

The last ever presentation on sector approaches

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Sector-based approaches to climate policy

- Why sector-based agreements?
- Forms of sectoral agreements.
- Thoughts on sectoral crediting.
- Sector approaches and SD-PAMs.

What do we mean by sector approaches?

- Policies applied at a sectoral level.
- Designed or negotiated in collaboration with private sector.
- International agreements.

Not...

- Industry voluntary initiatives.
- Exchange of experience.
- Sector positions in broader policies (such as ETS).



Why sector approaches?



Engage new countries

Countries that are not yet ready for broader commitments might be ready for more limited ones.

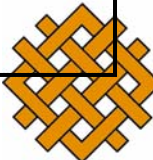
Competitiveness concerns

A few sectors face serious concerns from international competition. Targeting these might help build political support for a deal.



Nurture new technologies

Help push technology and market initiatives not yet ready for price signals.



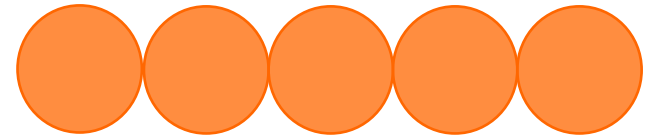
Weaknesses of sector approaches

Sectoral approaches are generally sub-optimal

- Higher costs/ lower efficiency.
- Higher negotiating burden.
- Less driven by environmental outcomes.
- Fewer opportunities for deal-making trade-offs.

Sector-only model

No comprehensive agreement.
Bottom-up negotiation of separate
sectoral agreements.



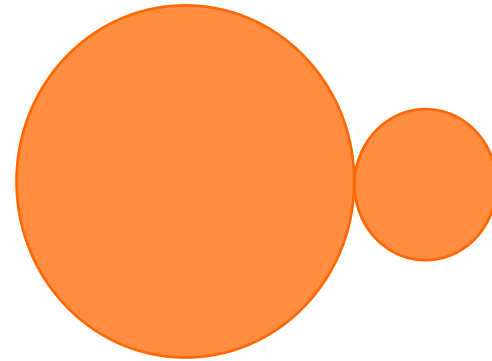
- Successful application of this model hard to envisage.
- Cost and efficiency concerns.
- Can it be consistent with defining overall environmental goal?
- One extreme of a climate policy structure.



Addition model

Builds on a comprehensive agreement. Expands its scope on a sectoral basis.

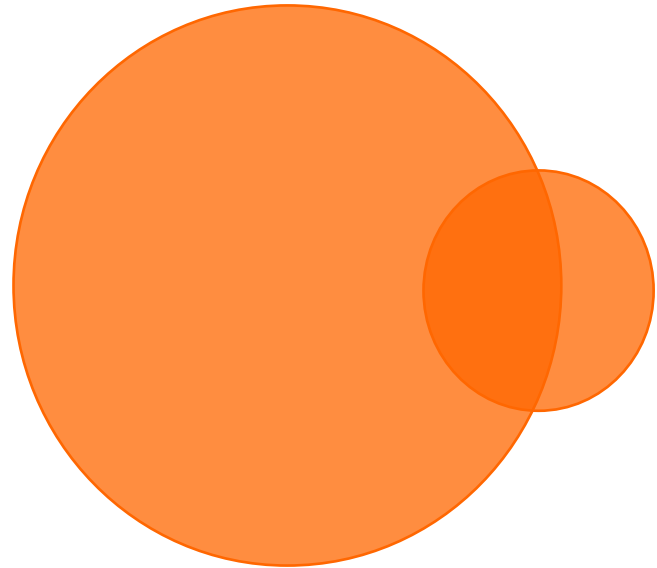
- May allow for progressive broadening.
- Includes countries that are not covered by the comprehensive agreement.
- OR sectors, gases that are not covered.



Complementary model

Sectoral agreement covers a sector which is also covered in part by a comprehensive agreement.

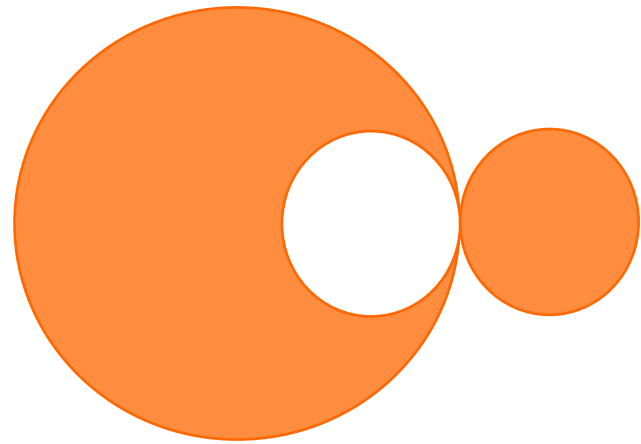
- May be useful for targeting globally-traded goods (e.g. auto agreements.)
- May also cover related non-climate agreements (energy efficiency, energy security...)



Carve-out model

A sector is treated with a specific agreement even though the countries covered are also in a comprehensive agreement.

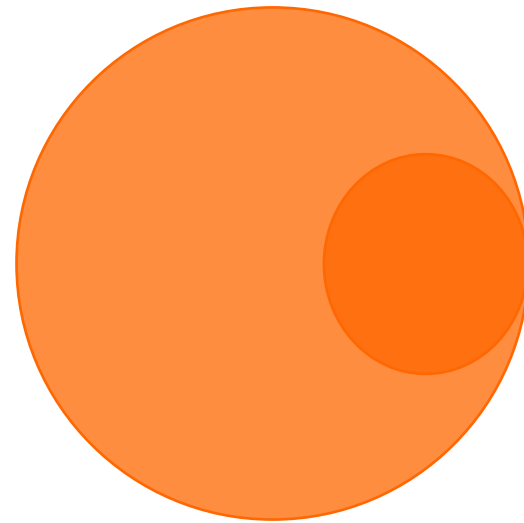
- Allows a sector with particular complexities that might jeopardize a comprehensive agreement to be set aside.
- Bunker fuels treated in this manner under Kyoto.
- Should be used sparingly, or it may trend towards a sector-only approach.



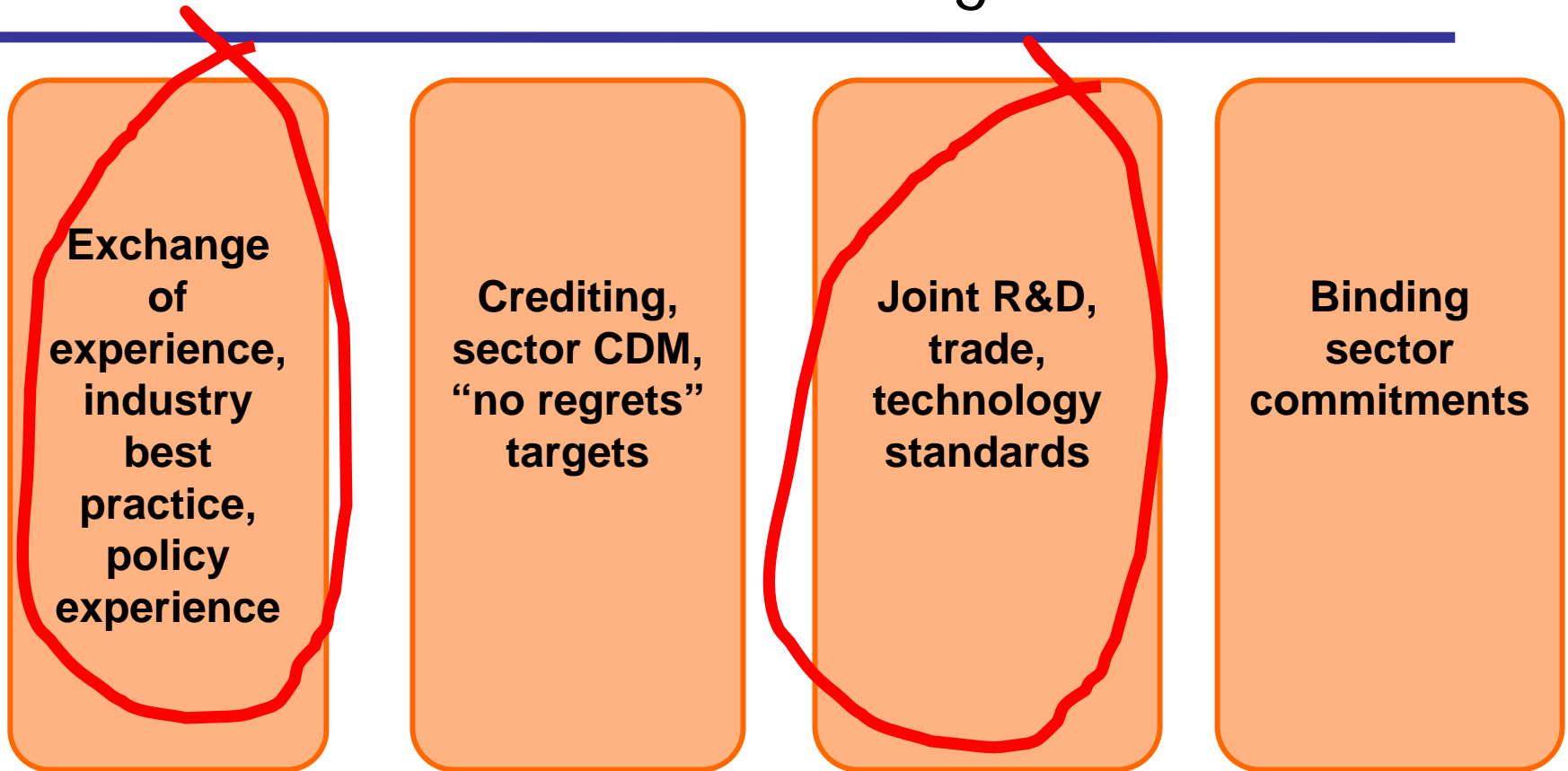
Integration model

A comprehensive agreement includes specific provisions for a defined sector.

- Does not involve a separate agreement, but specific provisions in a comprehensive agreement.
- Necessary where the specific characteristics of a sector make it very distinct.
- LULUCF are treated in this manner under the Kyoto Protocol.



What is in a sector agreement?

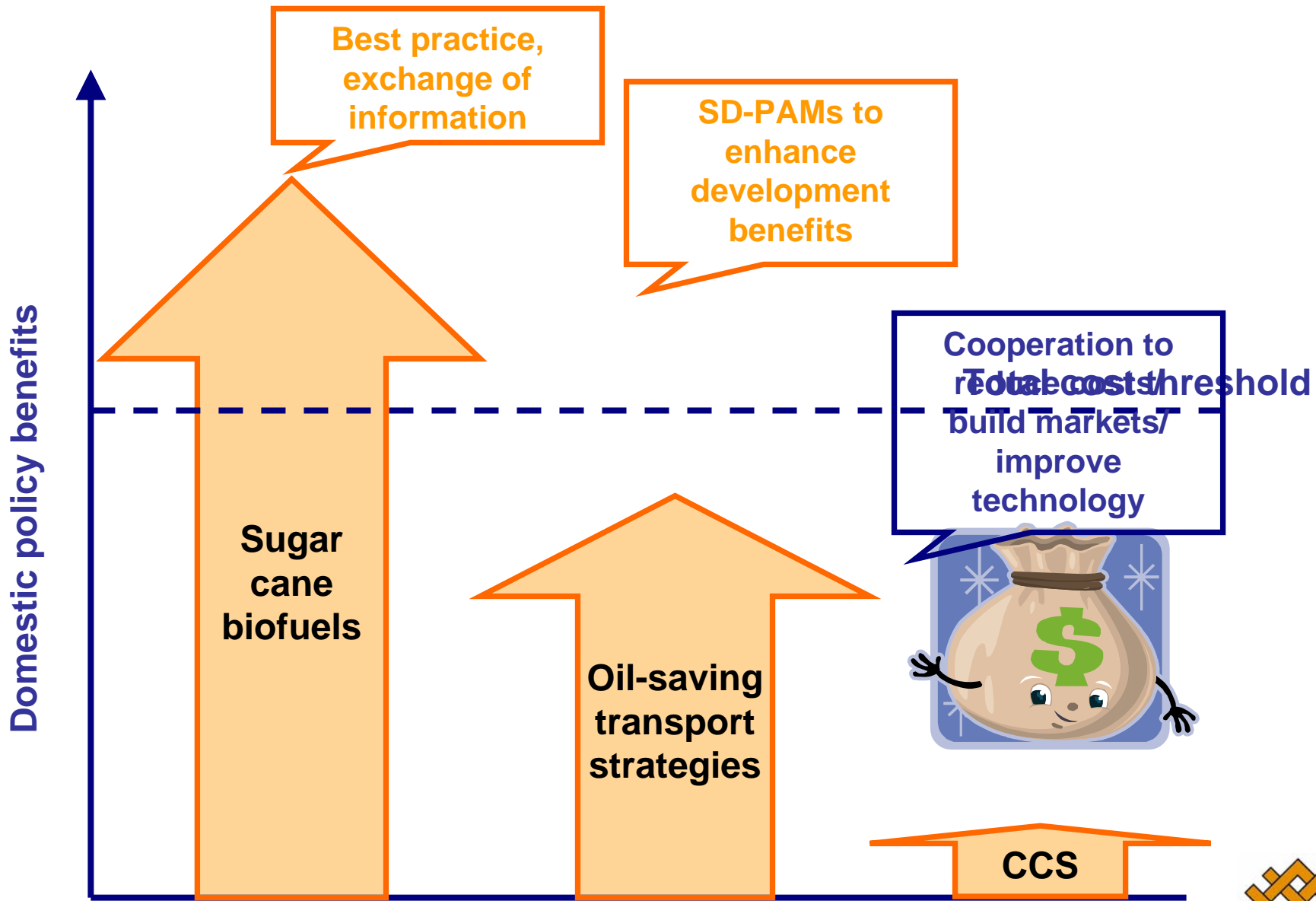


What is an SD-PAM?

A commitment to implement a policy or measure – not based on GHG emissions.

- Driven by host country development needs.
- Large-scale policies and measures, not projects.
- Development path chosen results in significantly lower emissions.
- Declared and registered under the international climate framework.





Raising the arrows and lowering the bar

SD-PAMs raise the arrow

- Tailored to the policy solution in question.
- Enhance the learning, recognition and integration benefits, and attract support.
- Driven primarily by international agreement (s).
- May involve mutual pledges.

Technology and market cooperation lowers the bar.

- Can be independent of any specific SD-PAM.
- Collaboration can focus on private sector as well as government actors.
- National policies likely more important than international agreements.
- A more equal basis for collaboration between developed and developing countries?

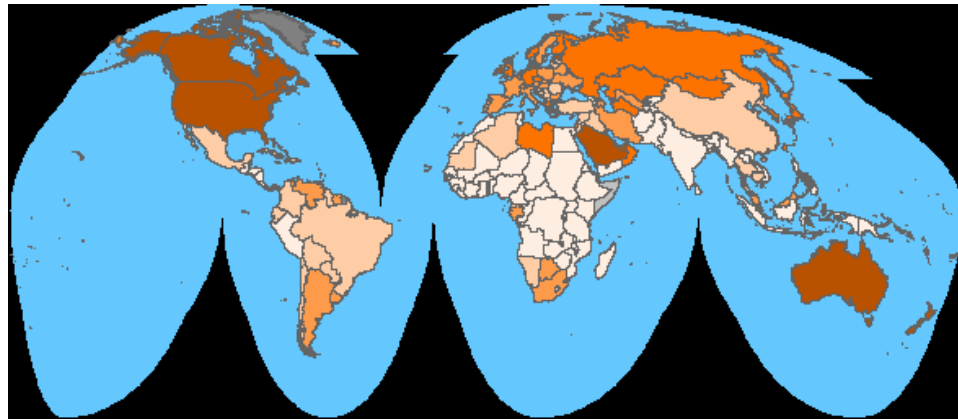
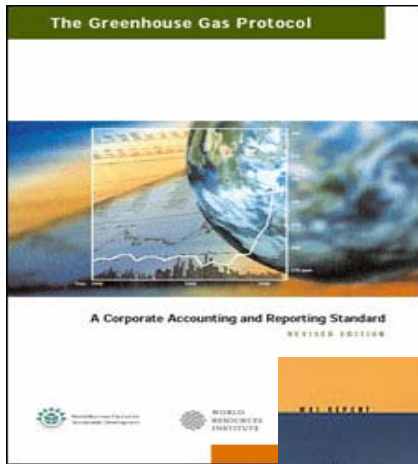


Conclusions

- Sector agreements are generally inferior to comprehensive ones.
- A range of models exist for sector approaches, many of which are already used.
- There is some potential for using sector agreements to move technology development, in coordination with SD-PAMs.



Thank you



National CO2 Emissions from Electricity/Heat, 1990-2000

