

**For Official Use**

**DSTI/SU/SC(2007)27**

Organisation de Coopération et de Développement Economiques  
Organisation for Economic Co-operation and Development

**16-May-2007**

**English text only**

**DIRECTORATE FOR SCIENCE, TECHNOLOGY AND INDUSTRY  
STEEL COMMITTEE**

**SECTORAL APPROACHES (SA) TO GREENHOUSE GAS MITIGATION - IEA ONGOING WORK**

**17 May 2007**

*Presentation by Julia Reinaud, Energy Efficiency and Environment Division, International Energy Agency (IEA).  
Steel Committee meeting, 17 May 2007, Istanbul, Turkey.*

Anthony de Carvalho, Administrator, Structural Policy Division  
Tel: +(33-1) 45 24 93 77, Fax: +(33-1) 44 30 62 63, E-mail: [anthony.decarvalho@oecd.org](mailto:anthony.decarvalho@oecd.org)

**JT03227179**

Document complet disponible sur OLIS dans son format d'origine  
Complete document available on OLIS in its original format

**DSTI/SU/SC(2007)27  
For Official Use**

**English text only**



## **Sectoral Approaches (SA) to Greenhouse Gas Mitigation - IEA ongoing Work -**

**Julia Reinaud**  
Energy Efficiency and Environment Division  
IEA

OECD Steel Committee meeting  
17 May 2007, Istanbul, Turkey

INTERNATIONAL ENERGY AGENCY

AGENCE INTERNATIONALE DE L'ENERGIE



## **IEA work on sectoral approaches - 1**

- **Clarify what sectoral approaches could bring to international climate change policy**
  - ◆ A transnational agreement *within a sector*?
  - ◆ A mechanism to progressively engage developing countries, if country-wide objectives are too challenging at first?
- **Discuss possible implementation issues**
- **Provide background on case-study industry sectors**
  - ◆ Iron and steel, cement, aluminium

INTERNATIONAL ENERGY AGENCY

AGENCE INTERNATIONALE DE L'ENERGIE



## IEA work on sectoral approaches - 2

- **Study initiated in 2007**
  - ◆ **Geographic coverage: US, China, Japan, Australia, Europe**
- **IEA committee review in October 2007**
  - ◆ **Draft available for informal review**
- **Release information paper at next UNFCCC Conference of Parties (Bali)**
- **Further work**
  - ◆ **Proposal: evaluate the potential of sectoral approaches to reduce CO<sub>2</sub>**
    - **Heavy industry + power generation**

INTERNATIONAL ENERGY AGENCY

AGENCE INTERNATIONALE DE L'ENERGIE




## Sectoral approaches: why?

- **UNFCCC Parties are searching for means to broaden greenhouse gas reduction activities**
  - ◆ **Some countries will not take country-wide targets yet**
  - ◆ **A focus on sectors could reveal win-win opportunities for CO<sub>2</sub> reductions**
  - **Sector-based commitments in a post-2012 climate regime**
- **Need to address competitiveness concerns for trade-exposed energy-intensive industries**
  - ◆ **Climate policy costs exist in some industries in some countries only – hampering their cost-competitiveness**
  - ◆ **Rapid growth (iron and steel, cement) is outside Kyoto countries**
    - **China: 1<sup>st</sup> importer in 2003, 1<sup>st</sup> exporter in 2006**
  - ◆ **Competitiveness concerns are a constraint on governments' willingness to set more ambitious goals**

INTERNATIONAL ENERGY AGENCY

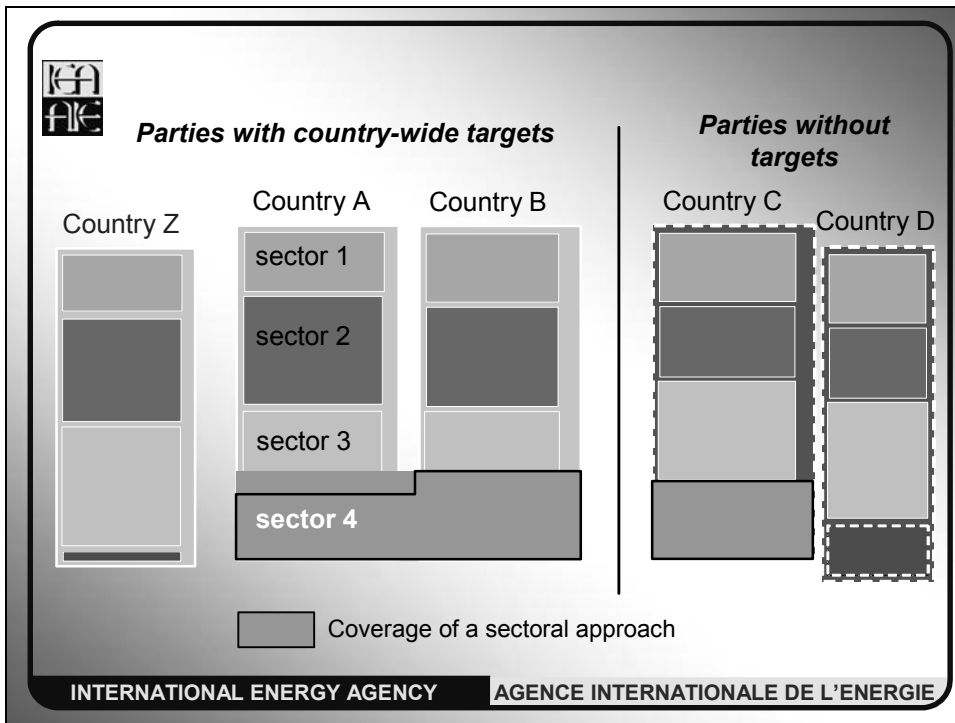
AGENCE INTERNATIONALE DE L'ENERGIE



## Sectoral approaches: a “catch-all” notion?

- **Sector-wide transnational quantitative approach**
  - E.g. International Aluminium Institute sustainability goals (incl. PFC reductions)
  - The possibility to trade CO<sub>2</sub> would require endorsement by countries with emission caps under the Kyoto Protocol
  
- **For developing countries**
  - **Sectoral objectives set at country-level: “no lose sectoral target”** (see CCAP) – with crediting for efforts past “no-regret”
  - **A commitment on Sustainable Development Policies and Measures (SD-PAMs) – no CO<sub>2</sub> crediting.** Incentives could include:
    - ◆ Access to information on best practice – including policies (example: Asia Pacific Partnership on Clean Development and Climate)
    - ◆ Collaboration on actual policy development based on best practice
    - ◆ Financial mechanism (other than Kyoto trading mechanisms)?
  
- **Technology-oriented**
  - Various public-private partnerships to deliver future low emission technologies
    - ◆ E.g. International Iron and Steel Institute “CO<sub>2</sub> breakthrough programme”

INTERNATIONAL ENERGY AGENCY
AGENCE INTERNATIONALE DE L'ENERGIE





## Sectoral Approaches Different views?

- **EU industry: a substitute, or complement, to the EU CO<sub>2</sub> emissions trading system (ETS)**
  - ◆ Some companies/federations have already started looking into sectoral approaches
  - ◆ Hard to go back on the EU ETS, if not with a simple, compelling solution to deliver additional emission reductions?
  - ◆ But sectoral insights can help make the ETS more effective
- **Japanese industry: a vehicle to pursue technical collaboration on efficiency in China, India, etc.**
  - ◆ Potential for lowering CO<sub>2</sub> in Japan's I&S limited at present?
- **In UNFCCC:**
  - ◆ Inform the debate on available CO<sub>2</sub> reduction potentials by sector
  - ◆ A way to engage developing countries

INTERNATIONAL ENERGY AGENCY

AGENCE INTERNATIONALE DE L'ENERGIE




## Challenges of sectoral approach

- **Countries' policy and technology starting points differ**
- **Does not alleviate all competitiveness concerns**
  - ◆ Crediting CO<sub>2</sub> reductions in developing countries?
- **Legal issues for industry**
  - ◆ Suspicions of cartel behaviour
  - ◆ Private sector has no seat at the UNFCCC
  - ➔ Rely on an intergovernmental negotiation with a critical mass of countries / companies?

INTERNATIONAL ENERGY AGENCY


AGENCE INTERNATIONALE DE L'ENERGIE



## Request to the OECD Steel Committee *Seeking information on policies*

- **What policies address the sector's GHG emissions or encourage energy efficiency improvements?**
  - ◆ Information already gathered for Australia, China, the European Union, Japan and the United States
  - ◆ IEA is seeking information for other countries
  - ◆ See Room Document
- **[Julia.Reinaud@iea.org](mailto:Julia.Reinaud@iea.org)**

INTERNATIONAL ENERGY AGENCY      AGENCE INTERNATIONALE DE L'ENERGIE



## Questions for discussion

- **What economic, energy and environment challenges have synergies with global CO<sub>2</sub> reduction objectives?**
  - Pressure on resources (see China's PM reaction on exports)
- **Monitoring steel trade flows with an eye on CO<sub>2</sub>?**
  - What would be a robust marker of carbon leakage?
- **Concerns about cost competitiveness in the context of climate policy**
  - What policy tools are available to offset CO<sub>2</sub> costs?
- **Views on various forms of sectoral approach in I&S:**
  1. An incentive for developing countries' engagement in CO<sub>2</sub> reductions?
  2. Tool to inform discussion on sectoral potentials, or a full-blown strategy to reduce CO<sub>2</sub> in the sector?
  3. Technology R&D: what role for governments?
- **Is anti-trust a serious barrier to industry-led SA?**

INTERNATIONAL ENERGY AGENCY      AGENCE INTERNATIONALE DE L'ENERGIE