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Round Table on Sustainable Development

POST KYOTO SECTORAL AGREEMENTS:
A CONSTRUCTIVE OR COMPLICATING WAY FORWARD?

AGENDA

12-13 March 2009
OECD Headquarters, Château de la Muette, Paris

English - Or. English

22nd ROUND TABLE ON SUSTAINABLE DEVELOPMENT

POST KYOTO SECTORAL AGREEMENTS:
A CONSTRUCTIVE OR COMPLICATING WAY FORWARD?

to be held at OECD Headquarters
Château de la Muette, Paris
12-13 March 2009

12 March – George Marshall Room

19:30

APERITIF

20:00

DINNER

21:00

AFTER-DINNER SPEECH

Prospects for Carbon Capture and Storage

Mr. John Barry, Vice President, Unconventionals and Enhanced Oil Recovery
Shell International

13 March

9:00[*] – ***Room C***

DISCUSSION (see following pages)

- Are sectoral agreements a constructive or a complicating way forward? (Question 1)
- Can sectoral agreements resolve the tensions between constraining emissions growth and respecting common but differentiated responsibilities? (Questions 2 – 4)
- Sectoral agreements and competitiveness concerns (Question 5)
- Relationship between global sectoral agreements and national caps (Question 6)

13:30 – ***George Marshall Room***

BUFFET LUNCHEON

[*] *At the Chair's discretion, there will be a fifteen-minute break for refreshments.*

Questions for Discussion

This meeting of the Round Table seeks to turn the spotlight on whether sectoral agreements represent a useful way forward in addressing climate change. The title of the background paper sums it up: *Post Kyoto Sectoral Agreements: A Constructive or a Complicating Way Forward?*

Much has been written about sectoral agreements. But without understanding in some detail the practicalities of negotiating and implementing them, it is hard to know whether they could add value or simply prove to be a distraction. The purpose of the meeting is to shed some light on that question.

Because it can't be answered in a vacuum, we developed in our paper two prototype sectoral agreements – 'straw men'- which enable participants to consider many of these practicalities and the tensions that they can create. In elaborating a sectoral crediting agreement in the power generation sector and a sectoral emissions agreement for the cement sector we have tried to give a 'comprehensive' feel for what would be involved.

But we must stress: *neither of these prototypes is being advocated as the best alternative that can be conceived.* That is not the Round Table's role. The prototypes are simply there to provide the basis for an informed discussion. That discussion will address the following questions.

Firstly, a very general question:

1. *Does a sectoral approach make the task of moving forward on climate change easier or does it make it more complicated? Do sectoral approaches of the type outlined in the paper make implementation easier than national level commitments?*

Any sectoral agreement has to be worth joining and deliver environmental benefits. Trying to square these ambitions and at the same time respect the need for common but differentiated responsibilities taking into account different stages of development is no easy thing.

The sectoral crediting agreement in the paper demonstrates how quickly a catch-22 can arise. The value of credits and the environmental benefit they represent is highest if developing country emissions are constrained well below their business-as-usual trajectory. But that constraint is contentious for many developing countries. On the other hand, adopting a no-lose approach and being relatively undemanding about how far below business-as-usual emissions need to fall before credits can be earned can see their value wiped out and little in the way of emissions reductions achieved.

2. *Is it worth having a sectoral crediting agreement if there is no additional reduction in emissions? If not, how can additionality be achieved in a way that is consistent with the principle of common but differentiated responsibilities?*
   a. *To what extent should policies and measures already announced be eligible to generate credits?*
   b. *If developed countries fund policies and measures that put a developing country in a position to earn credits under a no-lose target how can they be sure there is no double funding?*

3. *If credits can be earned for little or no additionality over and above business as usual, there is a risk that the volume of credits could be so large as to seriously erode their value. How can the value of credits be maintained so that the flow of investment to developing countries can be reliable and the environmental improvements being purchased worthwhile?*

a. Are any of the following reasonable options for managing the value of credits:

i. Discounting credits

ii. Price floors underwritten by an intergovernmental fund

iii. Limiting sectoral agreements to small(er) sectors

iv. Facility to lower developed country caps to stimulate demand

4. *What would need to be done to sectoral agreements such as those detailed in the paper to avoid the charge that they were simply seeking to impose targets on developing countries through the back door? Is a no-lose approach necessary to make a sectoral agreement acceptable? Would sufficient up-front funding eliminate the need for a no-lose approach?*

Some of the interest in sectoral agreements has come from particular industrial sectors. These are often sectors in which the production of a largely uniform, globally traded commodity is sensitive to the presence or absence of carbon prices. While the Framework Convention on Climate Change secured the principle of common but differentiated responsibilities, it was never intended that the partial application of emissions caps should lead businesses to shift production from capped to uncapped regions. Yet that is a risk particularly if developed countries make deeper cuts than those required by the Kyoto protocol.

5. *Sectoral agreements may not adequately address competitiveness problems. What elements of sectoral agreements are needed to ensure that they improve rather than worsen concerns about competitiveness? Do post-Kyoto sectoral agreements need to address competitiveness concerns or can those concerns reasonably be dealt with elsewhere including through domestic or bilateral arrangements?*

Any sectoral agreement would still have to co-exist alongside economy-wide measures.

6. *Would it be possible to operate a cement emissions agreement (along the lines outlined in the paper) alongside national emissions caps in Annex 1 countries? What would need to be done to make the two mechanisms compatible?*

7. *Establishing an intergovernmental sectoral agreement does not dictate replicating the international approach at a domestic level. This introduces the possibility of many different approaches to implementing a sectoral agreement on the ground. Would a sectoral agreement need to be implemented in a similar way across countries to ensure its effectiveness?*

Finally, some more general questions:

8. *Financing from sectoral agreements could make new technologies more affordable in developing countries. From an industry perspective, are additional measures required to ensure technology transfer?*

9. *Some industries see sectoral agreements as a possible way forward, others do not. Is it reasonable to pursue sectoral agreements in some major emitting sectors and not others? In practice, how would one choose the sectors to include/exclude?*

10. *Should sectoral agreements be seen as a long term solution or a half-way house towards more comprehensive policies?*