Fourth Workshop on Enhancing the Regional Distribution of CDM Projects in Asia and Pacific

Domestic Emission Trading Schemes and their Linkages

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Emission Trading Schemes: Background

- Emission trading scheme (ETS) has been considered an important market-based instrument to control GHG emissions cost-effectively.

- Currently a growing number of countries including developed and developing countries, are developing their cap-and-trade ETS in Asia and the Pacific.

- COP 17 in Durban launched a process to develop a climate protocol, another legal instrument or an agreed outcome with legal force under the Convention applicable to all Parties.

- This global climate protocol will be adopted in 2015, come into effect and implemented after 2020.

- This global climate protocol will establish comparable national emission efforts/targets for all countries in specified periods beyond 2020.
Current Status and progress updates

• New Zealand and Australia ETSs are already in operation.
• Kazakhstan planned to operate its ETS in August 2013.
• Republic of Korea scheduled its ETS to start in January 2015.
• China initiated pilot ETSs in five cities and two provinces, and a national ETS would be expected in operation after 2015.
• India, Indonesia, Thailand and Vietnam are working towards development of domestic ETS in future.
Potential Benefits of ETS

Linking emission trading systems can offer a number of potential benefits, including:

- minimizing the mitigation cost for the given emission reduction targets,
- increasing market liquidity, providing the carbon price more stable,
- preventing competitiveness distortions and carbon leakage, and
- supporting global cooperation on climate change through financial flow and technology transfer between linking partner countries.

Linking emission trading systems in Asia and Pacific not only create a win-win situation for the linking partner countries, but also providing a model for the world of how international cooperation between developed and developing world to address climate change through use of carbon market.
ETS – Way Forward

• While, ETS linkage among countries may face political, technical and methodological challenges and difficulties if the designing methods and key designing consideration of each ETSs would diversify greatly from country to country that will lead to different characteristics and incomparability between schemes.

• To enable cooperation and possible future integration under a regional or global carbon market, it will be critical to engage interested countries into early technical and policy dialogues in the development of these domestic schemes.
Thank you

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