Financing sustainable transport through a Post 2012 Agreement

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Background

- The transport sector consumes approximately 20% of global energy demand
- Responsible for 13% of GHGs
- Transport emissions are expected to increase by 57% worldwide between 2005 and 2030
- Kyoto Protocol instruments are not contributing to a low carbon future for transport

- Must secure a stronger role for transport in climate change negotiations

Recommendations based on:

- "Bridging the Gap" workshops
  - Paris (March 27, hosted by Veolia Transport)
  - Bonn (June 6, hosted by GTZ)

- Further analysis of documents;
  - Submissions to AWG LCA and KP from Parties and NGOs/IGOs
  - UNEP Submission to AWG LCA on April 24th
  - Analysis of the negotiation texts
  - Bellagio Declaration/Common Policy Framework
  - Think Pieces for ADB

For details please see Discussion Paper
(download available under
www.sutp.org/bridging_the_gap)

www.sutp.org/bridging_the_gap

Bonn April 2009	Side event at AWG-KP7 and LCA5 March 29th to April 8th	Workshop 1 Paris (Veolia)- 27.3.2009
Bonn June 2009	Side event at SB30 June 1st to June 12th in Bonn	Workshop 2 Bonn (GTZ) – 6 June 2009
Bangkok Oct 2009	Side event at AWG-KP 9 and LCA 7 September 28th to October 9th in Bangkok	Workshop 3 Brussels (UITP) – 17 Sep 2009
Copenhagen Dec 2009	Side event COP 15 Copenhagen Dec 1st to Dec 12th	Final Dissemination

Role of land transport under the current Kyoto Protocol – flexible mechanisms

CDM does not work:

- 2 transport projects (BRT Bogota, Metro Delhi) out of 1186 registered projects!
- 9 out 4487 projects in the pipeline
- 5 approved methodologies
- 0.1 % of all CERs
- Market share: Ca. 1 million US$ out of 6.5 bn US$ in 2008 (World Bank 2009)

No projects under **Joint Implementation**

Transport excluded in **Emission Trading Scheme**

Transport CDM - Barriers and future actions for

	Barrier	Short-term Action	Post-2012 Action
Methodological	Lack of accepted methods	Transport specific rules VERs? PoA?	Sectoral approach
Institutional	Awareness	Capacity building/ Guidance	Upscale initiative – Transport specific
Financial	High transaction cost Low contribution to project finance	Financial support from donors Link with other funding	Simplified method “Labelling”

Overcoming the barriers: Future Options in the Carbon Market for sustainable transport

2010	2011	2012
Voluntary Market	**Programmatic CDM**	**Post 2012**
Developing methodologies	Development of guidance for transport	Mitigation Fund vs New transport fund
Increase awareness	MRV support needed	Upscale Crediting mechanisms
Counting carbon as part of the Environmental Management Strategy	Pilot projects	Technology Transfer
		Capacity building
		National Appropriate Mitigation Action

Programmatic CDM – A first attempt to upscale

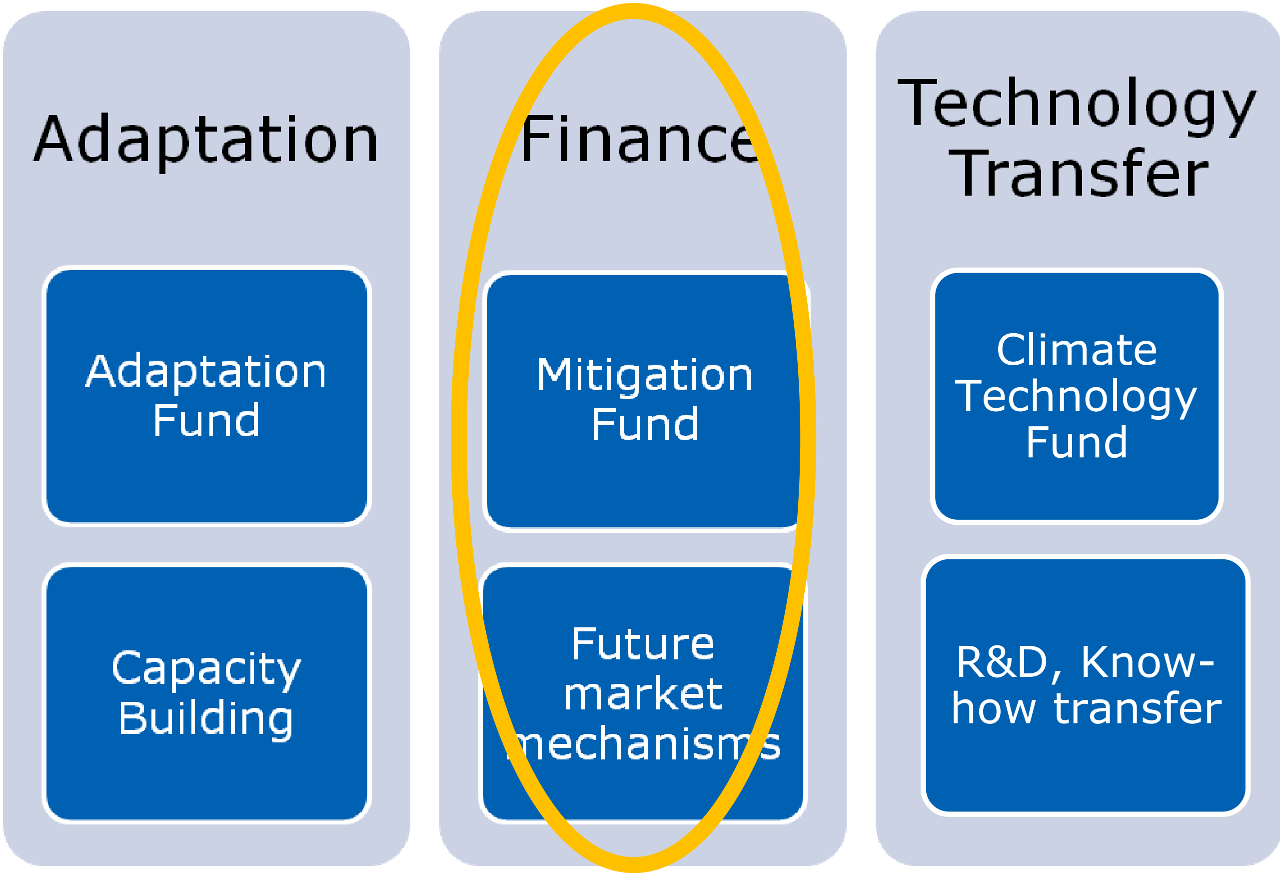
- An option under the current **Kyoto Protocol!**
- **Programme of Activities (PoA):** Measures co-ordinated and implemented voluntarily that lead to GHG reductions
- **Guidance** developed for supporting PoA – but no transport specific recommendations yet
- **More credits** provide better incentives
- **Decrease transaction costs**
- **Standard methodologies** that could be applied to PoAs could also be developed and shared amongst developing countries.
- **Examples** of potential transport PoAs
  - Regional BRT/Metro networks

General Principles for a Post 2012 agreement

- New agreement should **work for land transport**
- The agreement should **enhance existing local, regional and national applications** of sustainable transport policy
- Financing should move towards an **upscale** approach
- Funding should be acknowledged a quantified reduction potential and the broad variety of **co-benefits**

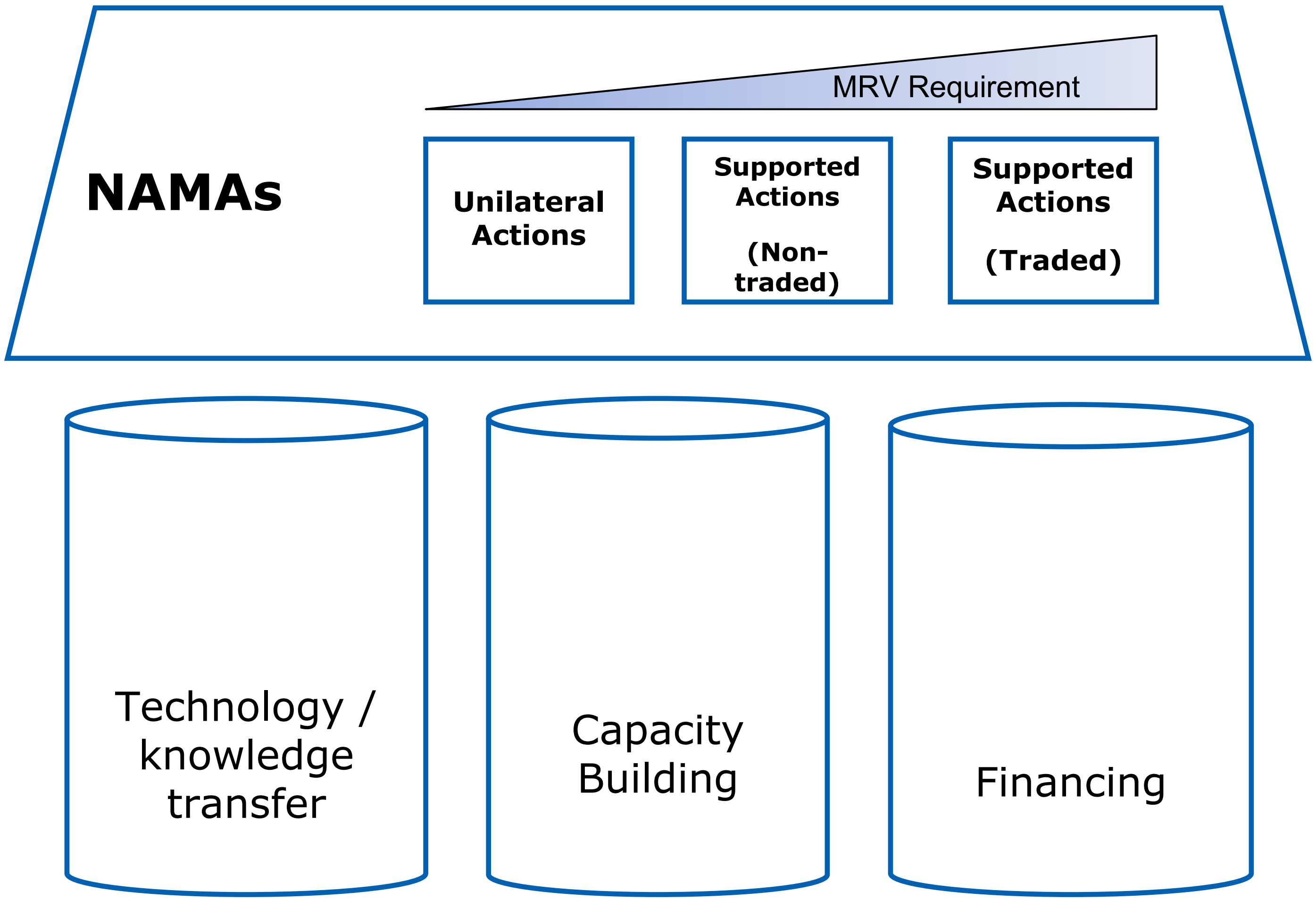
- Emerging negotiations around **NAMAs** may provide an opportunity to ensure a most holistic coverage of transport Post 2012

Funding options for supporting sustainable transport in Post 2012 in negotiation text



EU's Economic Policy Committee recommendation: 100 bn EUR for developing countries per year by 2020 in addition to market contribution

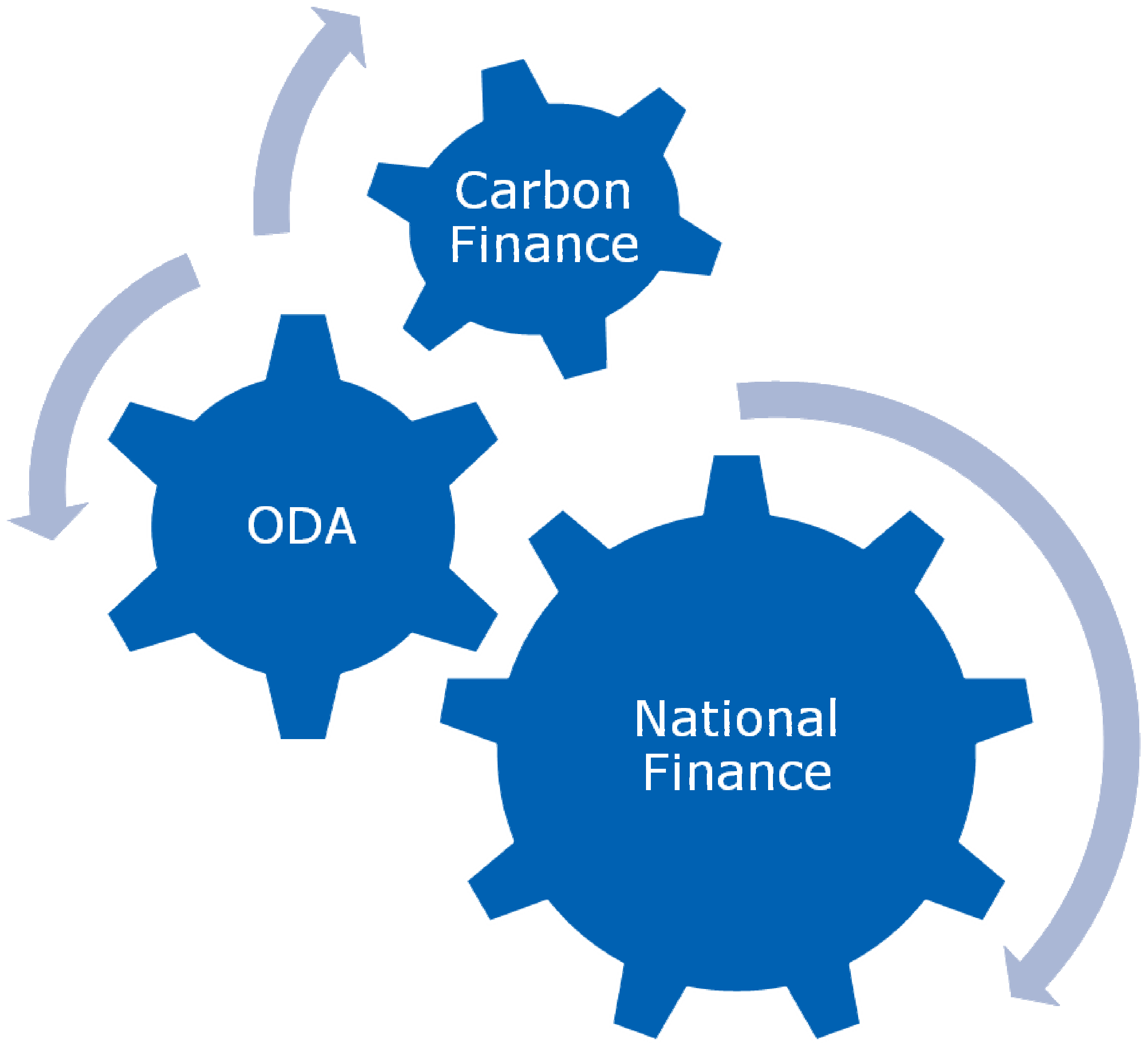
National Appropriate Mitigation Actions (NAMAs) and their supporting pillars



NAMA elements and potential transport applications

NAMA elements (Paragraph 73)	Potential transport applications
(a) Sustainable development policies and measures	• Local, regional & national sustainable development strategies incorporating transport elements
(b) Low-emission development strategies and plans	• Regional and national transport plans/strategies with low-carbon objectives
(c) Programmatic CDM, technology deployment programmes or standards, energy efficiency programmes and energy pricing measures	• CDM based on transport PoAs • Fuel economy/vehicle standards • Taxation and fiscal policy on fuels and vehicles
(d) Cap-and-trade schemes and carbon taxes	• Cap-and-trade of transport fuels (upstream trading) • Fuel taxes
(e) Sectoral targets, national sector-based mitigation actions and standards, and no-lose sectoral crediting baselines	• Sectoral targets, either absolute or intensity based. • Sub-sectoral targets for car, rail, maritime and aviation transport.

Carbon finance through Post 2012 as an incentive not as a silver bullet!



Financing mechanisms in a Post 2012 agreement

Funds:

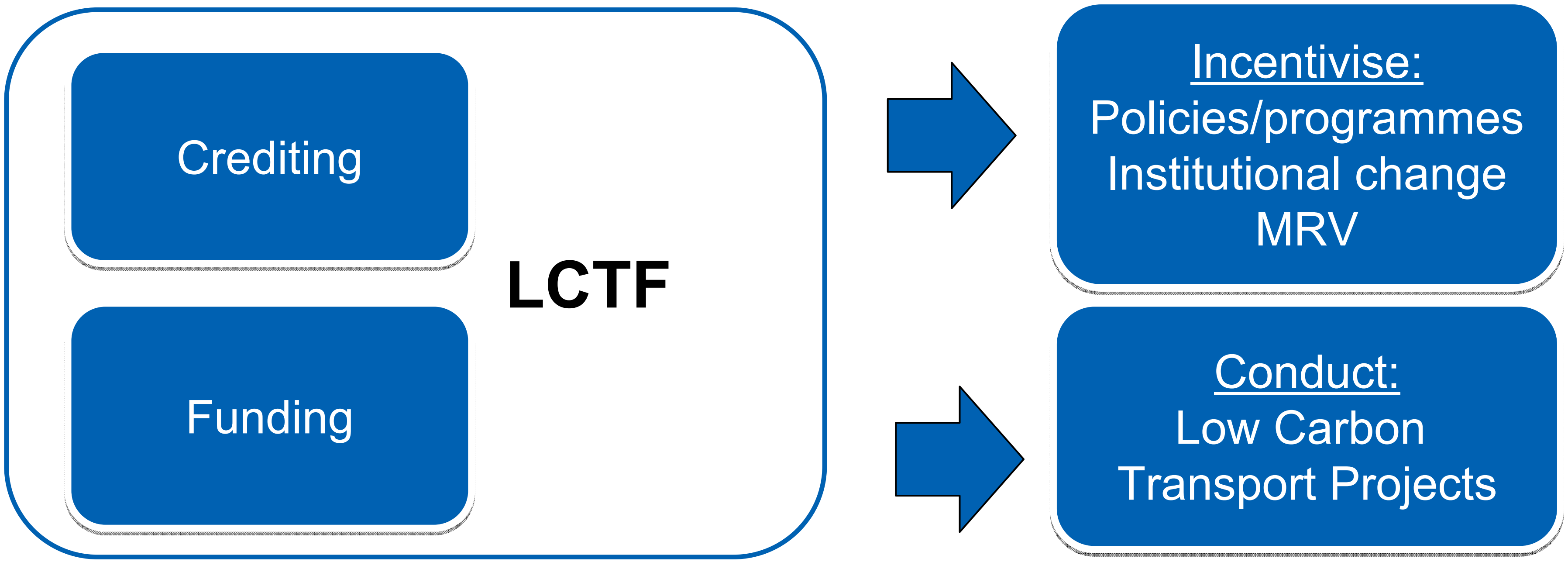
- A **transport specific mechanism** (such as CTM/LCTF) vs. general **Mitigation Fund**
- Use of **ETS revenue** in developed countries (e.g. out of aviation/maritime ETS).

Market mechanisms:

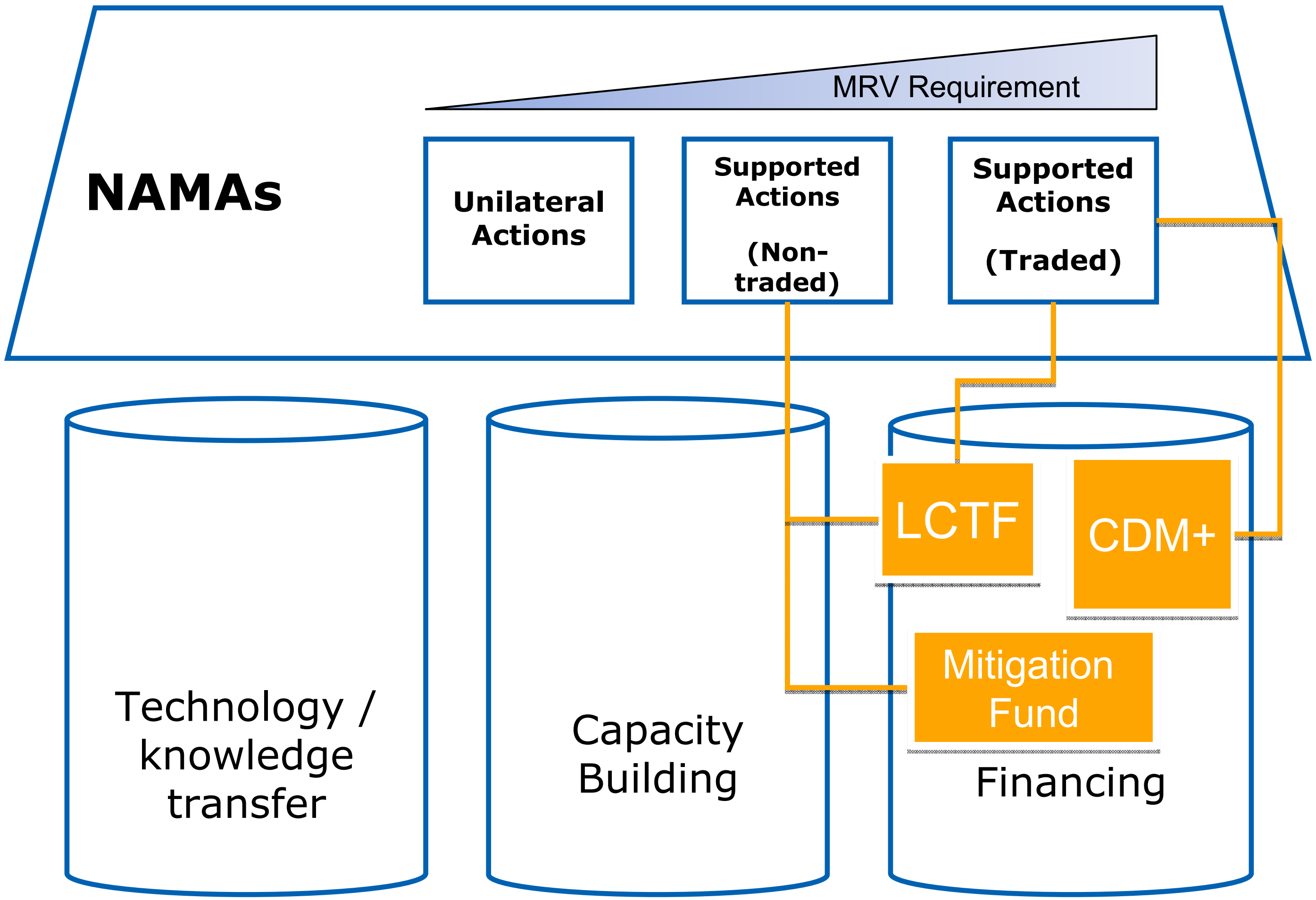
- Upscaled crediting mechanisms (**CDM+**, **Sectoral crediting (no lose)**)

Low Carbon Transport Facility - Principles

- Financial facility unique to the transport sector.
- Incorporate both **crediting** and **fund-based elements** in its revenue generation (i.e. levy on carbon allowance trading, multilateral and bilateral development programmes).



Potential link of the LCTF to NAMAs



Next steps on financing

- Develop the debate on “incremental costs” of low carbon transport
  - The notion of incremental costs is central to climate finance and therefore important
  - Easier for “IMPROVE”, harder for “SHIFT” and “AVOID”
- Ensure strong incentives for policies and programmes
- Pursue various options
  - Transport specific facility
  - A “Transport Window“ in more general funds (e.g. the Mitigation Fund)
- Get the overall picture right
  - Use climate-oriented finance (in millions/billions) to leverage changes in ODA (billions), and domestic investments (in trillions)
  - Use funds to build capacity for better pricing and subsidisation practices

Conclusions and Outlook I – Current actions

- Carbon finance can only be **an incentive** for other funding on sustainable transport, but can play an important role

- Kyoto did not work for transport, make sure that an agreement in Copenhagen works for sustainable transport

- Short term actions:

    - Develop a **guidance for PoA** for Transport and support **model application**

    - Explore the **Voluntary Market**

    - Land Transport needs more attention: Commission an **IPCC report** on Land Transport

Conclusions and Outlook II – POST 2012

- Wide range of **options to acknowledge** the land transport sector in the negotiation text

- **NAMAs** are a **good option** which can work for transport

- Non-tradeable NAMA: **Mitigation Fund** or a specific **Transport Fund** to acknowledge the importance of Sustainable Transport

- Tradeable NAMA: Further discussion on options for transport as an initial element in **sectoral no-lose options**

- Support from parties and international organisations to make progress on **MRV – commission a study for SBSTA**

- More attention on **Technology Transfer** and **Capacity Building**

Thank you!

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17. June 2009
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Further information on Transport and Climate:
www.sutp.org/bridging_the_gap