

Carbon Markets as a policy challenge: how to move SA to the low carbon economy:

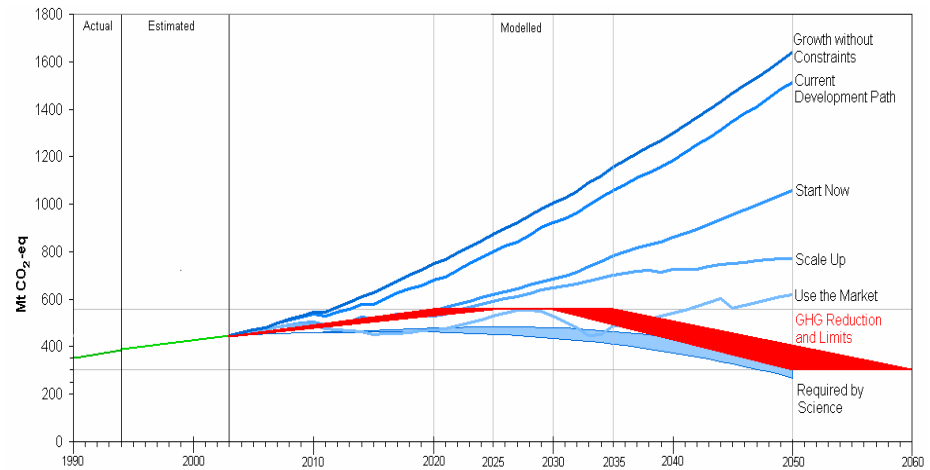
# **CARBON MARKETS**

# A proposal

## Timetable

- There are four periods ahead: preparation (now to 2012), upwards to the cap (2012 to 2020/5), the plateau (2020/5 to 2035), the decline (2035 to 2050). We need to concern ourselves with the first two periods now. Urgently.

## Objective



# In the preparation phase: 1

## The CDM as is

- The CDM is only instrument
- Has limited ability in current form to deliver scaled emissions reductions
- Project approach is complex, not appropriate to scaled requirement
- Programmatic approach may produce results during this time
- Suppressed demand interesting in helping the poor

## **In the preparation phase: 2 CDM reform: the sectoral approach**

- After 2009?
- Problems with baselines and additionality
- A sectoral approach, either crediting below sectoral baselines) or under no-lose targets may be introduced
- The latter may drive the trajectory in the preparation phase

# In the preparation phase: 1

## Inventorising

- This is essential to the sector approach and to all future approaches
- Work is in progress
- Will need to implement soon, and could ramp up through pilot phase
- This is the foundation stone...

# Upwards to the cap and plateau:1

## Positive incentives

- Numerous possibilities exist, i.a.:
  - 1.Feed-in tariff
  - 2.SWH subsidies at scale
  - 3.Technology incubation and R&D
  - 4.Lifting of tariffs and barriers
  - 5.Tax breaks

# Upwards to the cap and plateau:1

## Cap and Trade

- Deepened discussions underway to investigate the possible shape of a Emissions Trading system for SA
- We have examples, and can avoid mistakes
- However we have an emissions profile perhaps not well suited to ET

# Upwards to the cap and plateau:1

## Carbon Tax

- Has the advantage of engaging all players along the value chain
- Also: much preparation needed
- Options include upstream, downstream, consumer-based approaches
- Numerous questions, for example on destination of funds

**THANK  
YOU**