



SUSTAINABLE MARKET SOLUTIONS FOR GLOBAL ENVIRONMENTAL PROBLEMS

Sustainable Technology at Work *Technology and the EU ETS*

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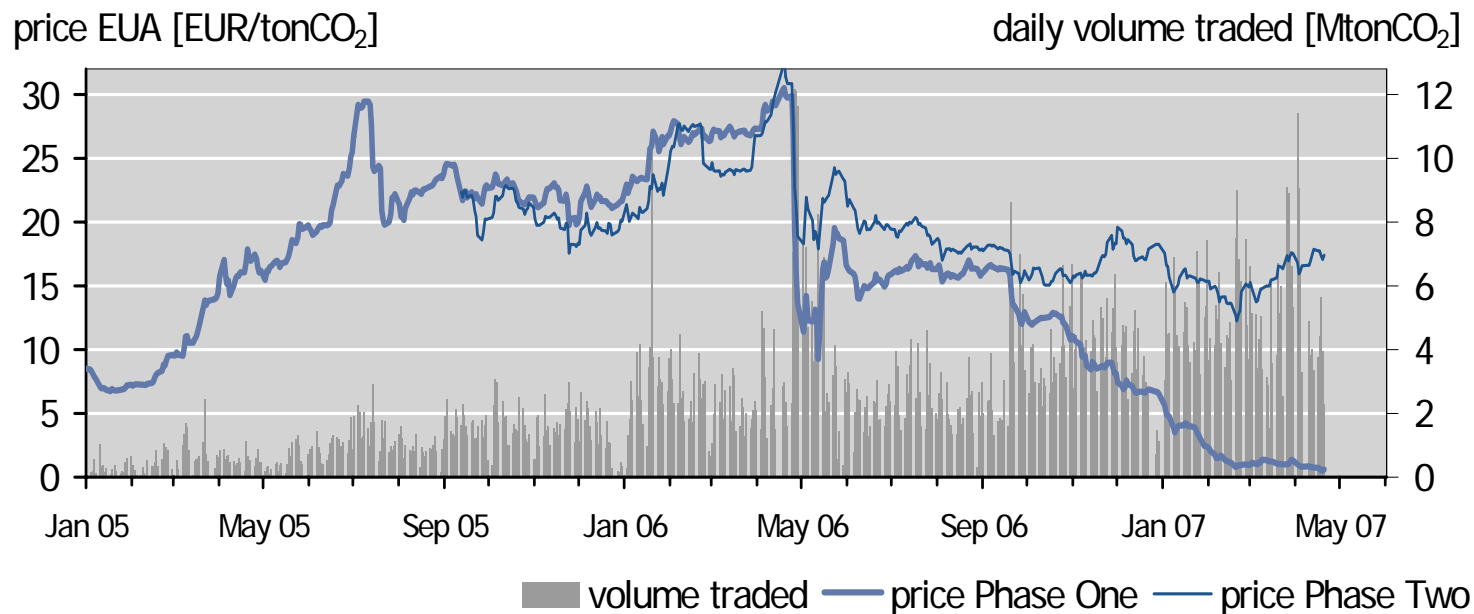


Overview

- A price for carbon
- Carbon price and technology
- EU ETS Post-2012
- Allocation
- Sector Initiatives
- EU ETS so far
- Technology and CDM
- TT
- Conclusions



EU ETS - finding a price for carbon



Source: Fortis Bank



Effect of carbon price on technology choice

- 2005/07 – focus on efficiency (housekeeping), some fuel switching
- 2008/12 – tighter allocation likely to drive investments in efficiency - modest risks
- Post 2012 – solid carbon price underlining investment decisions



Short term price signal...to markets that can drive future investment strategies

What can we expect from EU ETS post-2012?

- Stable policy framework will lead to long term confidence
- Predictable long-term targets
- Longer allocation periods (rolling?)
- More linking - towards a global market?
- Manageable volatility

All in a context of EU -20/30% by 2020



Technology – towards fairer allocation

- Grandfathering – questioned over time
- Auctioning – similar to a tax?
- Benchmarking – fairer alternative based on technology – But whose technology?
(Competitive impacts within sectors)



Possible sector initiatives

- Cement sector –
 - WBCSD Cement Sustainability Initiative
 - EU ETS allocation based on benchmarking?
 - Potential for global sector initiative
- Iron and steel sector –
 - Global sector initiative under discussion
- Benchmarking allocation in EU ETS -
 - Minds focused in energy-intensive sectors
 - Germany, NAP I – benchmark proposal in 2 weeks

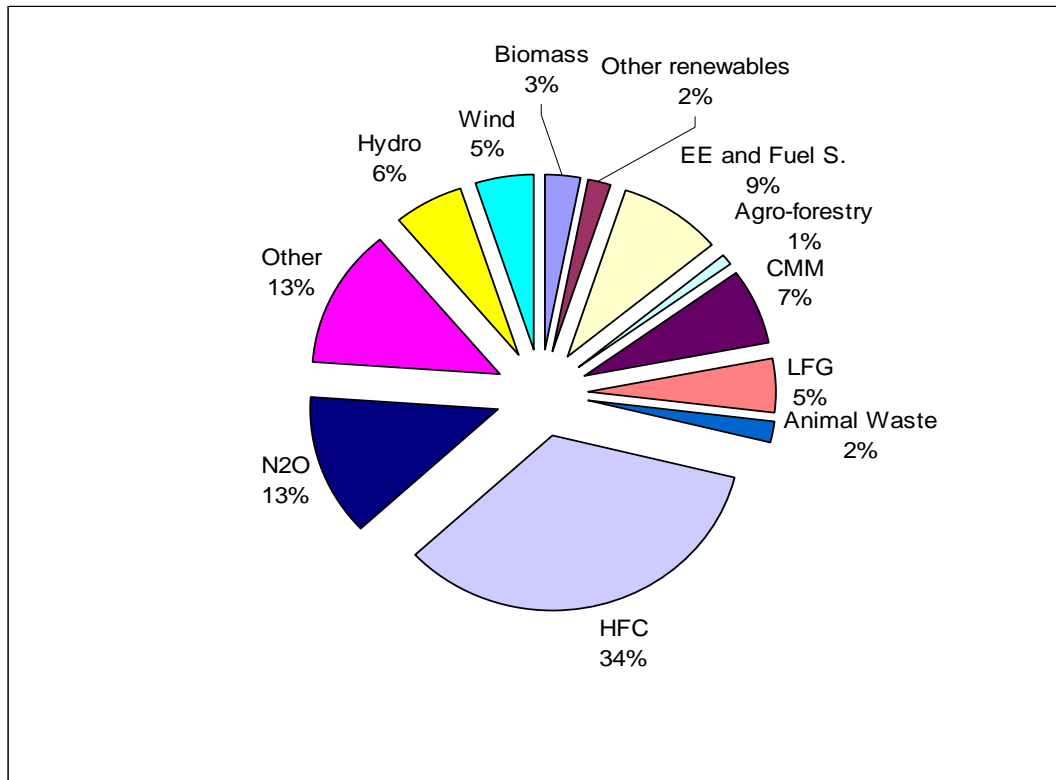


So far, EU ETS is about fuel choice and EE

- CO₂-only in 2005/07
- CO₂-only 2008/12, except N₂O opt in F, NL
- So far, EU ETS is only driving fuel choice and energy efficiency because of CO₂ focus
- Strategic opportunity post-2012 is to drive investment strategies - but how?



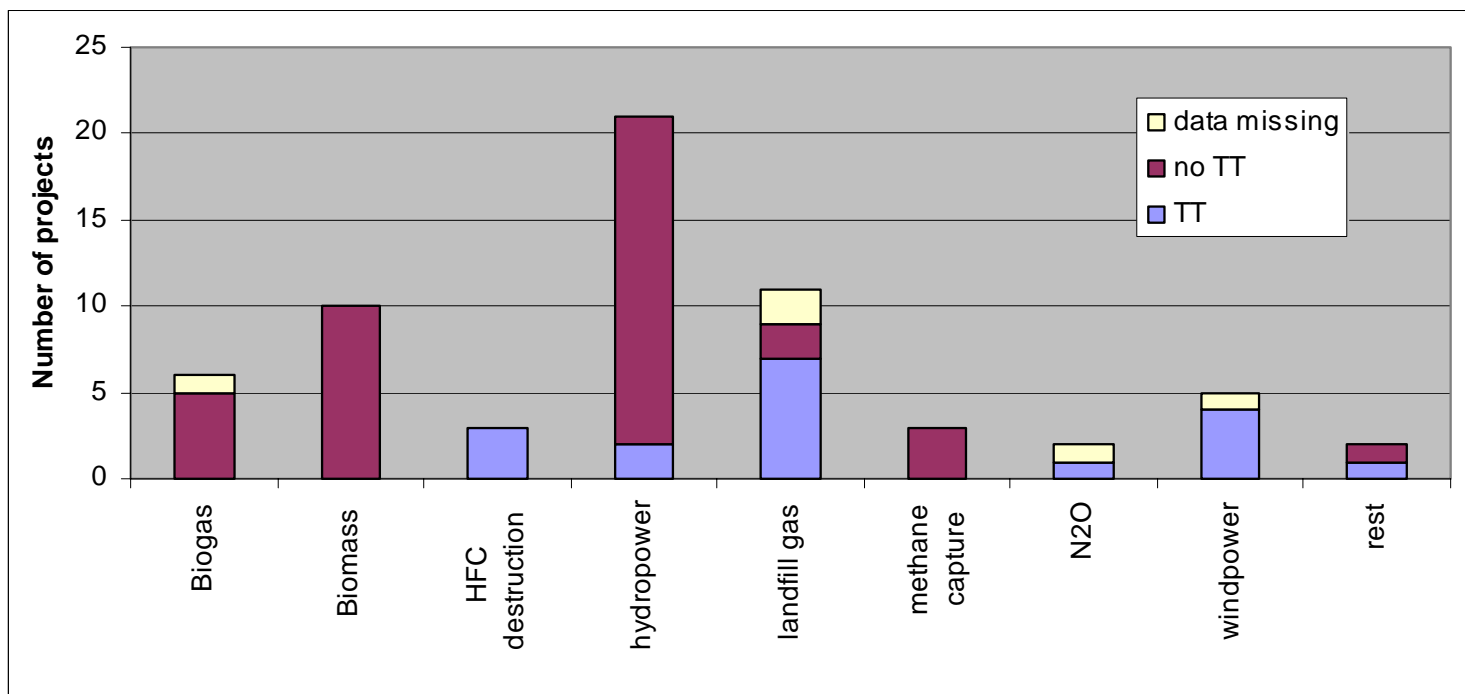
Technologies used in CDM for GHG reduction



Source: World Bank, State and Trends of the Carbon Market - 2007



Which technologies are transferred?



Source: ECN, 2006



Technology transfer - capacity building/knowledge transfer



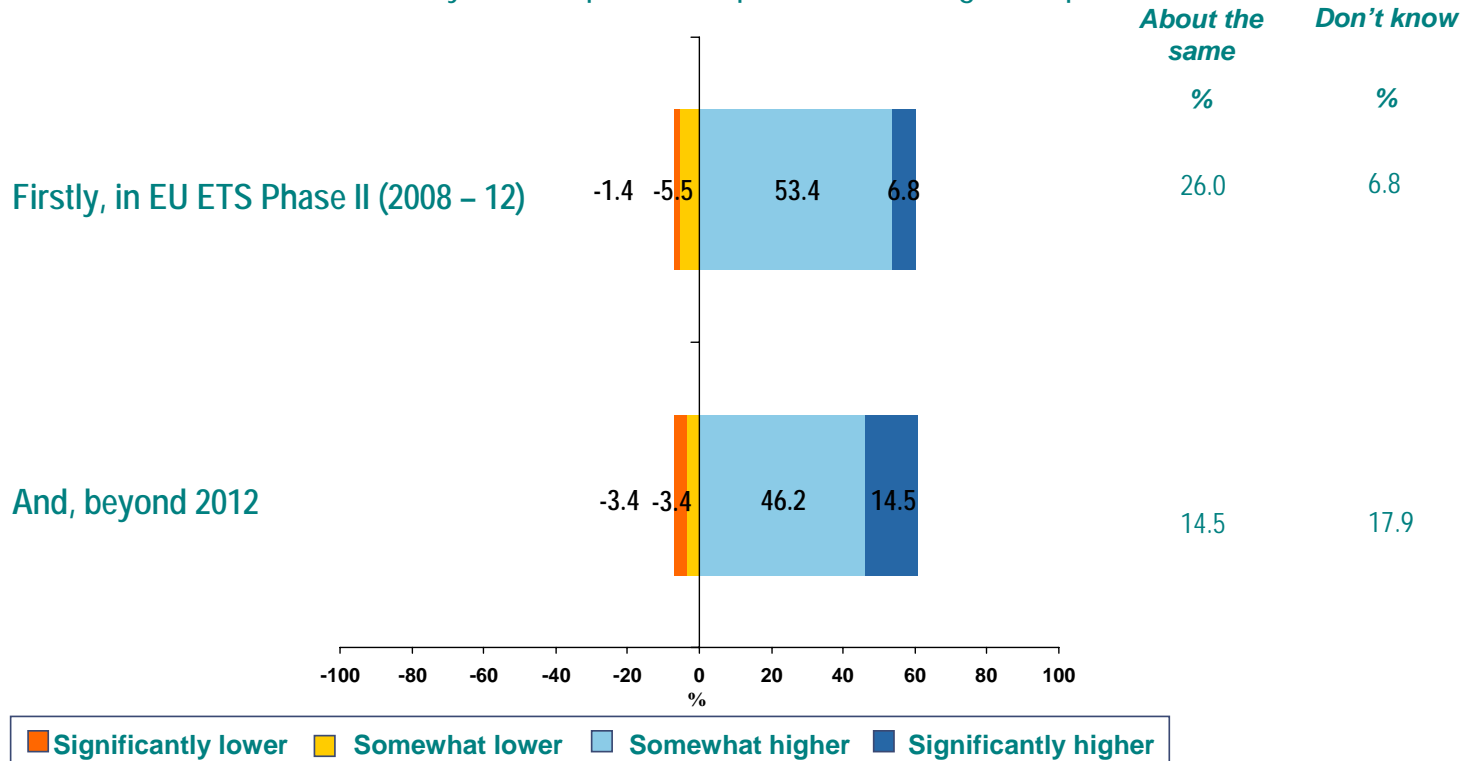
Word of caution: Difficult to check; relying on PDD, which has an interest in exaggerating

Source: ECN, 2006



SOME STRENGTHENING IN CER PRICES EXPECTED

Please indicate to what extent you anticipate CER prices will change compared to current levels:





Conclusions

- Clean technologies will be key to meeting the emission reductions IPCC indicates are needed
- Yvo de Boer has suggested that a USD 100 bnpa carbon market is necessary to achieve the North-South technology transfers (USD 20 tn investment)
- EU ETS has potential to be the docking station for a global market of that scope – political hurdles



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Thanks!

For more information

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