Carbon Pricing in the Americas and the Caribbean

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About IETA

- Global non-profit, launched in 1999
- Collective voice of business on carbon pricing, markets and finance
- Representing 150+ companies globally
- Policy design, thought leadership, capacity building, best practices, knowledge transfer
- Global Partnerships & Dialogues - UNFCCC, World Bank, IDB and more!
About Allcot

- Established in 2009 – Worldwide company
- Leader in greenhouse gas (GHG) emissions management tools and strategies for businesses of all sizes
- Services: offsetting, measurement and the development of emissions reduction strategies
- Goals: protect the environment; provide community benefits; enhance profitability and brand value; increase employee satisfaction; promote the United Nations Sustainable Development Goals.

Source: WRI
Carbon Pricing

Government implements carbon price, paid by polluters.

Costs of emissions-intensive fuels and goods rise. Revenues are allocated to reduce distortionary taxes, to benefit households, or for other productive uses.

Green Alternative

Renewable energy and low-emissions goods become more competitive. Low-carbon innovation is encouraged and emissions fall.

Source: ICAO
Emissions Trading Systems – The Basics

A Cap is set by a governmental body or regulatory agency

Allocate/Auction Allotment

Allowances/Credits/ $\$$

Company A’s emissions are below the cap
• Cleaner technology
• Sell excess credits to receive revenue

Emissions Market

Offsets/ $\$$

Offsets are generated by projects designed to reduce greenhouse gas

Company B has exceeded their emission cap
• Buy credits needed to comply
• Monetary incentive to clean up
Kyoto Protocol vs Paris Agreement

**Kyoto Protocol**
- 37 countries with top down targets
- CDM and JI mechanisms to generate carbon credits via the UNFCCC
- Crediting “outside” the reduction commitment

**Paris Agreement**
- 192 countries with bottom up pledges
- New market mechanisms will be established under Article 6
- Crediting will require corresponding adjustments

Source: ICAO
Benefits of Emissions Trading - EU ETS

- Sets economy-wide target to cut emissions
- Requires measurement, verification and reporting
- Market-based system ensures lowest-cost reductions and supports development of clean technology
- Decouples emissions from economic growth
- Can link to other ETS to lower costs further
Benefits of Emissions Trading - EU ETS

- Funds raised by EU ETS between 2013-2015 - €11.7 billion
  - €8.691 billion spent on domestic climate action
  - and €1.048 billion spent on international climate action
- EU emissions reduced by 23% between 1990-2016
- Economy grew by 53% over same period
**International Carbon Pricing Initiatives**

### International Carbon Pricing Initiatives

<table>
<thead>
<tr>
<th>Plan or consider using carbon pricing and/or market mechanisms</th>
<th>Of global GHG emissions are covered by these NDCs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>88 NDCs</strong></td>
<td><strong>56%</strong></td>
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</table>

### Regional, National and Subnational Carbon Pricing Initiatives

<table>
<thead>
<tr>
<th>National</th>
<th>Subnational</th>
<th>Carbon Pricing Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>45</strong></td>
<td><strong>25</strong></td>
<td><strong>51</strong></td>
</tr>
<tr>
<td>jurisdictions with carbon pricing initiatives</td>
<td>implemented or scheduled for implementation</td>
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**Would cover annual global GHG emissions of 11 GtCO₂e = 20%**

**Prices in the implemented initiatives**

- **US$1-139/tCO₂e**
- 46% of the emissions covered are prices <US$10/tCO₂e

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<tr>
<th>Carbon pricing revenues raised by governments in 2017 were</th>
<th>Annual value of carbon pricing initiatives in 2018 is</th>
</tr>
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<tbody>
<tr>
<td><strong>US$33 billion</strong> Higher compared to US$22 billion in 2016</td>
<td><strong>US$82 billion</strong> Higher than the value of US$52 billion for 2017</td>
</tr>
</tbody>
</table>

Source: ICAO
Carbon Pricing in the Americas Declaration: Priority Areas

1. Common standards / Accounting /MRV
2. Linkage of instruments
3. Competitiveness
4. Complementary policies
5. Private sector engagement
6. Civil society engagement
UNFCCC & PARIS AGREEMENT

- Agreement unites 195 governments in taking action to limit temperature rise to well below 2°C and pursue efforts to limit temperature increase to 1.5°C.

- Based on each government’s NDC outline actions taken in a self-defined time period (or single year) post-2020.

- Paris Rulebook will provide the guidance, modalities and procedures that will allow governments to implement the Paris Agreement (e.g. defining reporting requirements, what should be reported, updating NDCs, sectors covered/excluded, use of cooperation etc.)

- Katowice aim is to complete:
  - Paris Agreement Work Program (PAWP)
  - Paris Rulebook = Implementation Agreement
Paris Agreement: An Overview

• Article 2: Long-term goal
• Article 4: NDCs
• Article 6: Markets
• Article 8: Loss & Damage
• Article 10: Tech Transfer
• Article 13: Transparency
• Article 15: Implementation

• Article 3: Progressing Effort
• Article 5: REDD+
• Article 7: Adaptation
• Article 9: Finance
• Article 11: Capacity Building
• Article 14: Global Stock-Take
Desired COP24 Outcomes

- No “Big Splash” Outcomes – seeking a “Balanced Outcome”
- Governments have agreed to complete guidance, modalities and procedures that will implement Paris. Katowice aim is to complete:
  - Paris Agreement Work Program (PAWP)
  - Paris Rulebook = Implementation Agreement
- Other items to be addressed
  - Ministerial Declaration on Just Transition
  - Talanoa Political Process
  - Pre-2020 Action
  - Global Climate Action Agenda & Finance
  - IPCC Report to be brought in
IETA Article 6 “Vision”

• Article 6.2: ITMO becomes the required approach for any quantifiable exchange of units or use of a carbon delineated mechanism between Parties.

• Article 6.4: The EMM is a process for unitizing an activity for climate financing and/or subsequent transfer of a mitigation outcome between Parties.

• Article 6.8: The non-market framework is for activities not immediately quantified in carbon units.
IETA Article 6.2 “Vision”

The ITMO is a voluntary process to increase ambition, not a mechanism.

It is the process by which there is a quantitative transfer of emission reduction capability between two Parties either in the form of:

1. Allowances;
2. Reduction units;
3. A carbon delineated inventory adjustment.
IETA Article 6.4 “Vision”

- The Emissions Mitigation Mechanism (EMM) is a process for unitizing an activity for:
  - Climate finance (e.g. results-based finance)
  - A subsequent transfer of a mitigation outcome (MO) between Parties;
  - Enabling the use of domestic carbon pricing systems

All of which should be measured in tCO₂ in a standardized way against the baseline of an NDC.
Thank You

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