

# International Carbon Action Partnership (ICAP): Overview and Update

July 24, 2008



*California Environmental Protection Agency*

**AIR RESOURCES BOARD**

## 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 3<sup>rd</sup> 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 1<sup>st</sup> 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.

