

Power Sector Proposals

Where Development Meets Climate
24-25 September 2008 The Hague

SD-PAMS and BAT/BP

- Technical efficiency
 - By system
 - Variable endowments prevent sectoral performance standard
 - By technology and vintage
- Power Generation portfolio standards
 - RPS, fossil fuel upgrades or phase outs
- Grid upgrading (complementary) infrastructure
- Other policies and measures
 - Pricing and subsidies
 - DSM; efficiency mandates; decoupled revenues
- Non-commercial technology development

Developed Country Commitments

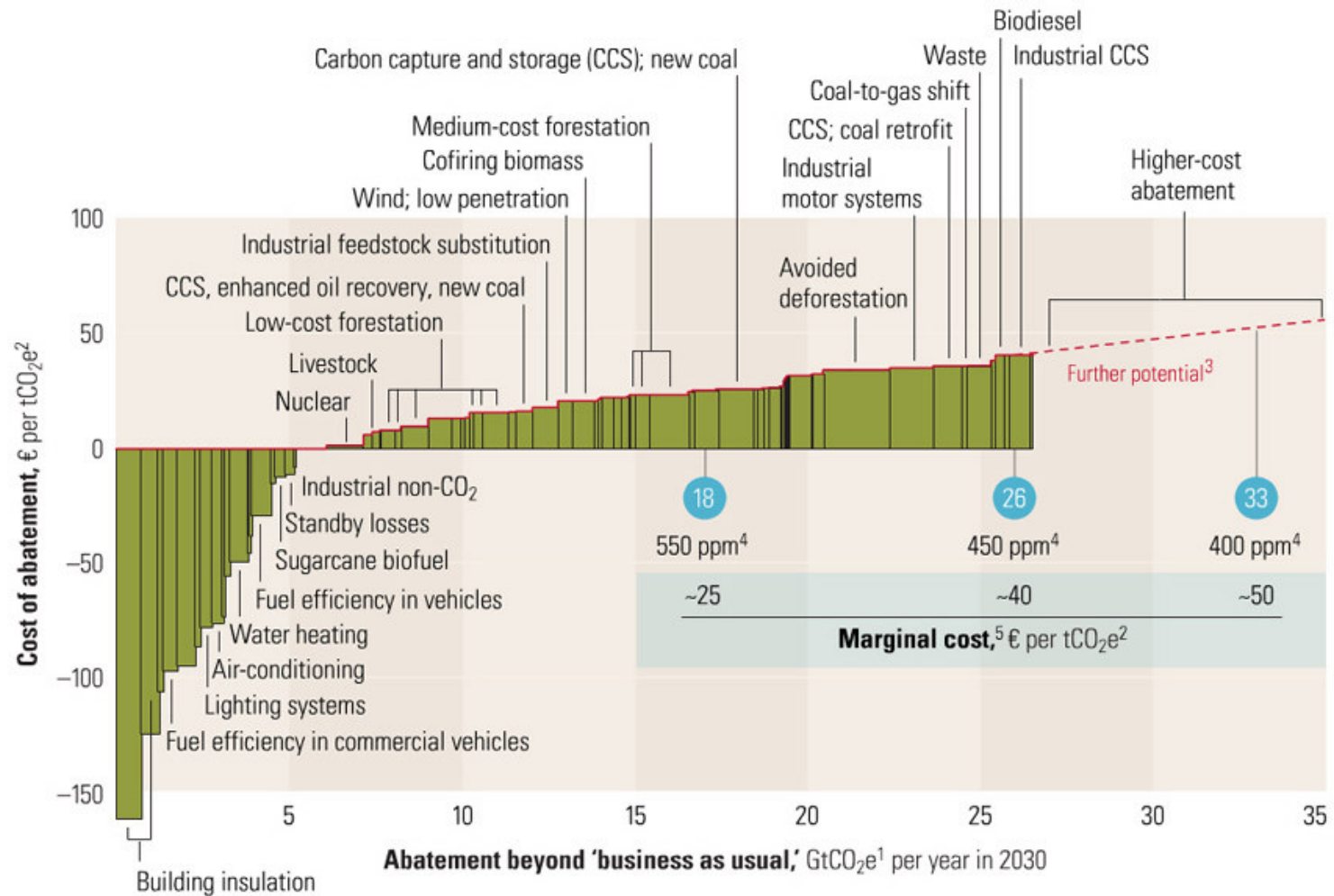
- Mid-range targets acceptance and compliance
- Commitment to funding new mechanisms
- Long range credible national action pathways to 2050 goals

Principles

- Build on national actions plans
- Double parallel funding facilities
- Based on country pathways to a low carbon economy
- Don't reward bad behavior; don't punish good behavior
- Expert administration
- No access to carbon markets (except low income nations)
- Time consistency and staging by development

Global cost curve for greenhouse gas abatement measures beyond 'business as usual'; greenhouse gases measured in GtCO₂e¹

● Approximate abatement required beyond 'business as usual,' 2030



¹GtCO₂e = gigaton of carbon dioxide equivalent; "business as usual" based on emissions growth driven mainly by increasing demand for energy and transport around the world and by tropical deforestation.

²tCO₂e = ton of carbon dioxide equivalent.

³Measures costing more than €40 a ton were not the focus of this study.

⁴Atmospheric concentration of all greenhouse gases recalculated into CO₂ equivalents; ppm = parts per million.

⁵Marginal cost of avoiding emissions of 1 ton of CO₂ equivalents in each abatement demand scenario.

Efficiency Enhancement Fund

- National action plans for zero or negative (technical) cost mitigation implementation
- Barriers reduction complementary grants based on commitments to SD-PAMS
 - Policies and standards approximate area under curve
- Time path defined to amortize national action plan over compliance period with benchmarks for payments and eligibility for Zero Carbon Fund
- Measures and implementation Industry programs (top runner)
 - Financing compatibility
 - Decoupled electricity pricing
 - Commodity and appliance standards
- MRV on implementation?

Barriers grant analysis

- Collective action costs lower net value or national/private responsibility
- Technology availability in common pool (royalty rates?)
- Administrative costs
- Price and regulatory distortions
- Financing
- Distributional consequences
- Know-how (public; private)
- Remedial program form may be in services or cash?

Zero Carbon Fund

- National low carbon development path studies define preferred actions
- Inverse auctions for measures and programs defined by expert TEAPS; UN trusteeship; TEAP operation
 - self-revelation of national commitments to programs/carbon productivity; TEAP members from developed/developing nations
- Any qualified applicant or combination thereof (public; private)
- Application by satisfactory progress across efficiency implementation benchmarks
- Reward (punish) behavior in mid-range of curve (premium and discount rankings)
 - BAT; BP; fossil phase outs
 - Subsidy reduction

ZCF funds

- Reward market transforming programs and measures
- System wide actions: full value chain
 - Regulatory accommodation
- Market access commitments
- Licensing regimes for ZCF supported technologies
- Completely voluntary
- MRV and enforcement in contract

Financing

- Double fund commitments
 - Contribution flexibility from fixed amount
- Complementary financing of EEF by other multilateral agencies, bi-lateral ODA and philanthropy
- Carbon Trading problematic
 - ZCF as too low a price if substitutable
 - Quantifiability of tons in market transformation?
 - Incentives to join cap and trade?
 - European proposals
 - ZCF added funds from opportunity costs per ton certificates? (new commitments)