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Scaling Up Low Carbon Growth

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Scaling Up Could Mean:

Increasing emission reductions, consistent with national development:

- within a sector (increasing the range of emission abatement activities)
- across sectors within a country
- across countries

International Partnerships: A Key for Scaling Up

Aside from traditional development finance and Kyoto project credits, climate negotiations now emphasizing:

- Low carbon development strategies
- Nationally Appropriate Mitigation Actions (NAMAs)
- Financing and technology assistance from UNFCCC Annex 1 countries

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Scaling up through Types of NAMAs

Unilateral Actions by Developing Countries (DCs):

- Perhaps: energy efficiency and other low-cost mitigation activities
- Policy changes to overcome implementation barriers
- Limited need for external finance and technology

Conditional or Supported NAMAs:

- Finance and/or technology support from Annex 1 countries
- As foreseen by Bali Action Plan
- Architecture/institutions still to be worked out:
  MRV, matching NAMAs & financing, criteria/windows

NAMAs for Credits

- Possible offsets for advanced economies
- Expansion of Kyoto project mechanisms
- Operating details still to be worked out

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CCAP Work Related to NAMA Identification

- Sector analyses in China, Mexico, Brazil, India, Indonesia
- Cement, iron & steel, energy, transportation, forestry sectors
- Bottom-up identification of abatement options and costs
- Leading to identification of possible unilateral and conditional NAMAs
- Sector crediting baselines could follow using emission intensity or technology goals

A Potential Program in China

	Tech Goals	**Reduction below BAU in 2020 (Mt CO2 Eq.)**	
		Unilateral	Conditional (with tech assistance)
Cement	• Increased blending • Waste heat recovery • Plant replacements	217	280
Iron & Steel	• New process (Coke dry quenching) • Waste heat recovery	7	8
	• Plant replacements	> 40	

A Potential Program in Mexico

Domestic cap and trade, phasing in sectors including oil, power, cement, iron and steel

	Abatement Possibilities	Reductions below BAU in 2020	
		Unilateral	Conditional (with financial assistance)
Cement	• Increased blending • Alternative fuels • Energy efficiency	5%	22%
Oil Refining	• Energy efficiency • Co-generation?	10%	19%

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NAMA Governance Architecture

- At Copenhagen, we need an outline of NAMA governance architecture
- NAMAs could perhaps be reviewed first by a technical panel (as in Montreal Protocol)
- Decision-making panel (under COP) could then approve conditional NAMAs and match them with Annex 1 financing
- Decisions also needed on crediting baselines and the issuance of credits

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Key Governance Issues

Identifying/Approving Conditional NAMAs

- Criteria for approval, including MRV
- Relationship of NAMAs to sector programs
- Will NAMAs compete for available financing?
- Will there be a separate window for non-competitive NAMAs?

Crediting Baselines

- Dependent on availability of financing for conditional NAMAs?
- Revisions needed if new financing becomes available?
- Credits earned year-by-year or based on cumulative emissions relative to baseline?

Governance must overcome incentive to set baselines close to BAU:

- Developing countries want to sell credits
- Annex I countries want cheap offsets

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Credits for NAMAs and Sector Programs

Potential Advantages over Project Credits

- Greater emission reductions
- Contributions from DCs
- Potentially greater financing flows to DCs
- Greater chance of technology transfers

Potential disadvantages

- Mechanisms not yet developed
- More sensitive to macro-economic conditions:
  1. Absolute emissions baseline: credits depend on economic growth
  2. Intensity baseline: credits depend on energy prices

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Will Financing be Sufficient?

Budgetary Appropriations often Fall Short

Private sources

- Project finance, under Kyoto, has been limited
- Uncertainties about credits for NAMAs and sectoral programs

Possible Hybrid Public-Private Sources

- Set-asides from domestic programs
- Auctions of domestic allowances
- Auctions of Assigned Amounts

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Issues on Role of Annex 1 Countries

- Financing for NAMAs may be just a virtual fund, with money kept in donor countries till released for specific NAMAs/DCs
- Will Annex 1 countries preempt international governance on NAMA selection?
- Will A1 countries also set their own limits and conditions on future project and sector crediting?

Sector Programs in the Waxman-Markey Bill

- EPA decides which countries/sectors (DCs with higher GHG and GDP and sectors under cap in US)
- Domestically enforceable absolute baseline below BAU set in international agreement
- No further project credits in the sector
- Other sectors/countries can earn project and REDD credits
- After 2017, 20% discount on international credits
- Overall international credit limit: 1 to 1.5 billion/year depending on available domestic credits

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