs.

Key Challenges:

- Stringency
- Integrity
- Severance and withdrawal
- Governance
- Offsets

The Global Carbon Market

- Copenhagen will be a success based on the extent to which it deepens a 'price signal' on carbon.
- 2007 value of global carbon market estimated at \$64 billion. Value has remained stable despite economic crisis.
- Includes: Kyoto Mechanisms (IET, JI, CDM), European Emissions Trading System and a range of voluntary and regional systems at different stages of development
- But clean energy investment a much larger piece of the pie: over \$148 billion in 2006, a 60% increase from the previous year

The Global Carbon Market: Issues

- Environmental Groups: Must feel the pain. A series of loopholes.
- Economists (Jaccard, Victor) – offsets a grossly inefficient subsidy
- Industry: license to transfer wealth
- All (re, offsets): empirical verification of the counterfactual is logically impossible.

The Global Carbon Market: The Future

- Cap and trade will dominate OECD policy response for major emitters.
- Linkages between schemes will be important consideration:
 - **International Carbon Action Partnership** – EU members, American states and Canadian provinces (RGGI and WCI), New Zealand, Norway
 - **WCI, RGGI and Midwest Accord** – considering linking
 - **Norwegian ETS** – for 2008-2012 widening scope to adapt more closely to EU ETS
 - **Canada** – expressing interest in a North American-wide ETS

The Global Carbon Market: The Future

- Carbon market likely to become increasingly homogenized with ‘fungible’ credits across different systems
- North America: EU or Clean Air Model?
- CDM projects likely for Least Developed Countries, with wider scope for land use activities
- New mechanisms for major developing economies?
- Sector and programmatic international offsets



Thank you

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