

International Support for Domestic Climate Policy

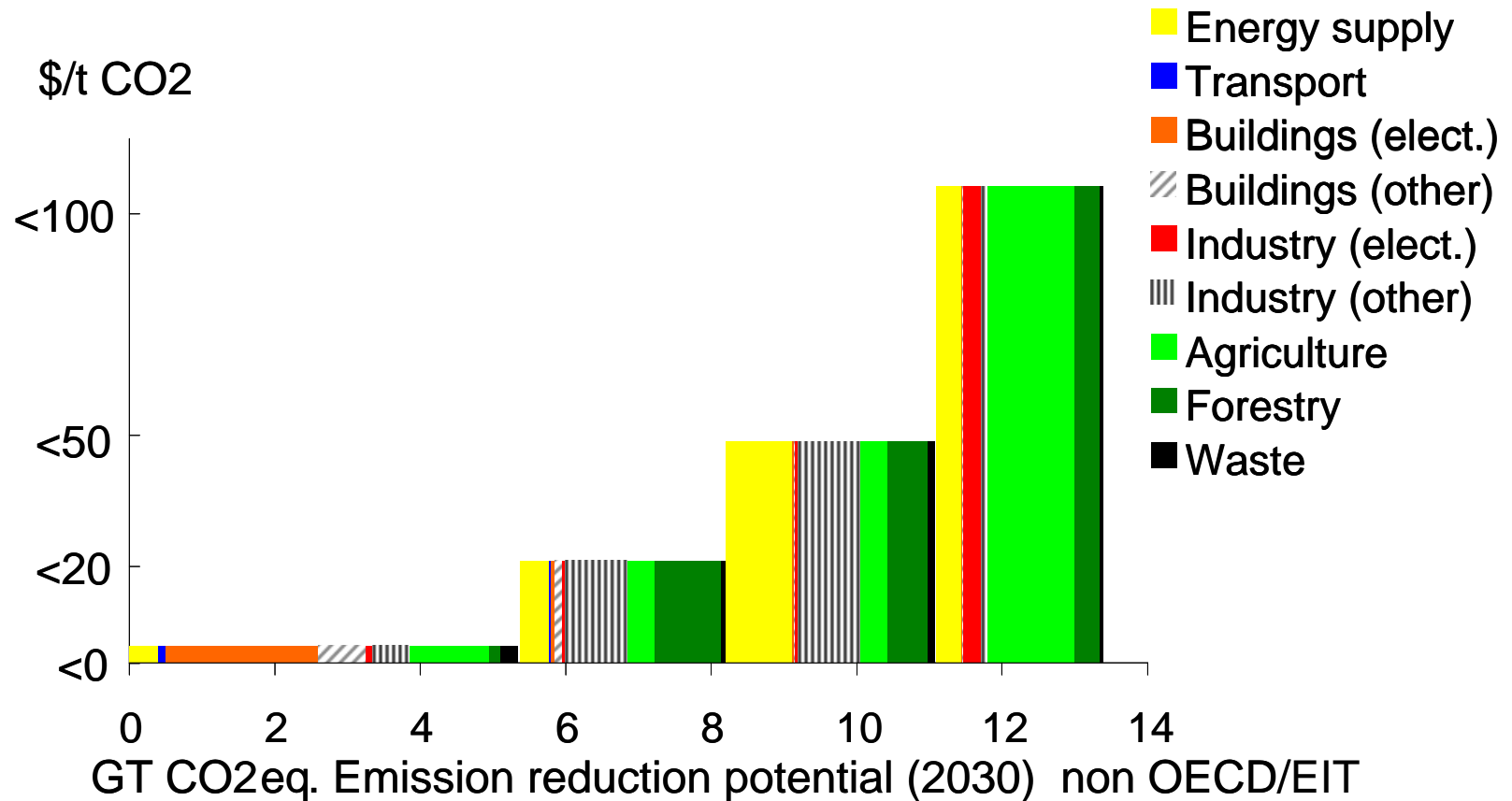
Karsten Neuhoff, Haroldo Machado Filho, Uma Shankar
Ilian Iliev, Amichai Magan, Anoop Singh, Zsuzsanna Pato, Maike
Sippel, Xiliang Zhang, Jim Cust, Kate Grant, Sarah Lester, Tim Laing
William Gboney



Outline

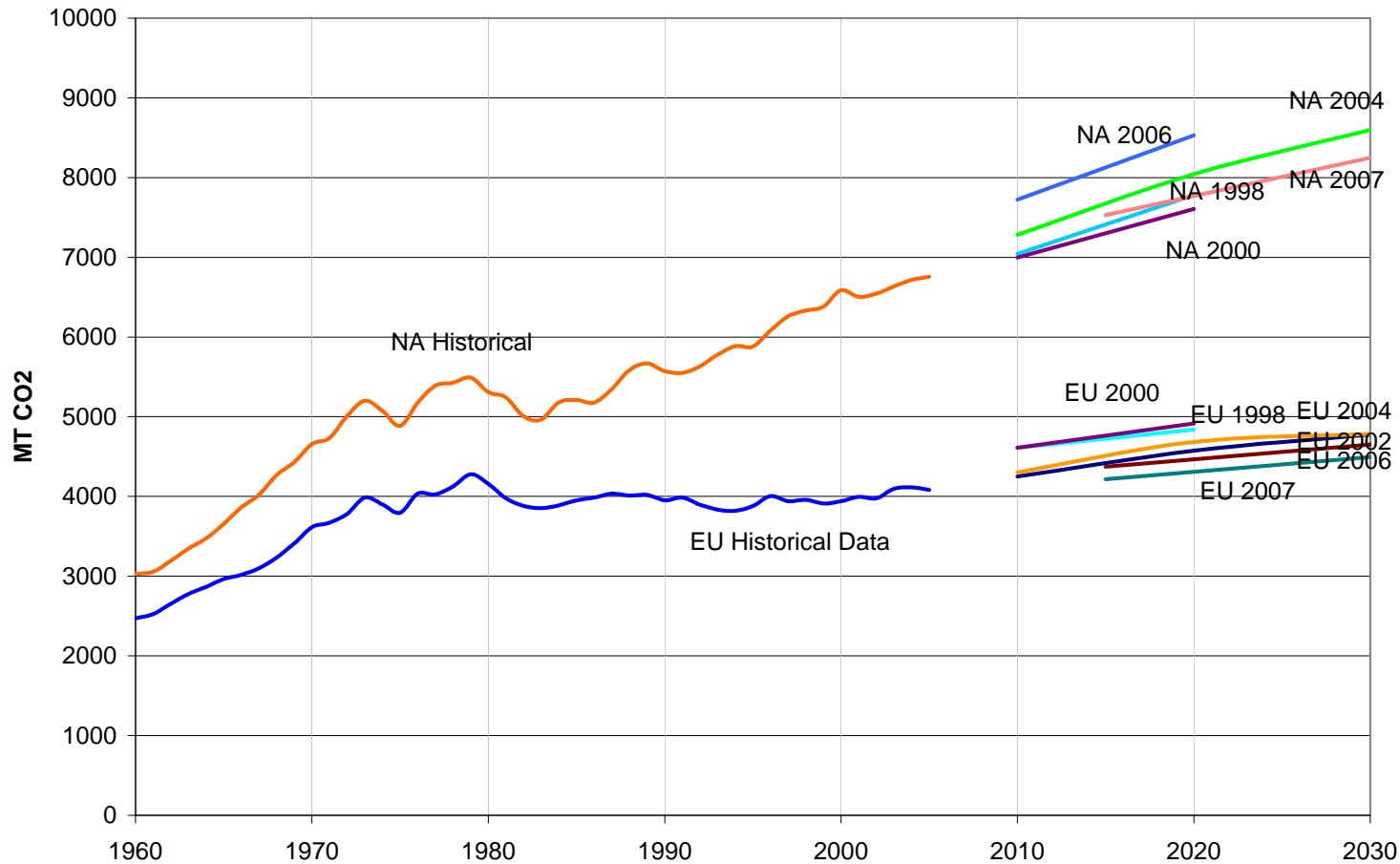
- Beyond CDM, but no absolute targets?
- Policies for shift to low-carbon growth path
- Instruments to support effective implementation
- Anchoring in UNFCCC framework

Why go beyond CDM mechanism for south-north cooperation?



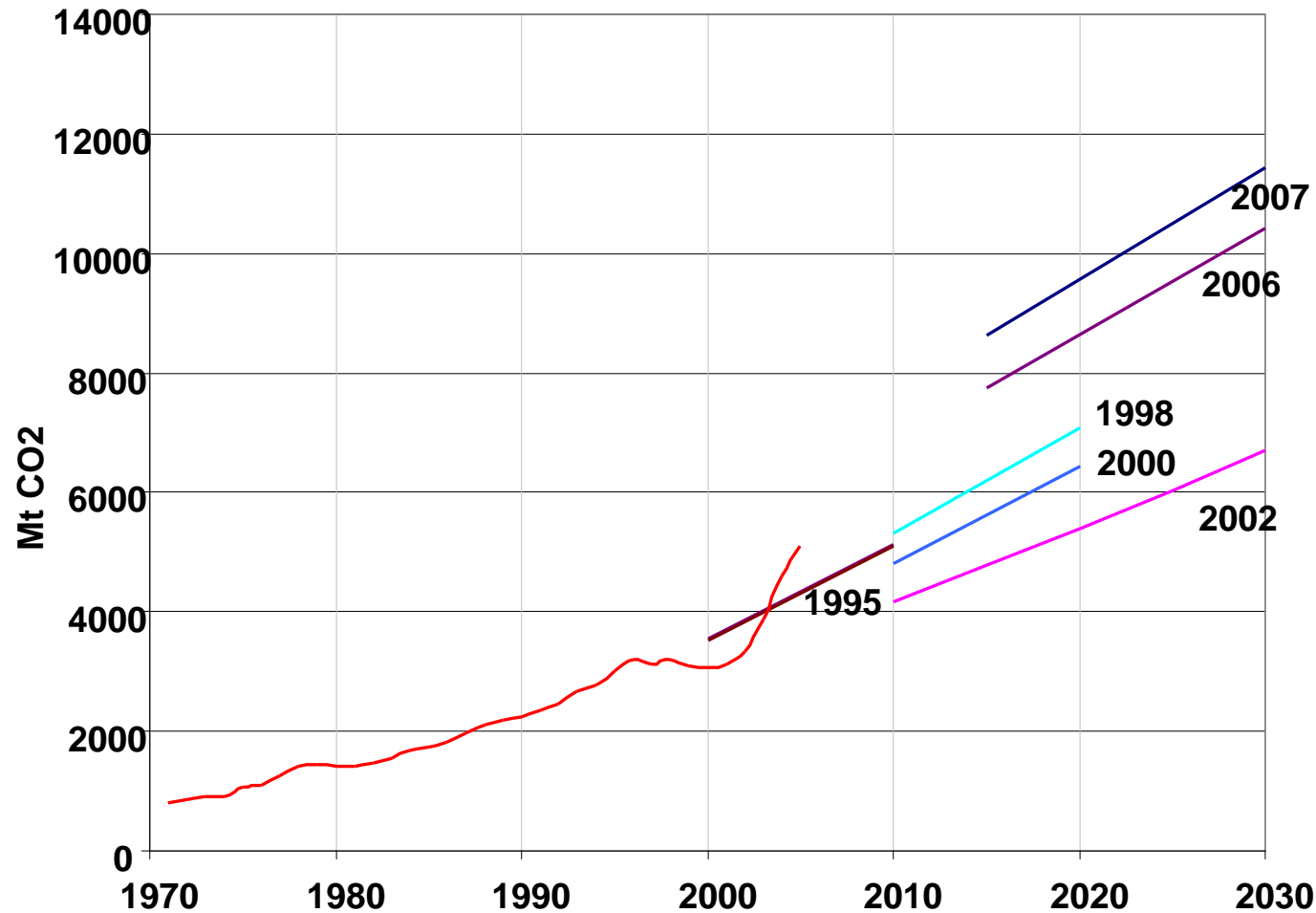
1. Subsidises energy intensive sectors
2. Undifferentiated price creates large rents
3. Base line definition

Projected CO₂ Emissions for OECD



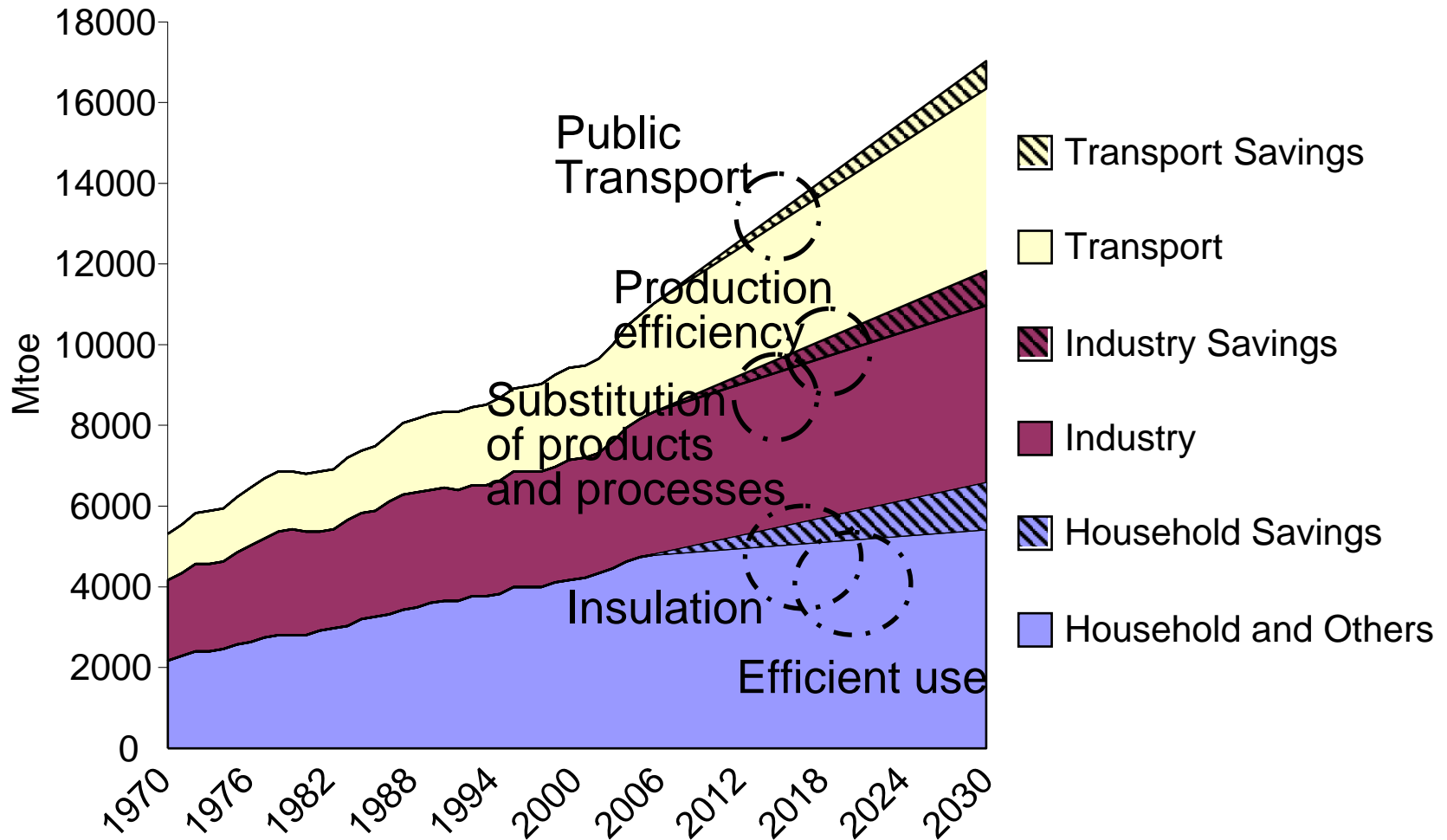
Source: IEA World Energy Outlook,
Only for fossil fuel consumption

Projected CO₂ Emissions for China



Source: IEA World Energy Outlook,
Only for fossil fuel consumption

Trigger points for efficient energy use



Domestic GHG Policy for Steel Sector in India

Policy

- Harmonised CO₂ tax complemented by administered standards

Co-benefits

- Enhances sector competitiveness
- Reduces coal demand

Challenges

- Acceptability
- Huge capital access for process shifts

Metrics

- Domestic CO₂ price
- Emission Intensity levels; shifts in process type and plant size

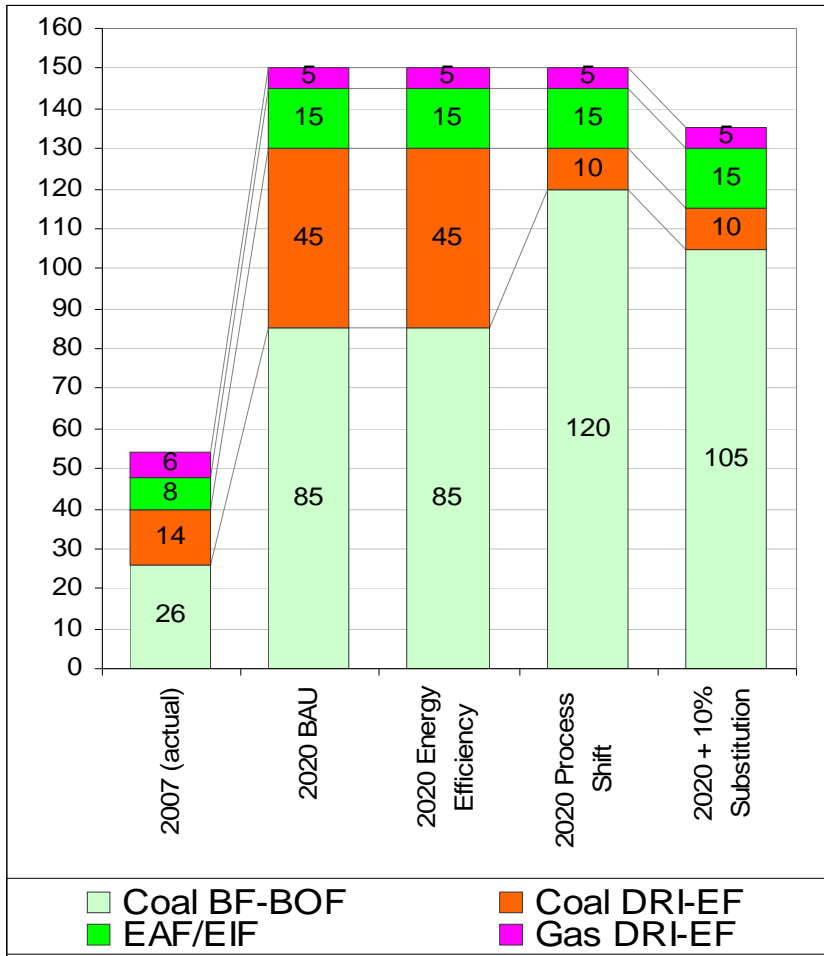
Scope for international cooperation

- Capacity building, training
- Technology cooperation

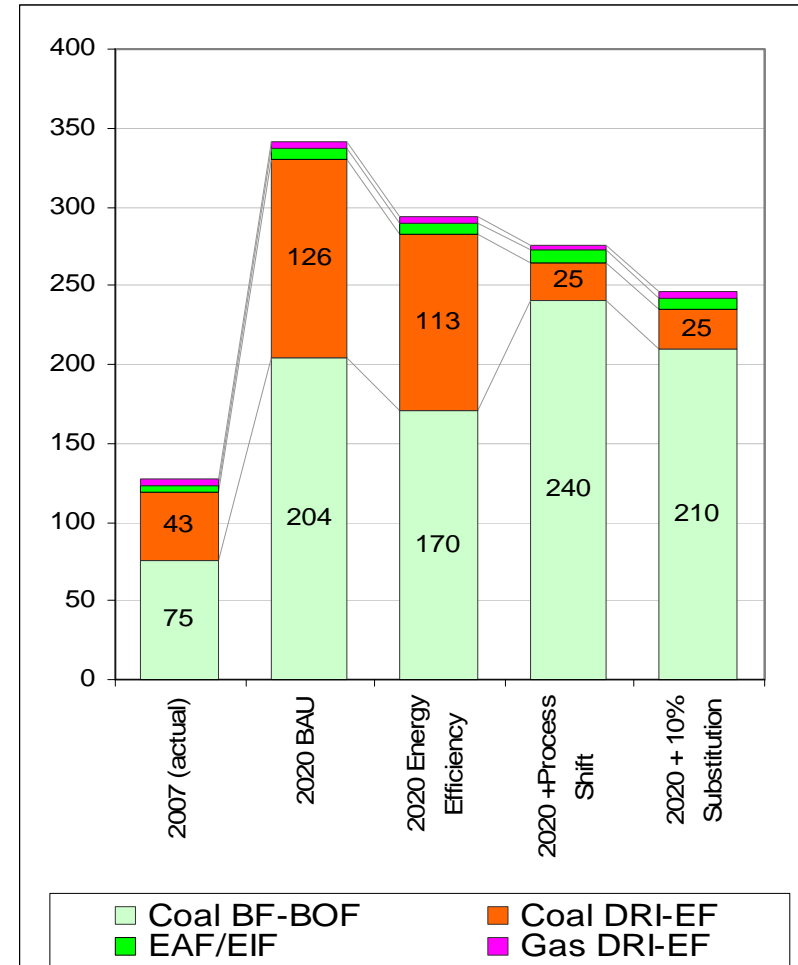
Domestic GHG Policy for Steel Sector in India

Policy outcome scenarios:

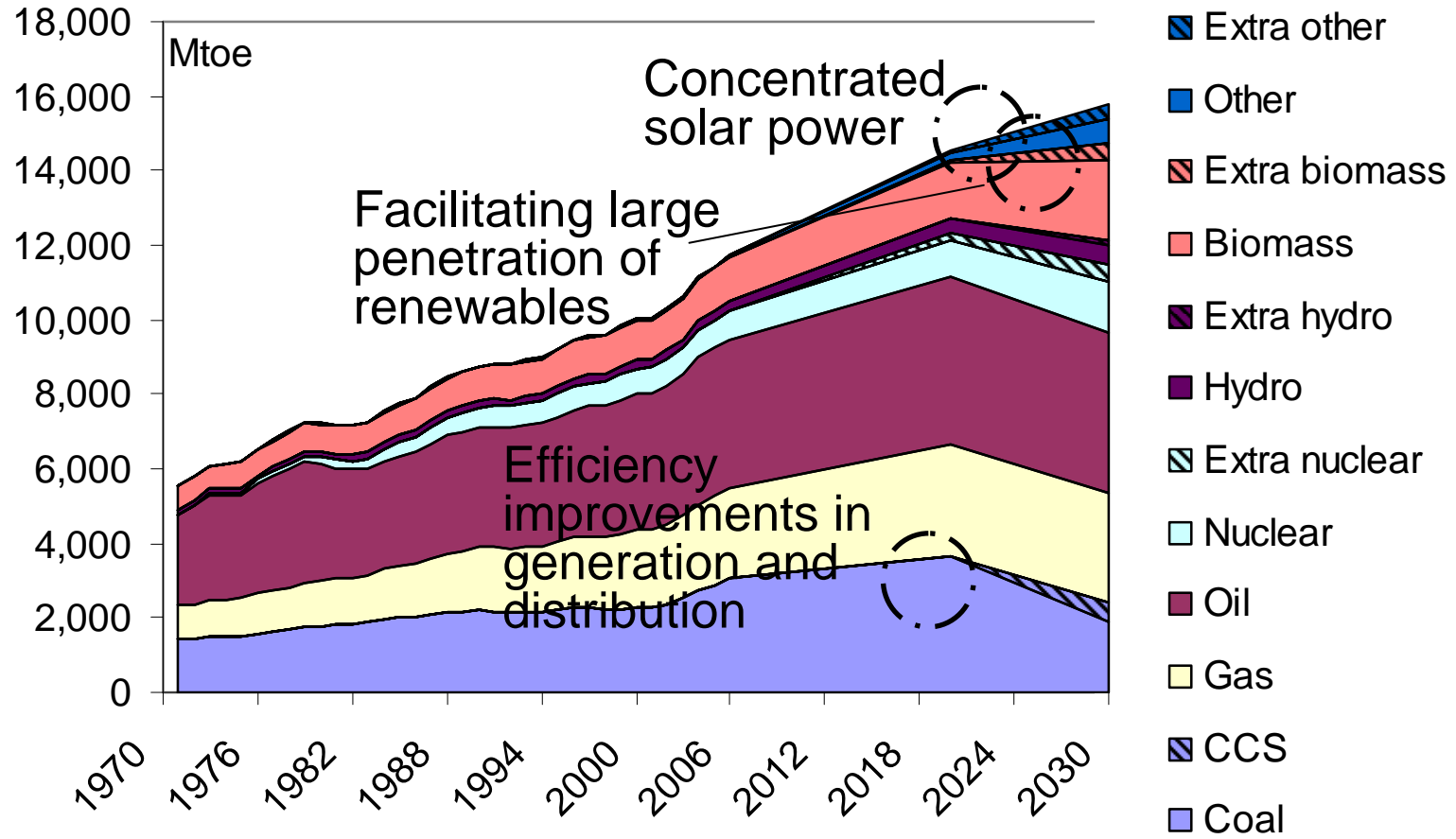
Production (Mn tonnes crude steel)



GHG emissions (Mn tCO₂e)



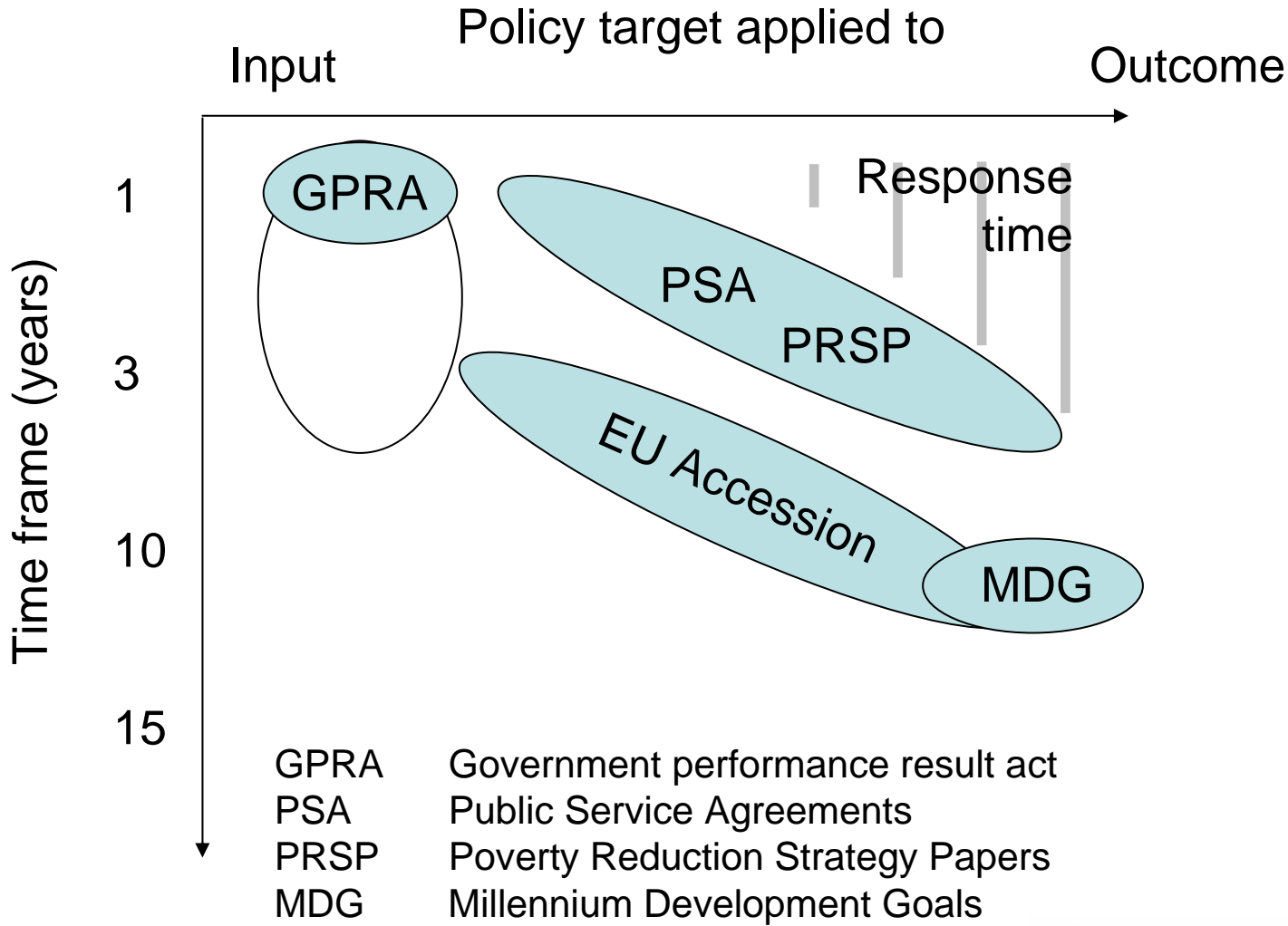
Trigger points for low-carbon energy technologies



Experience with indicators

- Widely used across many levels/sectors of economy
(Key Performance Metrics, Agri-Environmental Metrics, Science and Technology Metrics, Indicators for ODA and SD)
- Allow for performance benchmarking
- Increase domestic accountability
- Facilitate evidence based (international) dialogue

Options for definition of policy targets



Lessons from policy targets

- Importance of partnership approach
 - Throughout designing, implementing and evaluation
 - Trust, sense of ownership of policy target, consensus
 - Hurdle: avoid paternalism, imposed targets, poor negotiations
- Metrics usually outcome-based
 - Link to public management/medium term expenditure framework
 - Linked to incentive schemes (e.g. future budgets)
- Policy targets need to be relevant and balanced
 - Indicators appropriate, relevant, selective, outcome oriented, capture cross cutting outcomes
 - Hurdle: If targets not believed to be achievable
- Implementation challenges
 - Accountability, use of reward schemes
 - Hurdle: Lack of local delivery mechanism

What institutional set up is desirable?

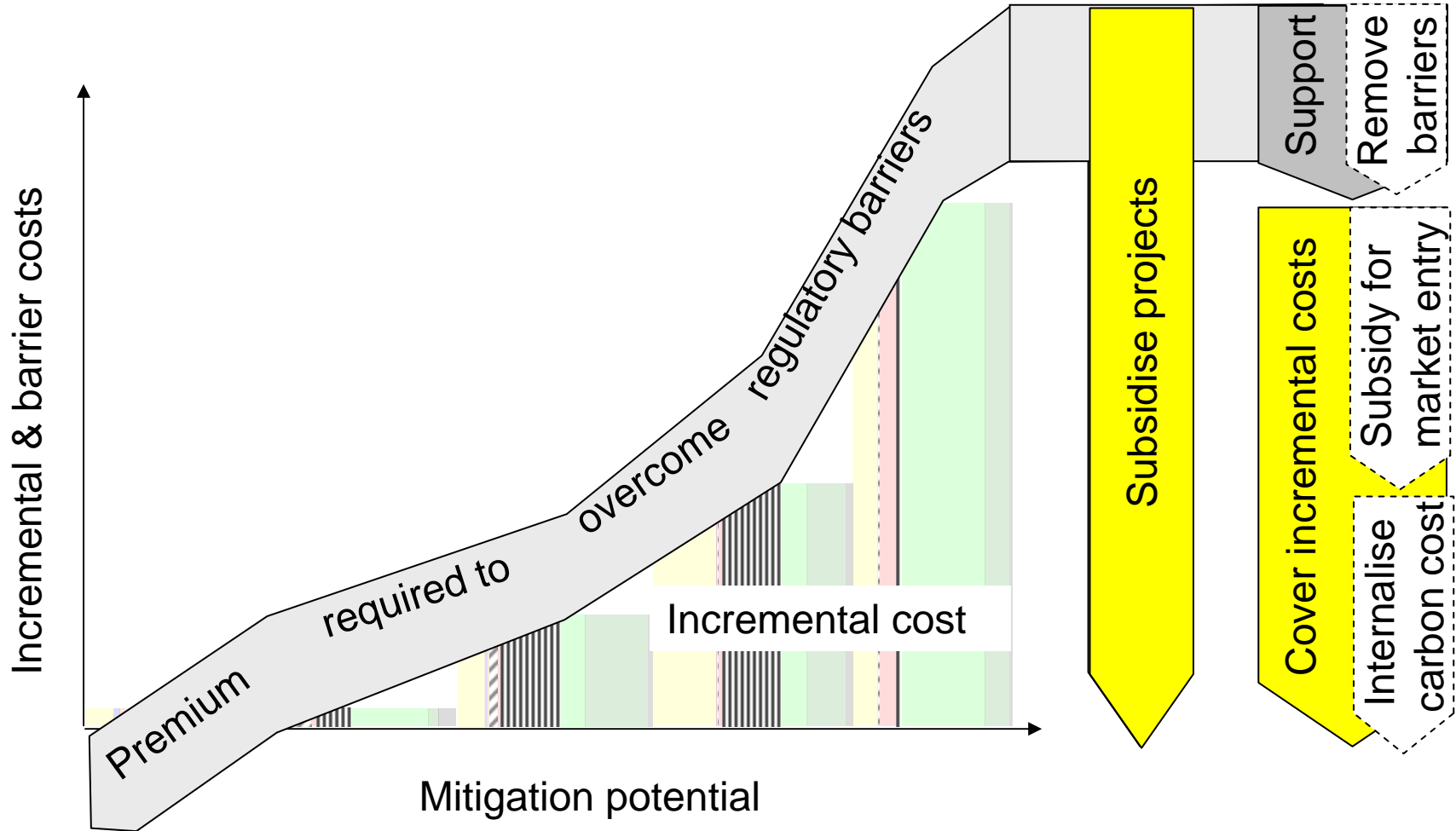
- **Multilateral**
 - Example IMF/World Bank, CDM EB, GEF
 - Transparent, harmonised approach
 - All inclusive but less flexibility
- **Bilateral**
 - Using twinning – similar to Paris declaration
 - Cooperation across governance levels possible
 - Tailor approach & process to national circumstances
 - Requires robust framework to ensure transparency!

What can we learn from past incentive schemes?

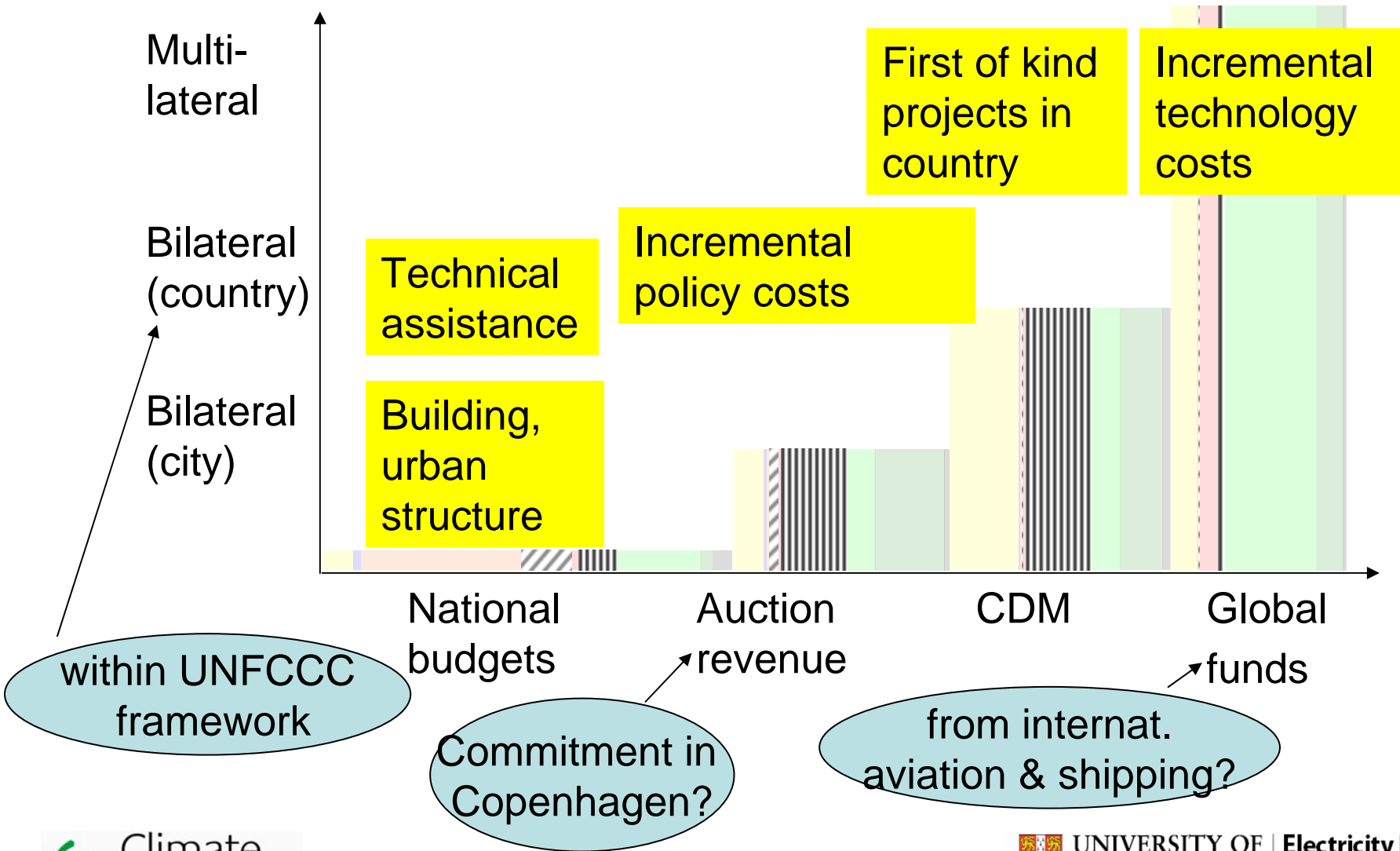
Indicative characterisation of conditionality provision

	IMF	World Bank	Bilateral aid	EU Enlargement
Stringency of reaction to non-compliance	xx	x		xxx
Compliance with conditionality	xx	x		xxx
Competition on donor side			xx	
Competition between recipient countries			xx	xxx

Moving from subsidised projects to frameworks for profitable investment



Different options for cooperation



Corporation and funding framework

Project support

Policy support

Emission targets

**(programmatic)
CDM**

Domestic policy
criterion

Multilateral project/policy support

- World bank funds / GEF
- Using tax on aviation/shipping

Bilateral policy support

- CO₂ auction revenue
- National budgets

- Combined with policy support
- Linked to activities (GIS)

Policy CDM

Targets

- Absolute/intensity
- Firm/no-loose
- Sectoral/country

Summary

- Beyond CDM, but no absolute targets
- Enhance scale, scope and speed of implementation of domestic policies with climate (co-) benefits
- Intermediary outcome indicators to manage and share information on policies
- Anchoring in UNFCCC framework