

INCENTIVIZING POST-2020 AMBITION THROUGH INDCS AND THE ROLE OF MARKETS



PRESENTED BY:

ALBERT A. MAGALANG
ENVIRONMENTAL MANAGEMENT BUREAU
DEPARTMENT OF ENVIRONMENT AND NATURAL
RESOURCES
THE PHILIPPINES

OUTLINE

- I. “INTENDED” NDCs AND THEIR ELEMENTS
- II. EXAMPLES OF MITIGATION COMMITMENTS, PLEDGES, CONTRIBUTIONS
- III. POLICY AS PART OF CONTRIBUTION
- IV. INCENTIVES SCHEMES & CO-BENEFITS
- V. POST-2020 MARKETS: CHALLENGES
- VI. FVA, NMM, NMA
- VII. NEW MARKETS IN A NEW CLIMATE REGIME
- VIII. MOVING MARKETS FORWARD

‘INTENDED’ NDCs

- to achieve a global ambition level to limit global warming below 2°C based on pre-industrial levels
- to aim at a mitigation goal with progression beyond current undertakings of a particular Party
- to transform goals into a legally binding mitigation commitment under the 2015 agreement
- must be transparent, quantifiable, comparable, verifiable and ambitious

ELEMENTS OF INDCs

National Goals

- Economy-wide
- Sectoral commitments
- Emission intensity

Policies

- Regulations or standards
- Taxes or charges
- Subsidies or Incentives (*incentive-based policies*)

Projects

- Large-scale or Small-scale GHG emissions reduction

ELEMENTS OF INDCs

National Goals

- Economy-wide
- Sectoral commitments
- Emission intensity

Policies

- Regulations or standards
- Taxes or charges
- Subsidies or Incentives (*incentive-based policies*)

Projects

- Large-scale or Small-scale GHG emissions reduction

EXAMPLES OF MITIGATION COMMITMENTS, PLEDGES, CONTRIBUTIONS

Type	Example 2020 pledges	Characteristics	Most important information requirements for gap assessment
Economy-wide emission reduction targets	Relative to base year: USA, EU, Japan	<ul style="list-style-type: none"> - Full flexibility where to reduce emissions - For developed countries a continuation of the status quo 	Accounting for forestry
	Relative to baseline scenario: Brazil, Mexico, Chile, South Korea	<ul style="list-style-type: none"> - Full flexibility where to reduce emissions - Can factor in economic growth - Creates a "moving target" if baseline changes 	Level of baseline scenario
	Relative to GDP: China, India	<ul style="list-style-type: none"> - Full flexibility where to reduce emissions - Adaptive to changes in economic development - Emission outcome uncertain 	Assumed level of future GDP
Energy targets	China, Peru	<ul style="list-style-type: none"> - Closer to actual actions than emission targets 	Definition of the target, quantification of impact on emissions
Policies	Brazil, Argentina	<ul style="list-style-type: none"> - Directly under control of the government 	Quantification of impact on emissions
Projects	Ethiopia	<ul style="list-style-type: none"> - Very detailed in scope 	Quantification of impact on emissions

Source: Ecofys

POLICY AS PART OF CONTRIBUTION

- **national governments have direct control**
- **clearly expressed as part of contribution**
- **may be in the form of regulations and standards**
- **may include economic instruments such as:**
 - carbon market
 - taxes
 - charges
 - subsidies
 - incentives

INCENTIVES SCHEME (PHILIPPINE ENVIRONMENTAL LAWS)

Non-fiscal incentive

- Inclusion in the Investments Priority Plan (IPP)

Fiscal Incentives

- Tax and Duty Exemption on Imported Capital Equipment
- Tax Credit on Domestic Capital Equipment
- Tax and Duty Exemption of Donations, Legacies and Gifts

INCENTIVES SCHEME (PHILIPPINE RENEWABLE ENERGY LAW)

- Income Tax Holiday (ITH)
- Duty-free Importation of RE Machinery, Equipment and Materials
- Special Realty Tax Rates on Equipment and Machinery.
- Net Operating Loss Carry-Over (NOLCO)
- Corporate Tax Rate
- Accelerated Depreciation.
- Zero Percent Value-Added Tax Rate
- Cash Incentive of Renewable Energy Developers for Missionary Electrification
- Tax Exemption of Carbon Credits
- Tax Credit on Domestic Capital Equipment and Services

INCENTIVES & CO-BENEFITS

- ☐ **Air Pollution and Health**
- ☐ **Energy Security**
- ☐ **Energy Access**
- ☐ **Employment**
- ☐ **Ecosystem Impacts**

POST-2020 MARKETS: CHALLENGES

A fragmented market

- Various crediting mechanisms
- Existing market demand with varied restrictions / priorities

Are majority of global emissions included in INDCs?

- International transfers mostly “trading” – not crediting
- Limited supply of domestic crediting

Intl framework for crediting **beyond 2020**

		<u>Within</u> the scope of Kyoto targets INDCs	<u>Outside</u> the scope of Kyoto targets INDCs
Compliance market	International unit transfer	JI JCM/BOCM (Japan)? NMM?	CDM JCM/BOCM (Japan)? NMM?
	Domestic use of units	JI CAR (California) CCERs (China)? CDM, VCS, GS CCBA (South Africa)?	CCERs (China)? CDM, VCS, GS CCBA (South Africa)?
Voluntary market		VCS? GS VERs?	VCS GS VERs

Source: L. Schneider, Stockholm Environment Institute

FVA, NMM, NMA

- **future role of carbon markets are being negotiated outside the ADP, within SBSTA**
- **agreement is being worked on a Framework for Various Approaches (FVA), as a way of linking market and non-market based mitigation actions as commitments under the Convention**
- **FVA could facilitate the transfer of units between different countries in the absence of KP-like architecture, framing up a New Market Mechanism (NMM) as well as Non-Market Approaches (NMA)**

FVA, NMM, NMA

- **BUT parties have to agree on the definition of these 3 concepts to move the discussion forward**
- **discussions on FVA were stalled in Lima with the disagreement by Parties on whether these talks should continue in SBSTA or be transferred to the ADP**
- **the transfer would preempt ADP outcomes and the decisions on whether to include or not, markets in the new climate agreement**

NEW MARKETS IN A NEW CLIMATE REGIME (POST-2020)

- **Paris climate deal is being negotiated under the UNFCCC's ADP**
 - ADP's mandate does not address carbon markets
 - questions on carbon markets – in the context of emissions accounting
 - a regime lacking the top-down KP architecture - potential for double counting
- **Paris agreement should allow international transfers to help countries implement their NDCs**
- **Paris agreement should establish a common accounting standards and other measures**

MOVING MARKETS FORWARD

- **A comprehensive UNFCCC accounting framework for international transfer of mitigation outcomes**
 - Transferring mitigation outcomes within the scope of INDCs
 - Using credits from mitigation outcomes outside the scope of INDCs
- **agreement on international rules and mechanisms similar to KP architecture**
- **development of a common multilateral standards for markets**

REFERENCES

- Center For Climate And Energy Solutions
- Lambert Schneider, Associate to Stockholm Environment Institute
- Mr. Brian Mantlana, Relevance of INDCs for the 2015 Agreement
- New Climate Institute
- Ecofys, Intended Nationally Determined Contributions under the UNFCCC : Discussion paper

THANK YOU ...

