

# CARBONplus overview

**Carbon Plus and its place in the carbon markets, or ?**

The CARBONplus Online Conference

**June 9 - 13 2008**

International Institute for Industrial  
Environmental Economics IIIIEE – Lund  
University

Environmental Management and Policy  
Masters Students - Batch 14



# CARBONplus overview

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- **CARBONplus Overview**

- Explanation
- The opportunity is now
- Benefits

- **Key Conference Questions**

- **The goal of this conference is to gain feedback on four areas:**
  1. Can the CARBONplus project benefit from current opportunities and work
    - a. With existing markets (voluntary and compliance carbon markets), and
    - b. In potential new areas (adaptation funds)?
  2. Are the fundamentals of the CARBONplus project sound, in particular the
    - a. focus on micro projects in developing countries, and
    - b. use of co-benefit accounting methodologies?

What is the  
**CARBONplus** ?

**CARBONplus** is an accounting methodology for micro scale (community based) mitigation projects in developing countries

The accounting system will assess the social, environmental and economic benefits of projects and provide a basis for valuation in trading markets, or in project assessments.

Why is  
CARBONplus  
needed?

- To create an opportunity for micro scale (community based) projects to benefit from the capital and technology flow created by global climate change policy frameworks and markets
- To account for all the social, economic and environmental benefits of climate related projects
- To guarantee a fair price for credits generated by micro scale projects
- To assist in determining how to allocate adaptation funds (Kyoto Protocol, United Nations Development Programme)

The opportunity is now...

...carbon markets are expanding

## **The global carbon market is booming**

- Growing to €47 billion in 2007, more than double over 2006
- In 2007, €37 billion was traded in all markets
- Voluntary markets tripled in 2007 to €0.196 billion

Despite the large growth, activity with developing countries in the compliance-driven market (under the Kyoto Protocol) has leveled off

Source: “State and Trends of the Carbon Market 2008”, World Bank

The opportunity is now...

...existing markets are expanding but they have not achieved all of the Kyoto goals

The second article of the Kyoto Protocol requires that actions to reduce emissions should also promote sustainable development; however, experts admit that the dual goal of the Kyoto Protocol is not clearly fulfilled by the Kyoto Protocol mechanisms (CDM, JI and emission trading).

*“Each Party included in Annex I, in achieving its quantified emission limitation and reduction commitments under Article 3, in order to **promote sustainable development** shall...”*

This may be due to difficulties in assessing sustainable development, or may be because the two goals can not clearly be reached at the same pace.

The opportunity is  
now...

... as compliance  
markets under Kyoto  
are at a crossroads

### **Market continuity uncertain**

European policymakers and regulators have linked the post – 2012 European carbon market to the (yet uncertain) success of the global climate change negotiations

### **Demand is lower and risks are higher**

Not enough time to fulfill Annex I commitments with new projects

Higher risks to invest in large projects in developing countries as there are reduced guaranteed benefits from the Clean Development Mechanism (CDM) up to 2012

Demand for future market projects (beyond 2012) in the US and Australia will not have started

### **Procedural backlog**

2000 of 3000 Clean Development Mechanism (in developing countries) proposals have not been processed

### **CDM 2<sup>nd</sup> try to promote the access of micro-scale projects**

Programmatic CDM has just started allowing bundling of micro-scale projects; however, methodology complexity is a relevant barrier to be overcome

The opportunity is now...

... because voluntary markets are open to new ideas

Standardization of carbon emissions in the voluntary markets has started to emerge, thus making carbon credits in the voluntary markets more appealing to buyers.

Buyer groups have expanded beyond the traditional European firms.

- Groups are now purchasing verified emission reductions for resale

- US companies are purchasing credits for corporate social responsibility

New market players were added

- US firms looking to purchase pre-compliance verified emission reductions (VERs) for potential grandfathering in future regulations

- Clients speculating on credits and potential resale values

Where are the  
opportunities for  
**CARBONplus** ?

- Carbon Markets
  - Clean Development Mechanism
  - Voluntary carbon market
- Adaptation fund assessments
- Other opportunities?

**CARBONplus** adds value to the carbon markets (Kyoto compliant and voluntary)

Assessing the projects' social, economic and environmental co-benefits beyond the carbon mitigation benefits

Facilitate the market availability of projects that achieve sustainable development and greenhouse gas mitigation

Increasing the economical feasibility of micro-scale projects

Allowing better geographical distribution of projects eligible for credit

To provide private companies with offset credits that will add value both to their Corporate Social Responsibility and marketing strategies

**CARBONplus** adds value to the Adaptation Funds (Kyoto Protocol and United National Development Programme)

To help on a proper project-related adaptation funds allocation

To help on a proper geographical adaptation funds allocation

To ensure the use of adaptation funds to help communities to increase their adaptive capacity

Are there other opportunities for CARBONplus ?

To assess how micro projects could be included as part of current discussions and negotiations under the UNFCCC

To assist all Parties in implementing their commitments under the climate convention

To be a project assessment tool for potential Adaptation markets

To assist non-Annex I countries in assessing responsible adaptation measures

-In response on climate changes issues

-As a means to increase the community's adaptive capacity

Four key question  
areas for  
CARBONplus

Can the CARBONplus project benefit from these opportunities

- (a) existing markets (voluntary and compliance carbon markets)
- (b) potential new opportunities (adaptation funds)?

Are the fundamentals of the CARBONplus project sound, in particular the

- (a) focus on micro projects in developing countries
- (b) use of co-benefit accounting methodologies