

International Carbon Action Partnership (ICAP): Overview and Update

July 24, 2008

Governor's Global Leadership on Climate Change

- **With Governor Schwarzenegger's leadership, California is now at the forefront in the battle against global warming, inspiring other states, provinces and countries to also join the fight!**



ICAP - Governor Schwarzenegger's Initiative

“It is exciting for California to be a part of the International Carbon Action Partnership. This groundbreaking partnership is a historic step in the worldwide battle against climate change. In addition to regulations to reduce greenhouse gases, I firmly believe a global market for greenhouse gases will allow us to protect the environment while growing the economy.”

Background International Development

- ❑ 1992 UNFCCC opened for signature (Rio Earth Summit)
- ❑ 1994 UNFCCC entered into force
- ❑ 1997 December, adoption of the Kyoto Protocol (**average of 5% below 1990 levels over the period 2008-2012.**)
- ❑ 2005 Kyoto Protocol came into force (2/15/2005)
- ❑ 2005 EU Emission trading scheme (1/1/2005)



Flexible Mechanisms

- **Clean Development Mechanism (CDM), Article 12 of the Protocol**
 - **Emission reduction projects by developed countries in developing countries**
 - **Emission reductions must be real and measurable (requires third party verification)**

- **Joint Implementation (JI), Article 6 of the Protocol**
 - **Emission reduction projects in developed countries**

- **International Emissions Trading (IET), Article 17 of the Protocol**
 - **Trading of Kyoto units among developed countries**

Top Co2 Emitters (Mt CO2 2004)

- ❑ United States (6,046)
- ❑ China* (5,007)
- ❑ Russian Federation (1,524)
- ❑ India (1,342)
- ❑ Japan (1,257)
- ❑ Germany (808)
- ❑ Canada (639)
- ❑ UK (587)
- ❑ **California (484)**
- ❑ S. Korea (465)



CO2 Emissions Per Capita (t CO2 2004)

- ❑ United States (20.6)
- ❑ Canada (20.0)
- ❑ Australia (16.2)
- ❑ **California (13.4)**
- ❑ Japan (9.9)
- ❑ Germany (9.8)
- ❑ UK (9.8)
- ❑ China (3.8)



Global Carbon Market

- ❑ **Compliance or Regulatory Market (\$66 billion)**
 - Allowance-based transactions (ETS)
 - Project-based “compliance offsets” (CDM)

- ❑ **Voluntary Market (\$331 million)**
 - Mostly project-based “voluntary offsets”
 - Approx. 13 standards (accounting standards, monitoring, verification, and certification standards)



International Carbon Action partnership

- ❑ The partnership is made up of countries and regions that are actively pursuing the development of carbon markets through implementation of mandatory cap and trade systems.
- ❑ Supports efforts to combat climate change under the UN framework – not intended to replace UN efforts.

ICAP Declaration in Portugal



ICAP Goals

- ❑ To contribute to the establishment of a well-functioning global cap and trade carbon market
- ❑ Opportunity to share best practices and learn from each others' experiences.
- ❑ Enhance the design of carbon markets to achieve maximum reductions.
- ❑ Design and collaboration can prevent leakage.
- ❑ Ensure that design compatibility issues are recognized at an early stage.



ICAP Membership

□ **26 Members:**

- **EU members:** European Commission, France, Germany, Greece, Ireland, Italy, Netherlands, Portugal, Spain, and UK.
- **WCI members:** California, Arizona, Oregon, Washington, New Mexico, Manitoba, and British Columbia
- **RGGI members:** Maine, Maryland, Massachusetts, New Jersey and New York
- New Zealand, Australia and Norway

□ **1 Observer:** Japan

□ **Pending applications:** Tokyo, Taiwan, Denmark, Flemish Region

□ Possible 3rd category for developing countries like China & India.

Member Commitments

- Mandatory cap on GHG emissions.
- Cap & trade being pursued as one of the strategies to reduce emissions.
- It is understood by all the members that other mechanisms will also be needed.
- Desire to link efforts to command the greatest environmental benefit at least cost.

Steering Committee Members

- **Europe:** EU-Commission, United Kingdom, France, Norway, and the Netherlands
- **RGGI:** New York and New Jersey
- **WCI: California (Chair),** British Columbia, Oregon
- **Oceania:** New Zealand/Australia to share



How does ICAP benefit ARB?

- ❑ Climate change is a global issue requiring global solutions through local actions
- ❑ AB 32 requires California to review existing and proposed international GHG reporting programs and to make reasonable efforts to promote consistency
- ❑ AB 32 also requires ARB to consider all relevant information pertaining to GHG reduction programs in other nations, including the EU in making recommendations on emission reduction measures.



How does ICAP benefit ARB?---continued

- ❑ Critical to know, understand and learn from other nations and sub-national governments in designing and implementing ETS
- ❑ International competitiveness and leakage issues
- ❑ What one market does will affect other markets--- carbon prices, innovation and investment
- ❑ Influence other major emitters from emerging economies
- ❑ Compliance and enforcement of ETS requires cooperation among international players



Initial Workstreams Identified

- ❑ The Scope/Coverage of ETS
- ❑ Trading rules
- ❑ Absolute vs. relative targets
- ❑ Stringency of targets/caps
- ❑ Allocation/Auction
- ❑ Monitoring, reporting, verification and accounting
- ❑ Compliance framework and enforcement
- ❑ Offsets



The 1st Conference of ICAP: MRV& CE

- ❑ Monitoring, Reporting, Verification, Compliance and Enforcement
- ❑ In Brussels on May 19 and 20, 2008 hosted by the EC
- ❑ Attended by 150 stakeholders from more than 25 countries
- ❑ The objective of the conference was to learn about the different experiences from existing systems, and some of the choices that are under consideration in schemes in development



Key Outcomes

- 1) Robust, transparent and cost effective monitoring, reporting and verification underpin emissions trading schemes
- 2) There is a considerable convergence in design architecture, but more needs to be done to ensure a greater degree of coordination and commonality
- 3) Stringent, consistent and transparent compliance and enforcement mechanisms are needed to ensure market and environmental integrity.



Next Step

- ❑ Establish internal network of technical group
- ❑ Retain an independent outside expert to work with the technical group to make recommendations on best practices/identify barriers to linking.
- ❑ Presentations and summary of reports from each session are posted on ICAP website
- ❑ Nov. conference on auction/allocation in New York
- ❑ ICAP side event at COP14 in Poznan, Poland in Dec.

