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E-MISSION POSSIBLE

Low-emission investment and ETS reform

14 February 2018

Motu Presentation

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“Climate teams: A model for international cooperation”

Funders:



The problem

Globally we need to get to net-zero long-lived gases

Mismatch between mitigation opportunities and resources/
commitments to mitigate

e.g. Host: Colombia

Investors: New Zealand, Republic of Korea...

We can help accelerate the transition to low emissions in
countries like Colombia.

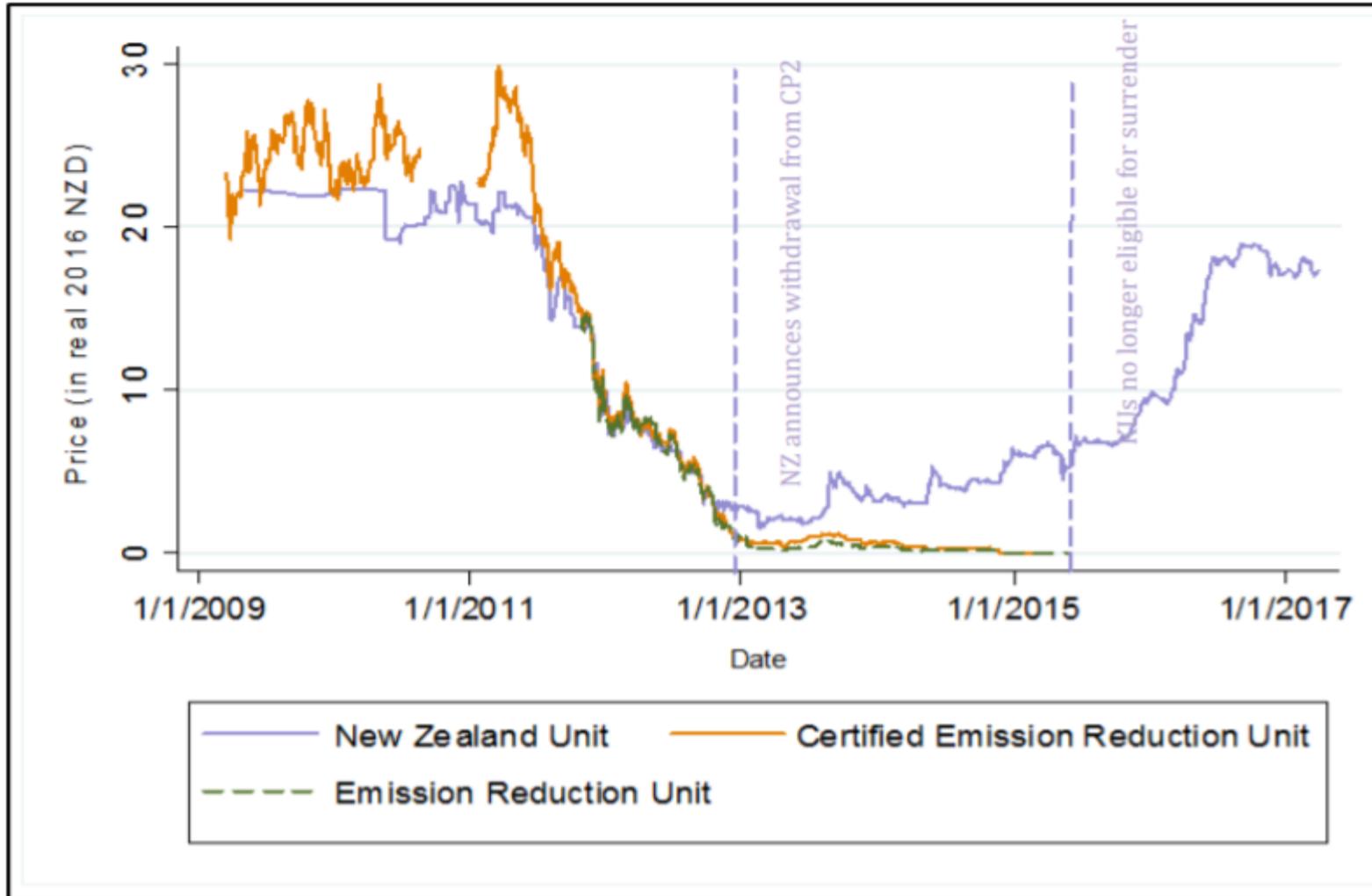


International emission reductions

1. We need them – **and** they are part of our contribution to global low emissions transition
2. We can't buy them from the UN mechanism or through ETS linkage – yet – and may not want to even if we can
3. Government should control the amount of international emission reductions used by NZ; unlimited linkage implies
 - loss of control of price; and
 - loss of control over domestic decarbonisation



ETS linking is risky – especially for the small



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 - loss of control of price; and
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4. Taxpayers should get the benefit from lower-cost international emission reductions
5. Government may be able to access better quality, lower-cost international emission reductions than other domestic actors
6. **Conclusion: Purchasing should be led by government (the only option now), and any future purchase-and-surrender by ETS participants should be limited and not affect total supply**



Government-led purchasing options

Purchase from UN mechanism (or tender for private actors to purchase from UN mechanism)

Purchase from government with strong ETS and overall compliance – but these countries don't need our help

'Climate team' with weaker government and low-cost reduction opportunities

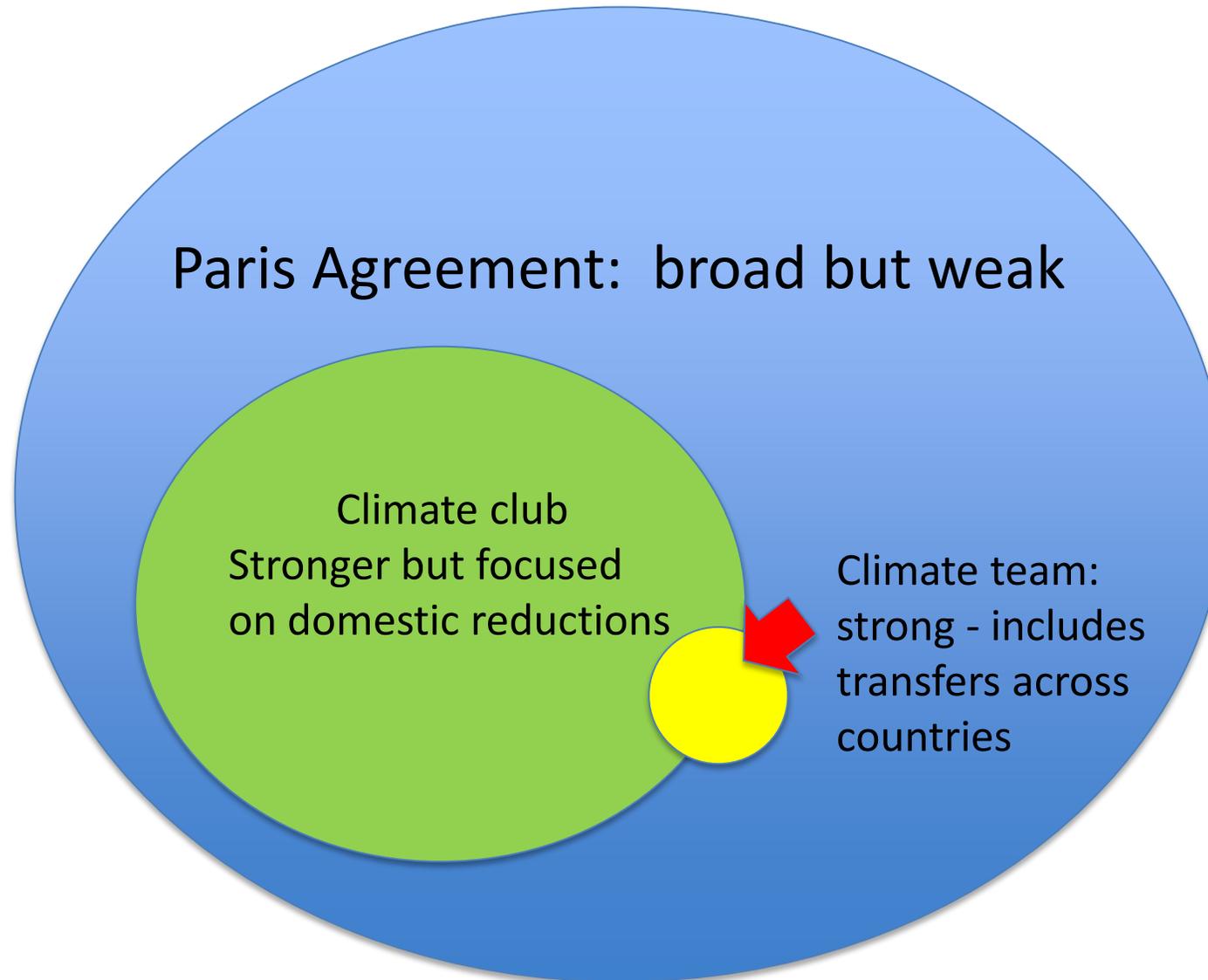


‘Climate Teams’

- working together to accelerate others’ low emission transitions



Layers of global cooperation



What 'hosts' need (Colombia)

1. Guarantee of income flow if they make large costly (economically or politically) systemic changes
 - energy transition
 - public transport infrastructure
 - electrification of vehicles
 - transition of land out of cattle ranching
 - creation and implementation of large scale reforestation programme
2. Expertise
3. Access to capital
4. Co-benefits from contract
 - e.g. poverty reduction, assist peace process, climate adaptation



What 'investors' need (New Zealand, Korea...)

1. 'Internationally transferrable mitigation outcomes' to meet ambitious international targets during period of domestic transition to low emissions

....and beyond – can continue to contribute to others' mitigation

2. Credible units in the eyes of domestic taxpayers and voters

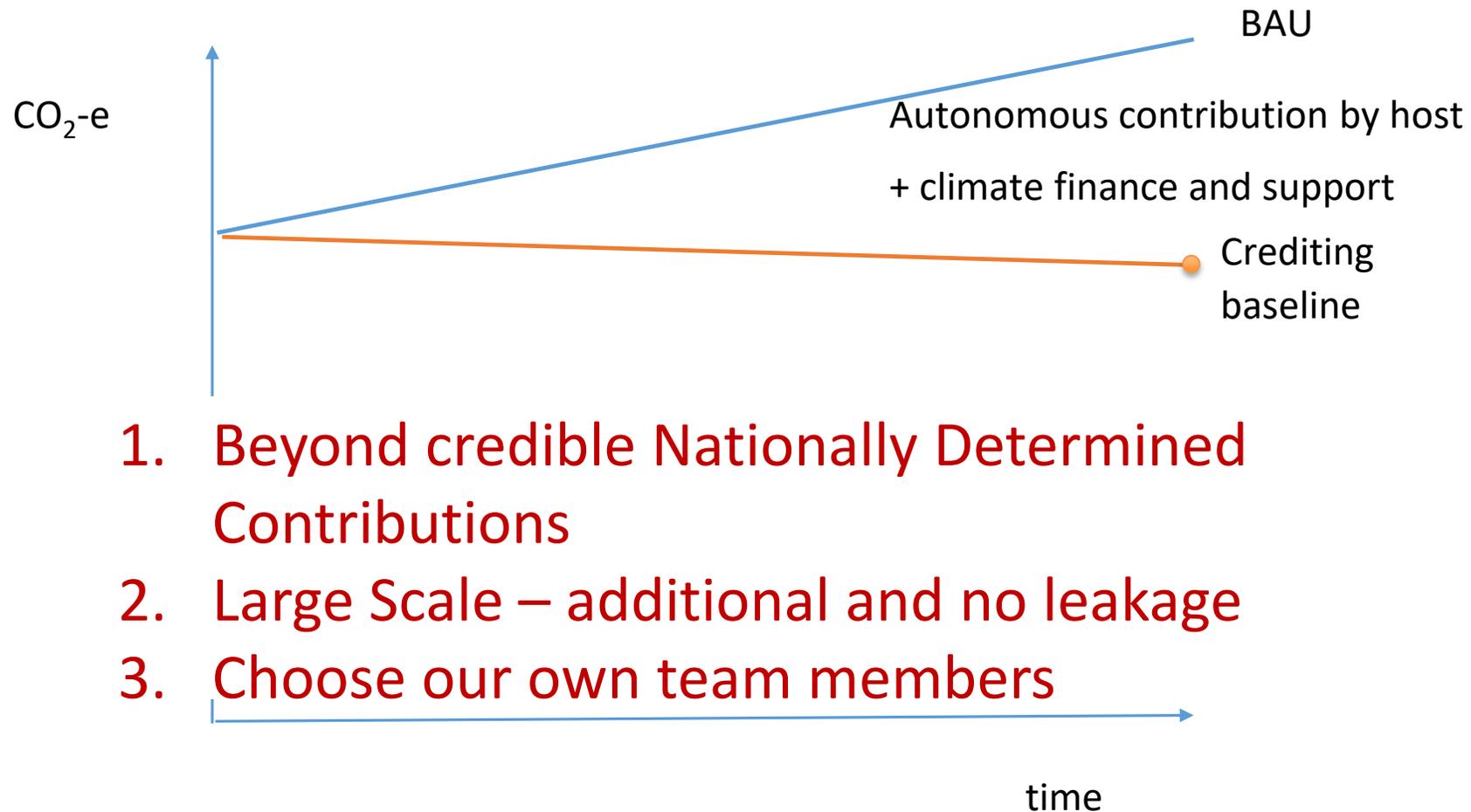
and in the eyes of other countries – to encourage reciprocal cooperation

co-benefits associated with resource transfers

– e.g. poverty reduction, assist peace process, climate adaptation

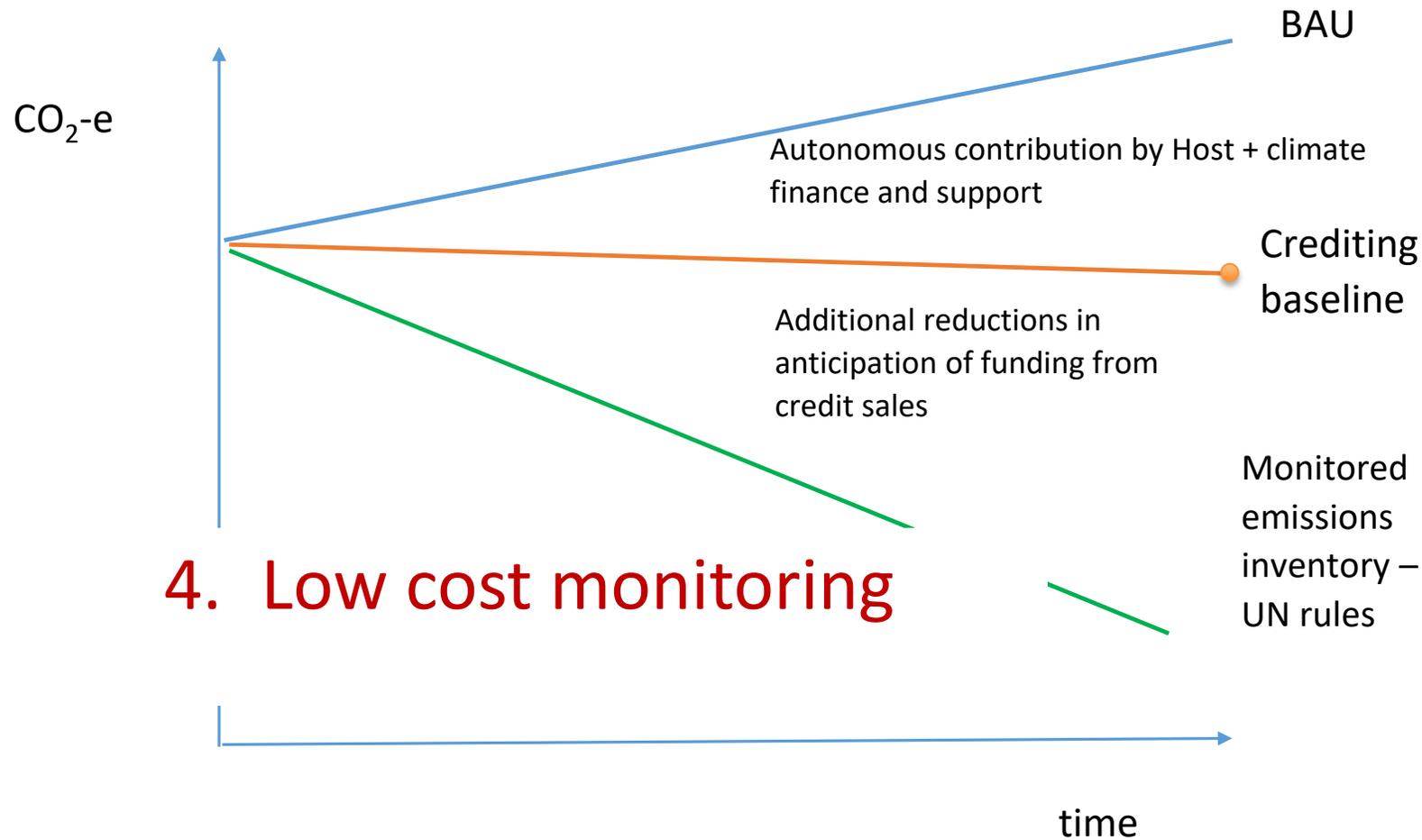


Climate team model

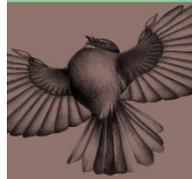


1. Beyond credible Nationally Determined Contributions
2. Large Scale – additional and no leakage
3. Choose our own team members

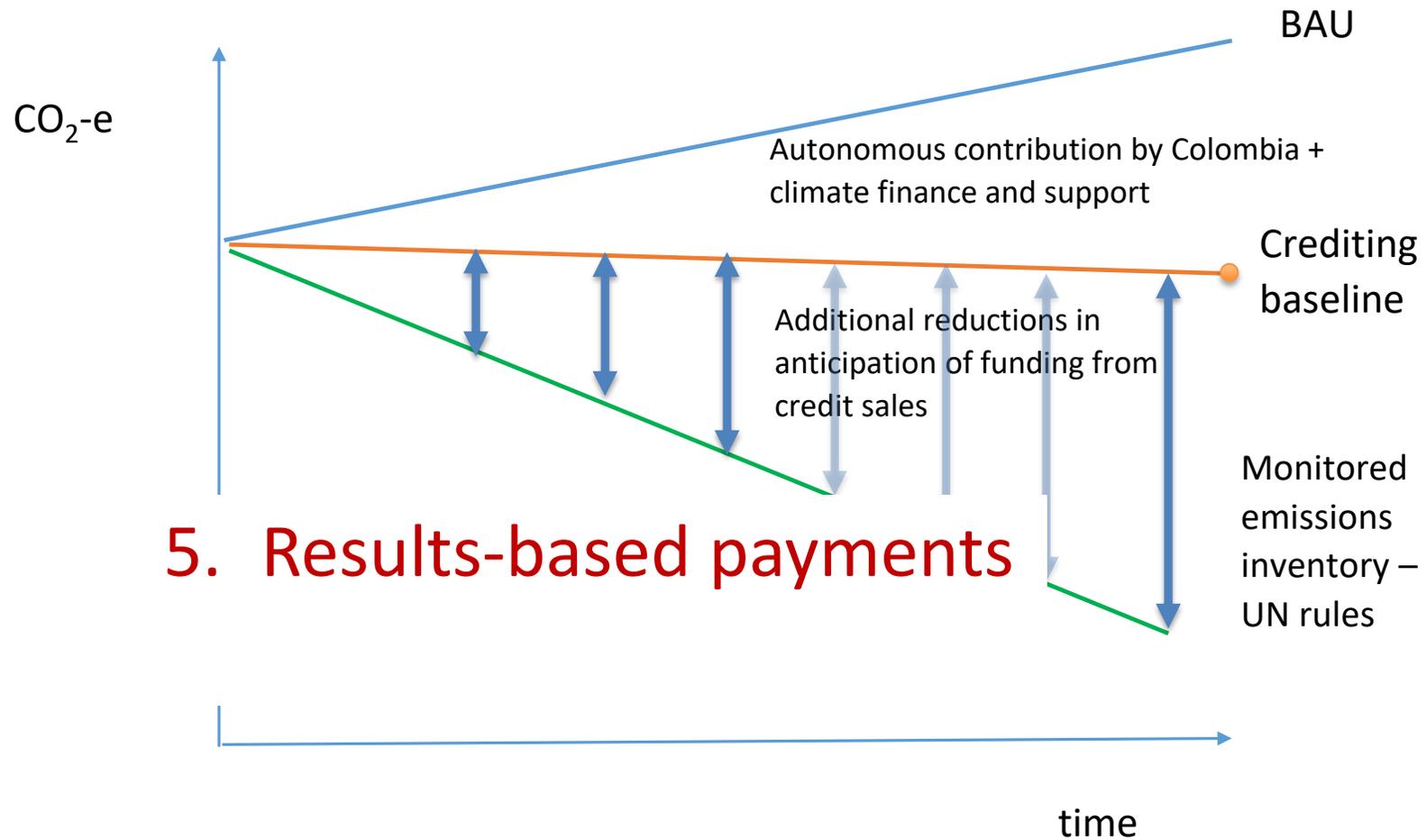
Climate team model



4. Low cost monitoring



Climate team model



Climate team

1. Agree on a crediting baseline – at least as ambitious as NDC
2. Use ‘climate finance’ strategically to help host country reach NDC
3. Agree on a minimum credit price – to protect the host

The investor is required to pay at least this amount

4. Agree on a maximum credit price – to protect the investor against high international prices

The host may not sell to others unless the investor agrees

5. Agree on a level of funding committed in advance by the investor

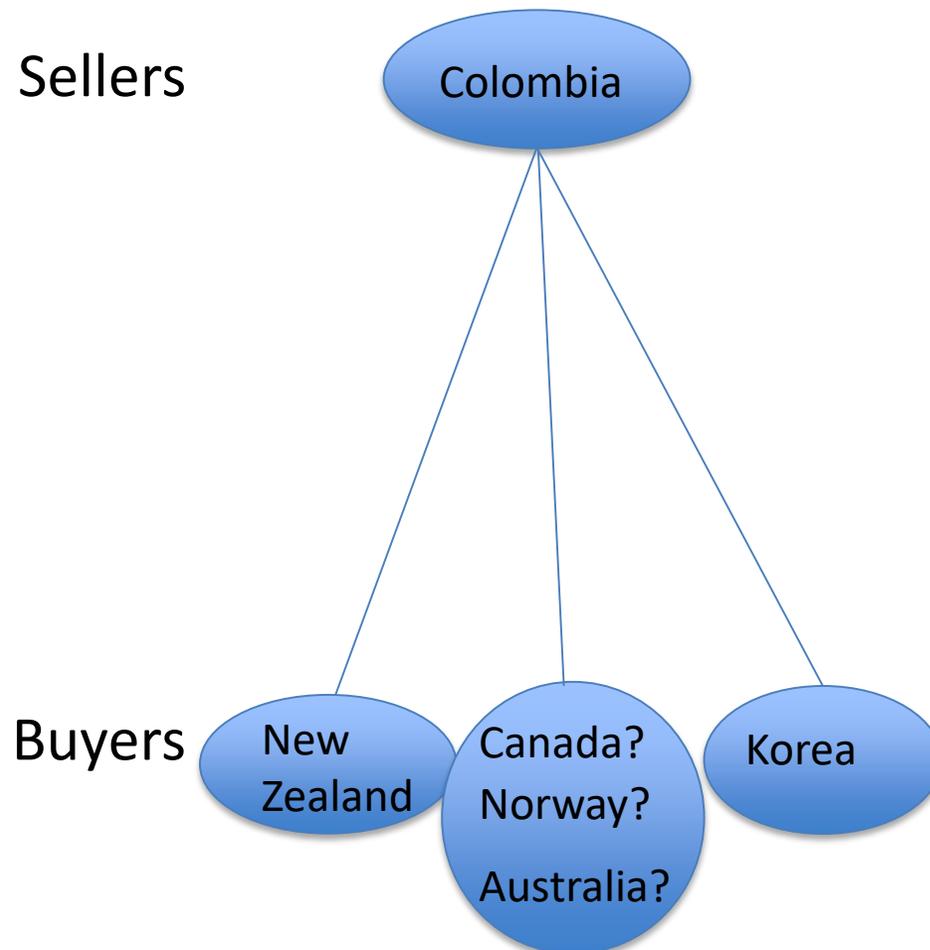
Once this is spent on credits, the contract ends

6. Complement contract with aligned finance and expertise

Aligns incentives of all with low emissions transition



Risk of lack of supply: seller constrained to sell to team



Network of climate teams?

