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

Source: Based on IPCC 2007
Projected CO\textsubscript{2} Emissions for OECD

Source: IEA World Energy Outlook,
Only for fossil fuel consumption
Projected CO$_2$ Emissions for China

Source: IEA World Energy Outlook,
Only for fossil fuel consumption
Trigger points for efficient energy use

Source: based on IEA World Energy Outlook 2008
Domestic GHG Policy for Steel Sector in India

**Policy**
- Harmonised CO$_2$ tax complemented by administered standards

**Co-benefits**
- Enhances sector competitiveness
- Reduces coal demand

**Challenges**
- Acceptability
- Huge capital access for process shifts

**Metrics**
- Domestic CO$_2$ 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

Source: based on IEA World Energy Outlook 2008
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

- GPRA: Government performance result act
- PSA: Public Service Agreements
- PRSP: Poverty Reduction Strategy Papers
- MDG: Millennium Development Goals

Time frame (years)
1
3
10
15

Policy target applied to
Input
Outcome

Response time

EU Accession
PRSP
PSA
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

<table>
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<tr>
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<th>IMF</th>
<th>World Bank</th>
<th>Bilateral aid</th>
<th>EU Enlargement</th>
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<tr>
<td>Stringency of reaction to non-compliance</td>
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<tr>
<td>Compliance with conditionality</td>
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<td>xxx</td>
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<tr>
<td>Competition on donor side</td>
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<td>Competition between recipient countries</td>
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Moving from subsidised projects to frameworks for profitable investment

Incremental & barrier costs

Mitigation potential

Premium required to overcome regulatory barriers

Incremental cost

Subsidise projects

Support for market entry

Cover incremental costs

Internalise carbon costs

Subsidy for market entry

Remove barriers

Support

Mitigation potential

Incremental & barrier costs
Different options for cooperation

- Multilateral
- Bilateral (country)
- Bilateral (city)

- Technical assistance
- Building, urban structure
- Incremental policy costs
- First of kind projects in country
- Incremental technology costs

- National budgets
- Auction revenue
- CDM
- Global funds

- within UNFCCC framework
- Commitment in Copenhagen?
- from internat. aviation & shipping?
Corporation and funding framework

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<tr>
<th>Project support</th>
<th>Policy support</th>
<th>Emission targets</th>
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<td>(programmatic)</td>
<td>Domestic policy criterion</td>
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<td>CDM</td>
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<tr>
<td>Multilateral project/policy support</td>
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<tr>
<td>• World bank funds / GEF</td>
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<td>• Using tax on aviation/shipping</td>
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<tr>
<td>Bilateral policy support</td>
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<tr>
<td>• CO₂ auction revenue</td>
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<td>• National budgets</td>
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<tr>
<td>Policy CDM Targets</td>
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<tr>
<td>• Absolute/intensity</td>
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<td>• Firm/no-loose</td>
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<td>• Sectoral/country</td>
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- Combined with policy support
- Linked to activities (GIS)
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