Governance and Regulatory Frameworks to Promote Sustainable Energy

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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
• 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 CO2
• What policy and regulatory framework is needed for a low energy roadmap?
• EU Low Carbon Economy Roadmap

Scope: EU-27
Source: UNFCCC
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- 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
• 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
**ESTABLISHMENT OF CARBON MARKET: PHASES**

1. Political will towards carbon markets
2. Assessment of the rationale for the ETS
3. Choice of the policy options
4. Set-up of the technical framework
5. Set-up of the regulatory framework
6. Launch of the pilot market
7. Market maturity, linking

Source: Point Carbon

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**Emissions Trading Developments Worldwide**

Source: IETA
• Preparedness needs to assessed on
• Policy/politics
• Technical level
• Institutional development
• Legal framework

Australia’s Phased implementation

2008-09 to 2011-12
• Reporting and regulatory frameworks
  - National Greenhouse and Energy Reporting Scheme
  - Australian National Registry of Emissions Units

2012-13 to 2014-15
• Fixed price period
  - The Government sets the price to support the transition to emissions trading

2015-16 to 2017-18
• Flexible price period with price ceiling, link to Kyoto market and partial linking to EU ETS
  - Price ceiling acts to reduce risk of price spikes in the early years of the emissions trading scheme

2018-19 onwards
• Fully flexible emissions trading with full link to EU ETS and link to Kyoto market
  - The market sets the price and the sources of abatement
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
EUA’s Technical Price Drivers

- 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.