



Sectoral Approaches to Greenhouse Gas Reductions *Issues and Definitions*

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**Seminar of the Annex I Expert Group
on the UNFCCC**

March 20, 2007

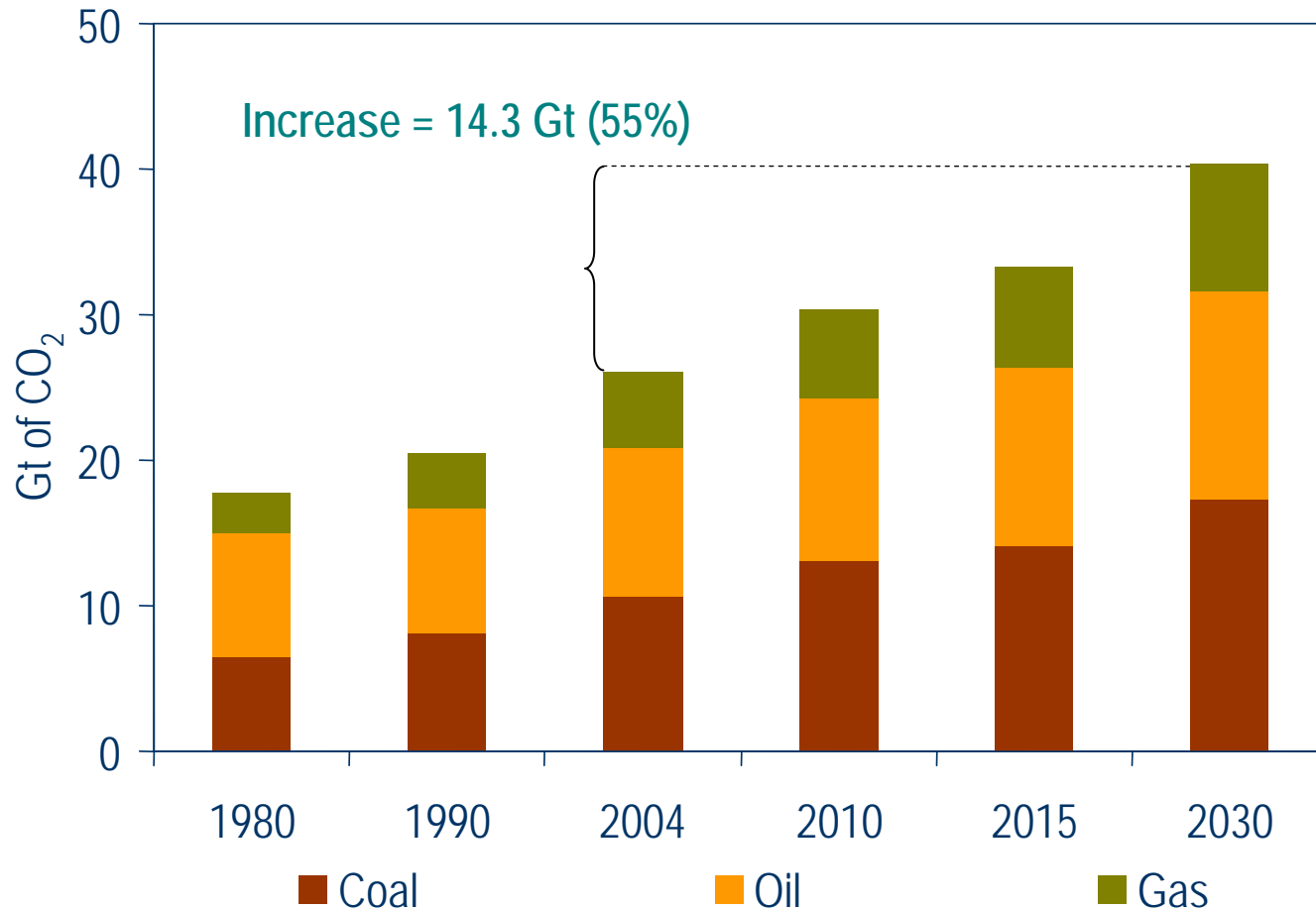
Outline

- **Why consider sectoral approaches (SA)?**
- **A typology of SA**
- **Integration issues**

Sectoral approaches: Why?

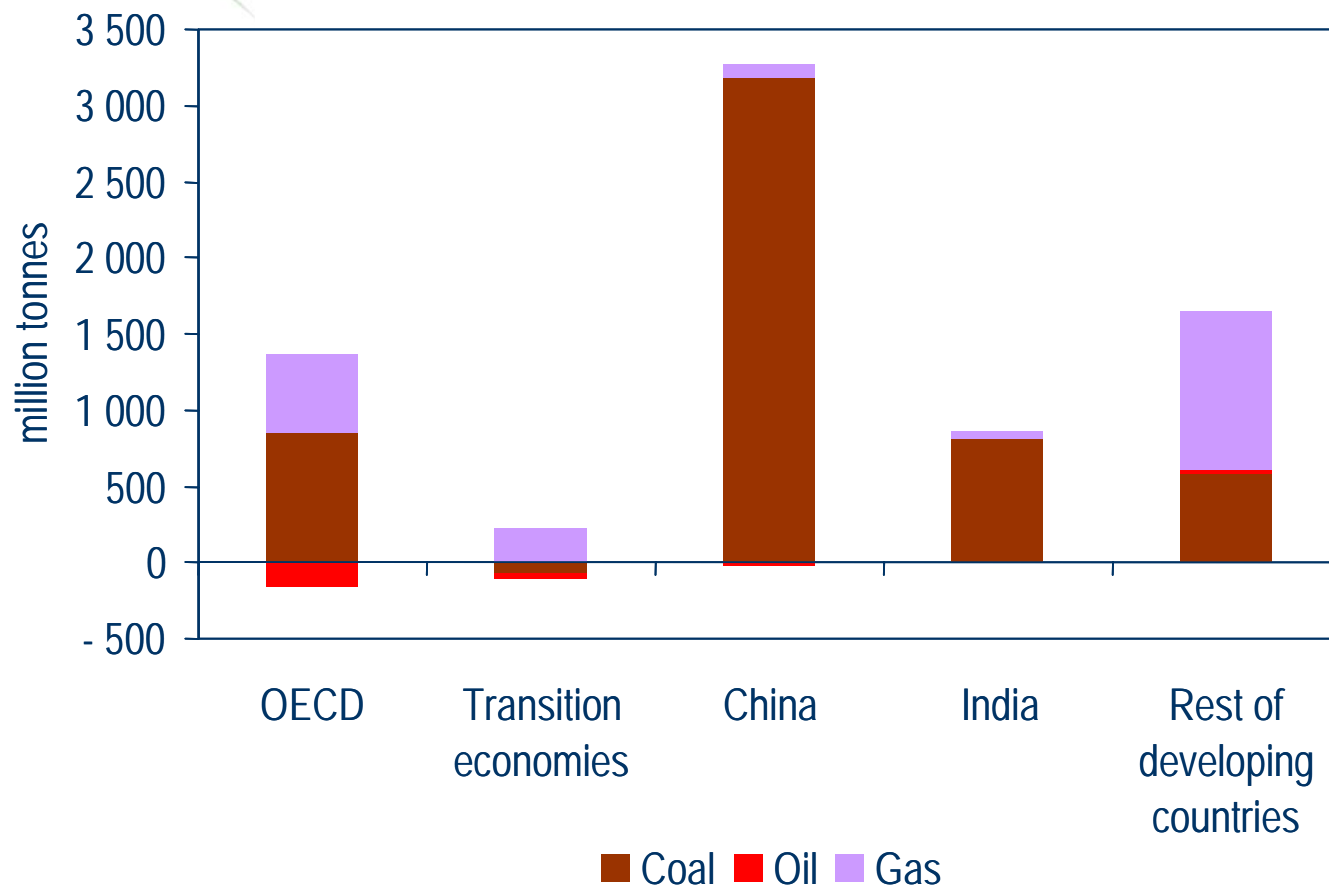
- Searching for means to broaden GHG reduction activities
 - Enhance scope and effectiveness of GHG reduction measures (incl. concerns about competitiveness, risks of carbon leakage)
 - Accelerate diffusion of cleaner technologies and practices
 - Take into account common but differentiated responsibilities and respective capabilities; address domestic development priorities
- Towards new means of action, *in addition to* country caps and Kyoto mechanisms?
- Handling *a transition* towards broader country coverage for GHG reduction

Global energy-related CO₂ emissions under "business-as-usual" 2004-2030



Source: IEA, 2006, World Energy Outlook

Growth in power-related CO₂ emissions under "business-as-usual" 2004-2030



Source: IEA, 2006, World Energy Outlook

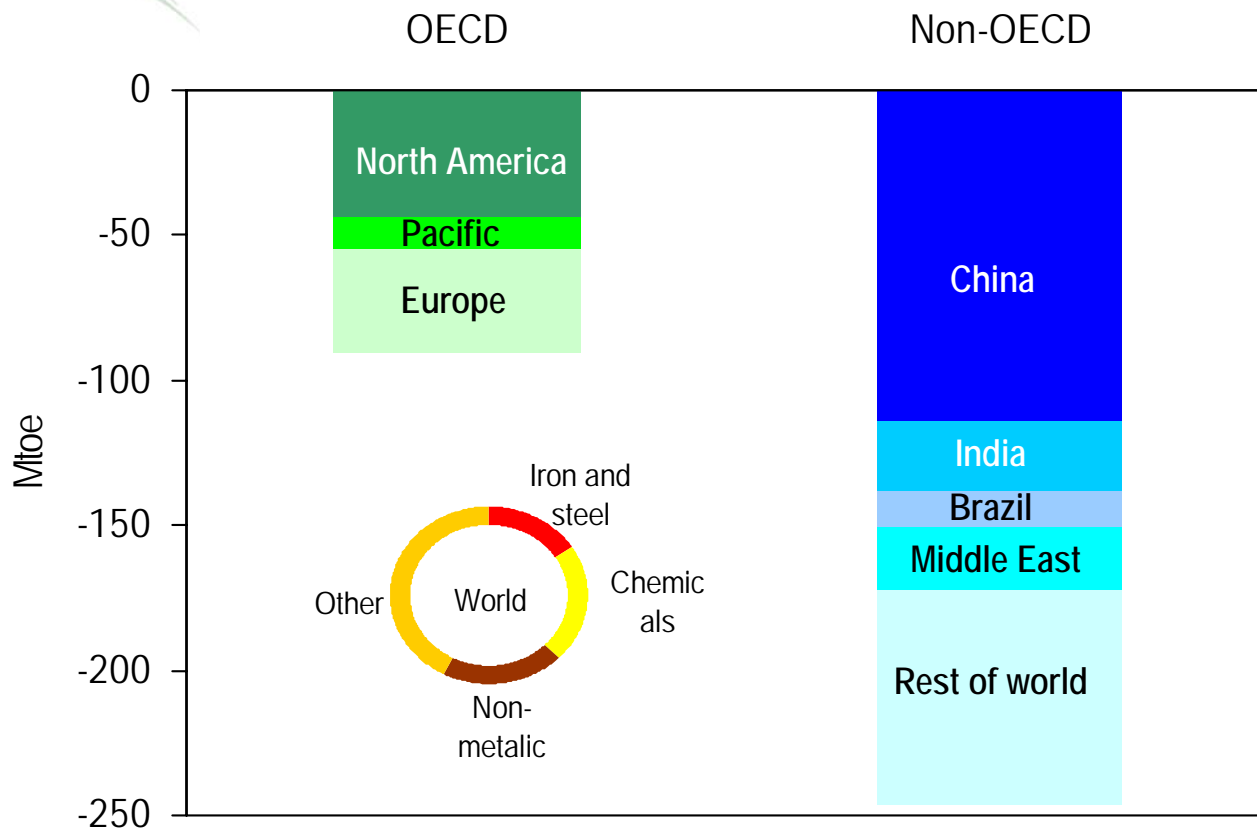
Competitiveness concerns:

Trade-exposed, GHG-intensive industries

- **Similar activities, due to their location, face uneven GHG constraints, e.g.:**
 - **EU: cap and trade, direct and indirect (electricity) costs**
 - **Japan, US, Australia: range of voluntary industry actions and agreements**
 - **Developing countries: no constraints, possibility to be credited for reductions**
 - **“Carbon leakage”??? Would undermine effectiveness of mitigation policies. Could SA fix this?**
- **Emission growth in some of these sectors is outside Annex I: what can be done?**



Change in industrial demand by region and sector from Reference to Alternative Policy Scenarios in 2030



How do we bring about potentials in both groups? Would sectoral approaches bring about effective savings and GHG reductions?

A Typology of Sectoral Approaches

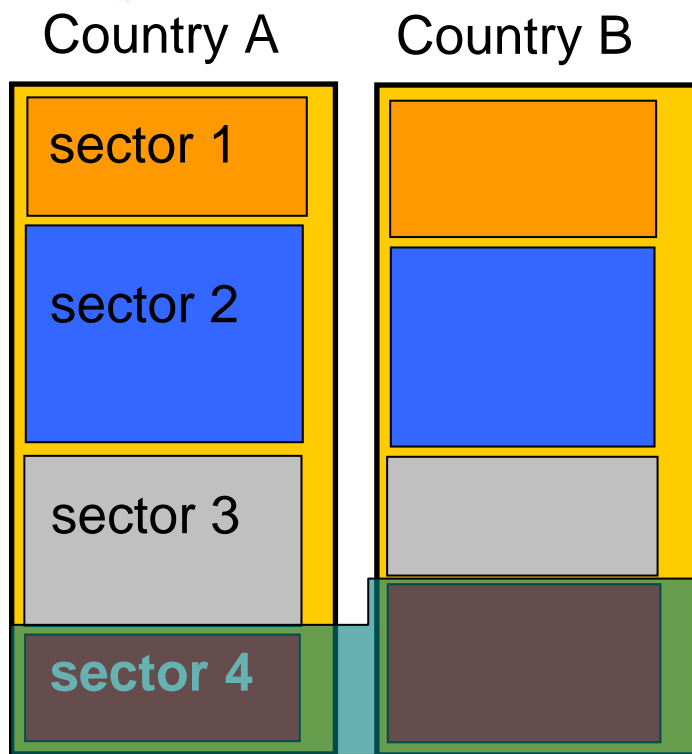
- **What possible objectives and mechanisms to reach them?**
- **Geographical coverage**
- **Stakeholders**

Typology: Objectives and Mechanisms

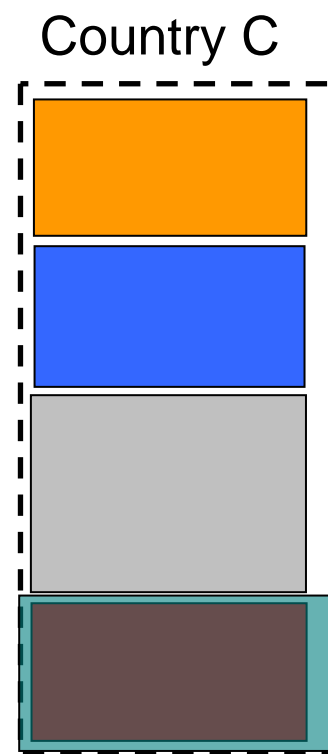
- **Emission goals and timetable**
 - ◆ Fixed emission goals
 - ◆ Indexed (tCO₂ per ton of cement or aluminium): benchmarks?
 - ◆ Emissions trading mechanisms or not?
- **Energy efficiency improvements**
- **Technology approach**
 - ◆ Target for diffusion of certain technologies
 - ◆ Pooling R&D resources for clean technology
- **Share information on a sector's GHG situation and challenges**
- **Share information on and promote best policy practice – a role for governments**


Typology: Coverage

Parties with country-wide targets



Parties without targets

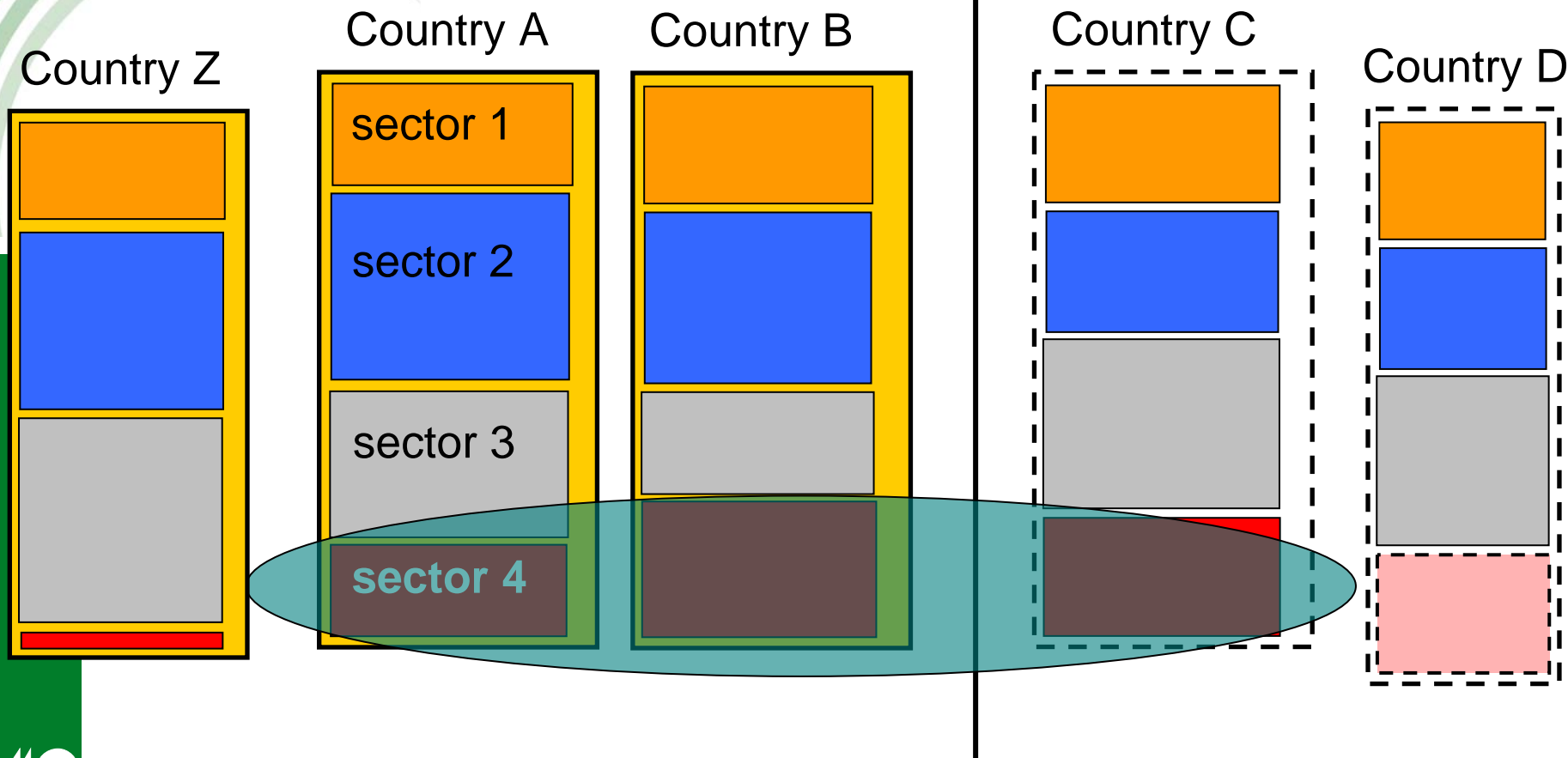


 Coverage of a sectoral approach

Typology: Coverage

Parties with country-wide targets

Parties without targets



Typology: Coverage (2)

- **International sectoral approaches**
 - ◆ International agreements in industry (with and without country targets). Voluntary or?
 - ◆ International P&Ms. E.g., EU ETS: same procedures, but no homogenous treatment within sectors, across countries
- **Sectoral approaches driven by domestic needs and opportunities (countries w/o targets)**
 - E.g. Sustainable Development Policies and Measures (SD-PAMs) (Winkler et al, 2002)
 - Non-binding or 'no-lose' sectoral targets, sectoral crediting mechanisms with national baselines and implementation (CCAP, OECD/IEA)

Typology: Stakeholders

- A sector/industry could decide to take action at international level, unilaterally
 - International Aluminium Institute
WBCSD Cement Sustainability Initiative
IISI (steel): CO₂ Breakthrough Project (R&D)
 - Industry members, and industry as a whole, pledge to achieve certain goals (GHG, energy efficiency, other pollutants). Note: coverage never global.
- Or could seek endorsement by governments
 - Industry, at international level, proposes action to governments or *vice versa*
 - EC agreement with ACEA-JAMA-KAMA on gCO₂/km
 - Or: intergovernmental agreement on given sectors
 - Asia Pacific Partnership on Clean Development & Climate

SA: Integration Issues (1)

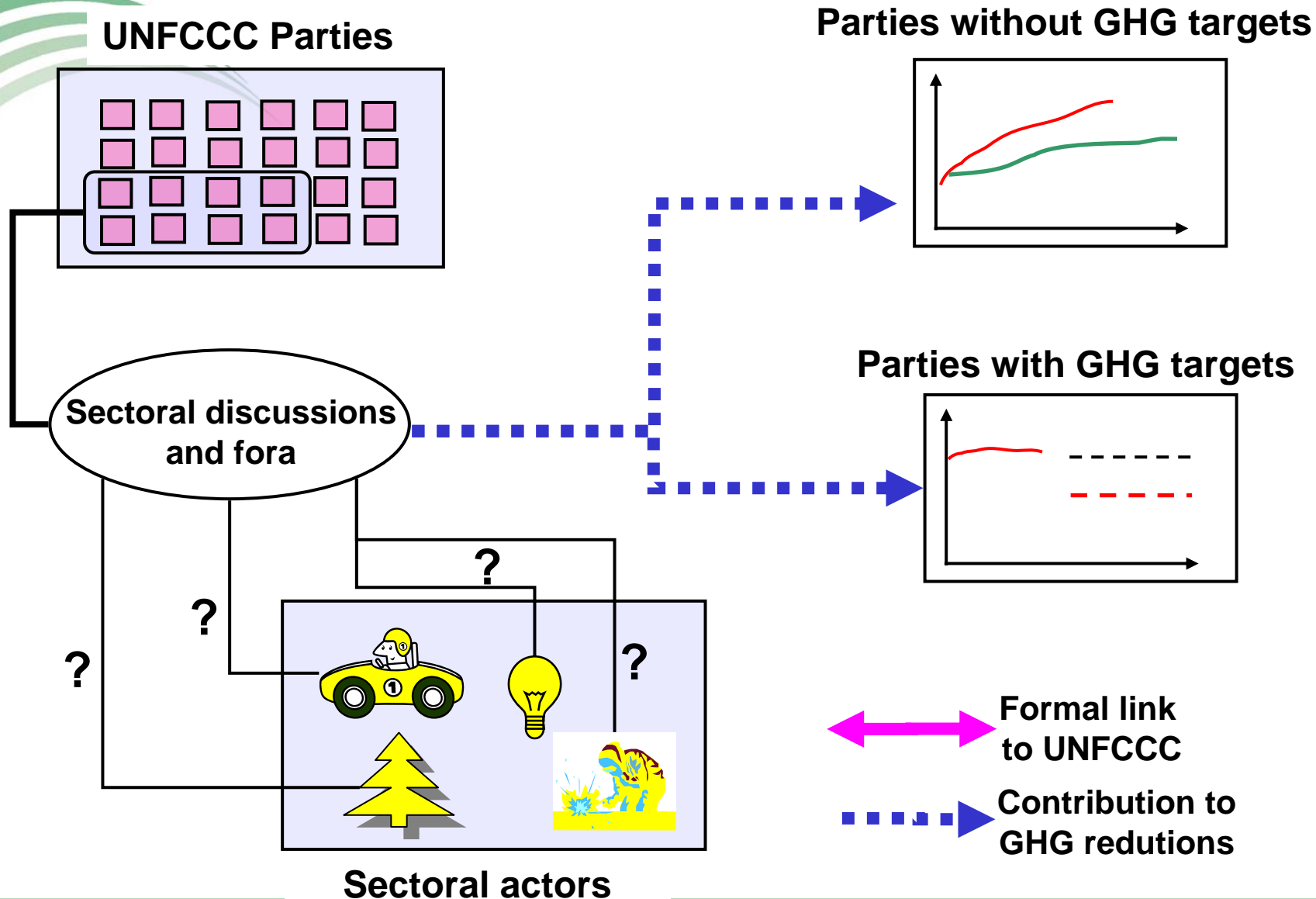
- Key dimension: would SA complement or substitute existing policies and frameworks?
 - ◆ *Vis-à-vis* UNFCCC / Kyoto Protocol targets?
 - ◆ *Vis-à-vis* domestic policies and measures?
 - Where policies are in place: do SA improve the effectiveness of GHG mitigation, or reduce costs?

SA: Integration Issues (2)

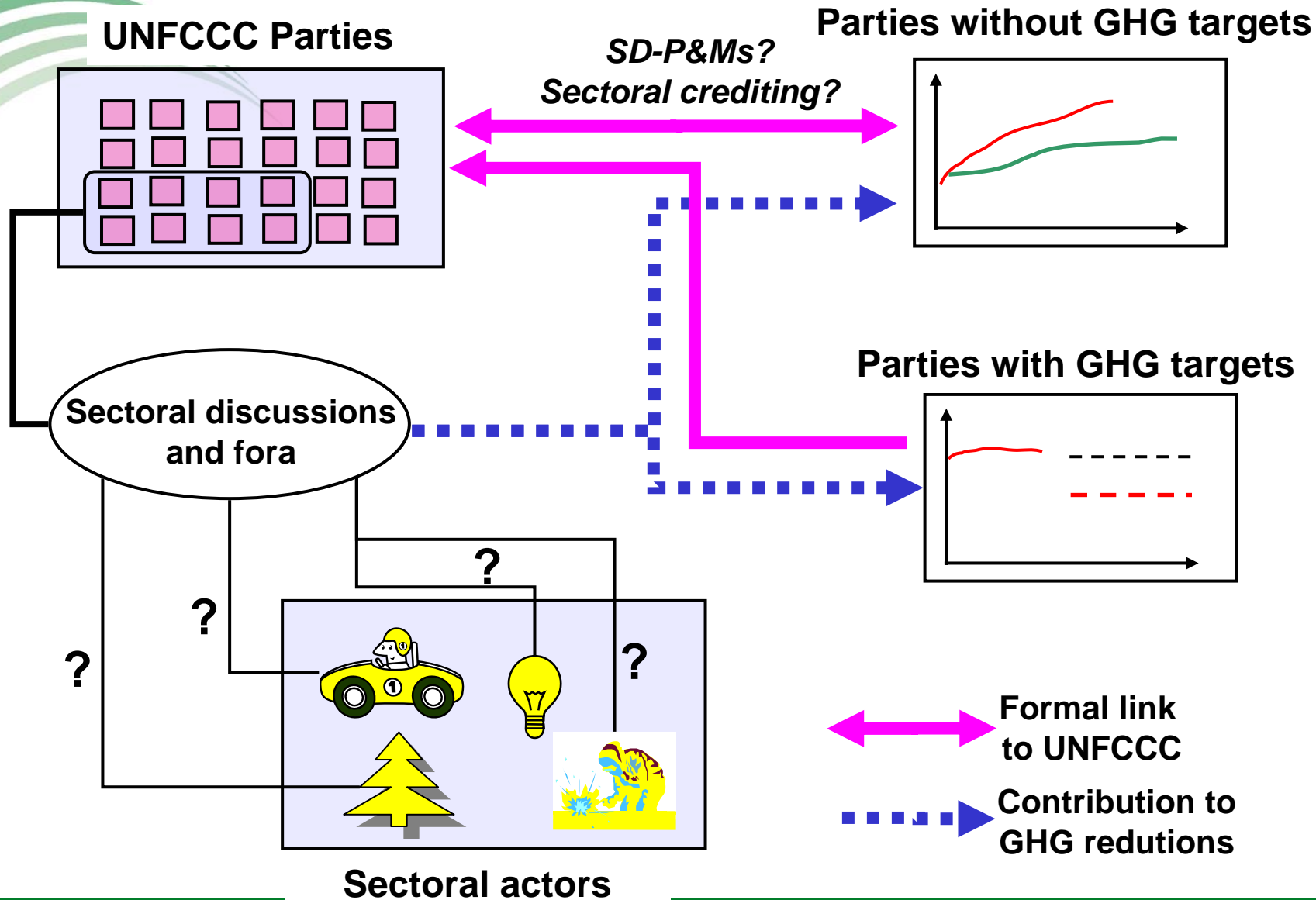
- **What fora, what processes?**
 - ◆ **Under “jurisdiction” of UNFCCC**
 - **SD-P&Ms – host may seek international recognition**
 - **Any extension or evolution of the existing Kyoto Protocol mechanisms**

 - ◆ **Some industries explore SA, but “industry” not a Party to UNFCCC**
 - **How to engage governments?**
 - **Public/private discussions (AP6?)**

Integration issues (3)



Integration issues (3')



Summary

- **Why consider sectoral approaches (SA)?**
 - Enhance mitigation while addressing domestic needs, and possible competitiveness issues
- **A typology of SA. Main dimensions:**
 - A range of possible objectives and mechanisms
 - ◆ From information sharing to benchmarks and R&D...
 - International framework or country by country (SD-P&Ms, national sectoral baselines)
 - Stakeholders. Roles for governments (endorse SA? Participate through sharing of best practice for GHG mitigation policies?)
- **Integration issues**
 - SA as substitutes or complements
 - When do UNFCCC Parties need to be engaged?
 - ◆ SD-P&Ms? CDM+? Other approaches?
 - What other processes to develop SA?

In Closing

- **Limited practice to date?**
 - ◆ **Unilateral, international industry actions. Willing to go further towards integration?**
 - ◆ **International policy instruments (EU ETS). Can sectoral considerations enhance effectiveness of GHG mitigation?**
 - ◆ **AP6 lays out international public/private sector-based task forces: expectations?**
- **Sectoral approaches could interact formally with UNFCCC process, or contribute to mitigation via other vehicles**
 - ◆ **How will they influence global/regional climate policy?**

Questions for discussion

- ◆ What motivates interest in international sectoral approaches to GHG mitigation?
- ◆ What sectors are amenable to an international approach?
- ◆ How would Parties acknowledge SD-P&Ms? What incentives could encourage developing country governments to engage in sectoral approaches?
- ◆ How can sectoral approaches be integrated in the Kyoto framework and beyond?
- ◆ Can a sectoral approach apply to activities other than energy-intensive industry?
- ◆ Issues related to the integration of int'l sectoral approaches in the UNFCCC.