

## Governance and Regulatory Frameworks to Promote Sustainable Energy

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Forum  
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A Green Economy Road map calls for

- Innovation
- Collaboration
- Governance
- Short/long term
- Top down/bottom up
- Multilateralisms

Also requires action on

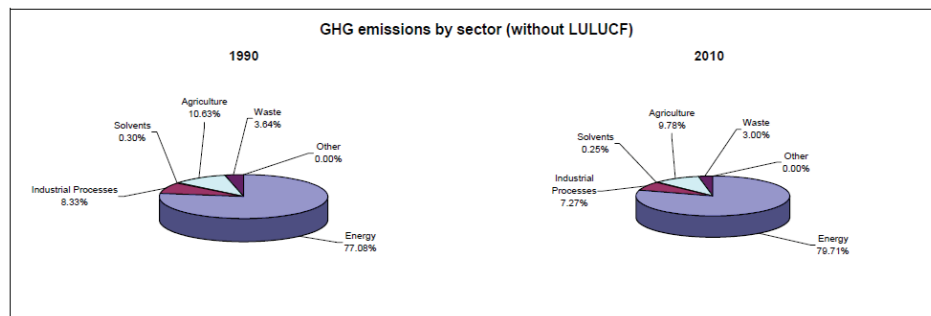
- Economic innovation
- Social innovation
- Environmental innovation
- Cross cutting, mutually reinforcing elements

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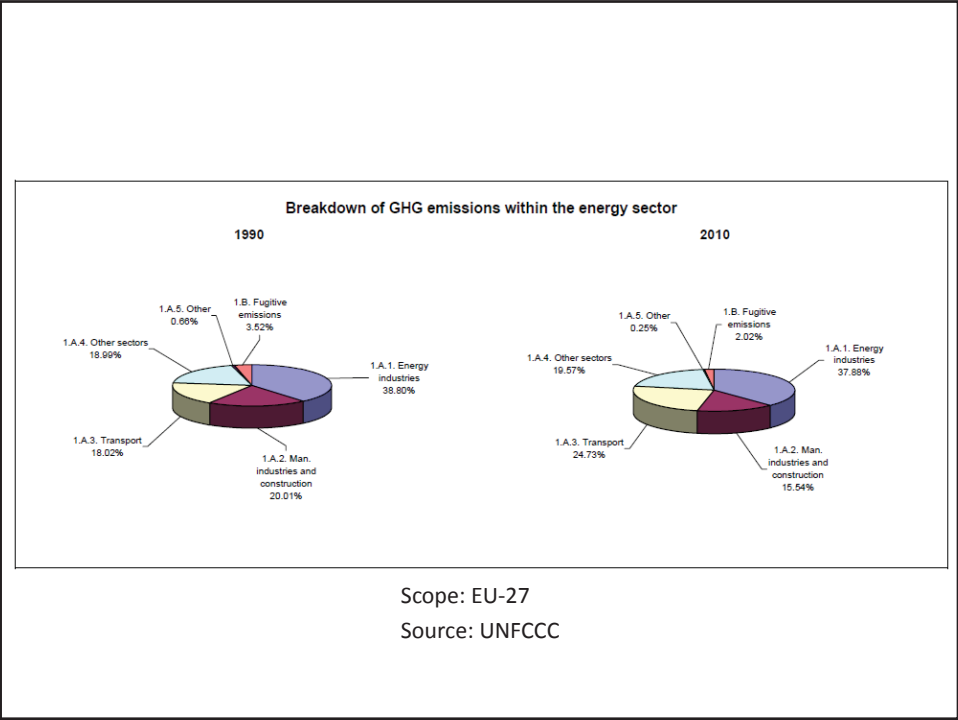
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- De-carbonization is key to sustainability.
- Necessary but not sufficient condition
- Limit temperature rise to 2/1.5 degrees C
- Energy is 2/3 of GHG emissions, 80% of CO<sub>2</sub>
- What policy and regulatory framework is need for a low energy roadmap?
- EU Low Carbon Economy Roadmap



Scope: EU-27  
Source: UNFCCC





- Important issues
  - Policies to change the energy matrix
  - Mobilize enough finance to achieve a low carbon economy
  - Mobilize/re-direct private flows of capital – private capital is key
  - Achieve targets in an economically efficient manner – economically rational asset allocation

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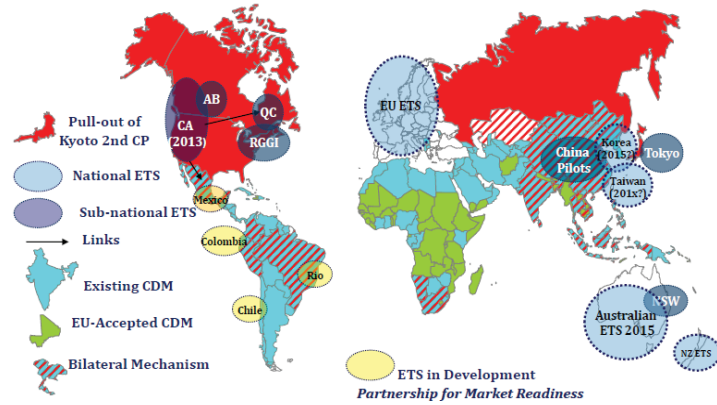
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- There needs to be a toolbox adapted to
  - National circumstances & economic profile
  - Sector
  - Capacity
  - Infrastructure
  - Operating environment

## A price signal is an important tool

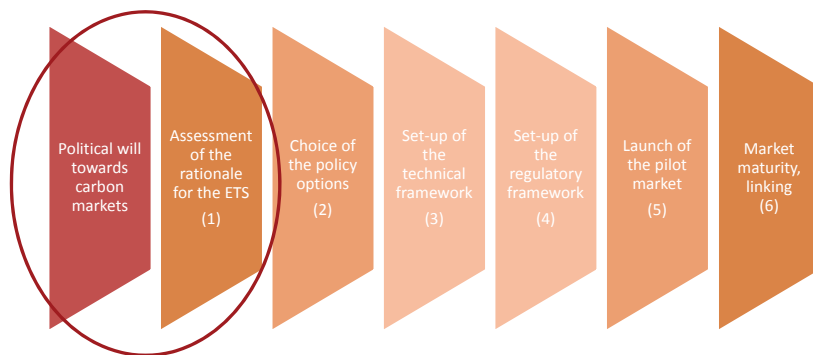
- Emissions trading
  - Tax
  - A combination of
- Around the world – trading is the leading candidate
- British Columbia, Canada – tax jurisdiction

## Emissions Trading Developments Worldwide



Source IETA

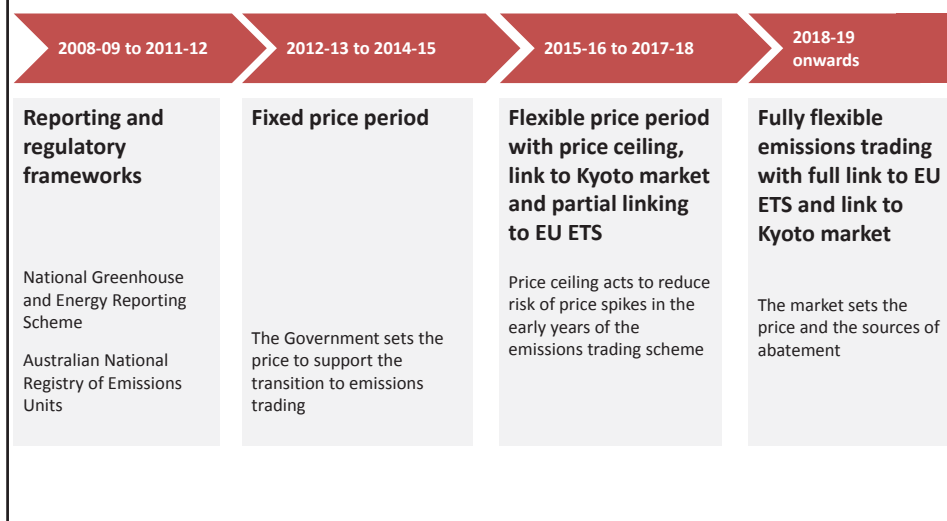
## ESTABLISHMENT OF CARBON MARKET: PHASES



Source: Point Carbon

- Preparedness needs to be assessed on
- Policy/politics
- Technical level
- Institutional development
- Legal framework

## Australia's Phased implementation



## EU ETS Development

-Largest carbon market

-3 Phases

- P1 – Pilot. Bad data
- P2
  - Good market functioning
  - Large surplus emerging
  - Use on international credits
- P3
  - Weak price signal
  - Centralization
  - Recalibration attempted
  - Structural reform in line new International CC agreement and EU pst 2020 climate and energy policy

## Lessons learned

- Market can/did function well
- It will not be easy due to
  - Strong opposition from (many) in business
  - Stakeholders have own agenda and compromise objectives
  - Issues around competitiveness and carbon leakage
  - Political instability
  - Lack of international agreement



It is/can be an efficient tool – IF – a number of conditions can be observed

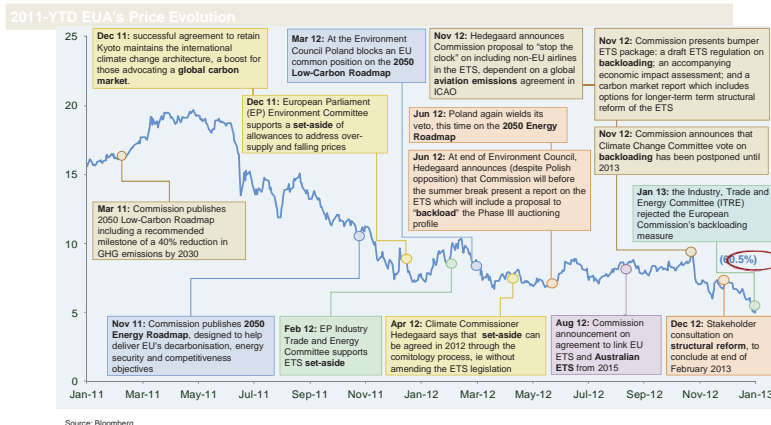
- Stop political instability
- Provide mechanism for flexibility of supply and adaptability
- Ensure primacy for carbon reduction OR coordination with other policy elements
  - Renewable energy
  - Energy efficiency
- Coordination/synergy with other policies outside the C&E package
- Agree on objectives – ST/LT
- Not a silver bullet

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## EUA's Political Price Drivers



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# EUA's Technical Price



- Following the aborted Climate Change Committee (CCC) vote in December, the Brussels institutions have been looking at the decision-making process
- Member State indecision continues

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