

Sectoral approaches

Institutional issues

**Sectoral approaches for GHG mitigation
in the power sector**

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Iddri

Institute for sustainable development and international relations

- Founded in 2001 as a research consortium, IDDDRI became a non-profit, nongovernmental think-tank in 2003
- Iddri provides forums and networks creating common culture on sustainability issues among stakeholders, following 4 objectives:
 - Contribute to building up a more equitable and effective global governance
 - Reduce controversies by initiating dialogues among stakeholders
 - Promote scientific research and multidisciplinary expertise on sustainability
 - Gathering timely information and knowledge to improve decisions-making
- Focal areas are those requiring collective international action (Climate change, Biodiversity, Agriculture and forests)
- Cross-cutting issues : (Environmental and social responsibility, International trade, Global governance, Uncertainty and precaution)

What can SA provide for ?

- Policy assessment / Exchange of best practices / Design of policies
- Pool capacities (human, financial, technical) on a shared objective
- Develop common metrics / benchmark
- Adopt an agreed policy & implement
- Ensure an integrated sector approach
- Create incentives for action
- Protect interests from outsiders / free riders
- ...

Sectoral ApproacheS

- Why did sectoral approaches emerge in the discussion on GHG mitigation policies ?
- Different motivations
 - ✓ Effective implementation of countries global environmental objectives (emissions targets)
 - ✓ A tool to complement (substitute?) targets
 - ✓ A solution to facilitate/incentive more active participation from DC's

Implementation of country wide objectives (1)

- From theory to practice : the need to translate objectives into sectoral PAMs taking into account :
 - ✓ Situation (assets) inherited from previous policy environment
 - ✓ Unequal capacity to deliver now / in the future (availability of technologies, replacement rate)
 - ✓ Need to define customized "set of tools" adapted to different group of actors
 - ✓ Need to integrate CP in a coherent manner with existing sectoral policies

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Implementation of country wide objectives (2)

- Designing and implementing such policies generally requires *some form of* international co-ordination
 - ✓ Supply side : interconnection & regulatory framework (EU, US, ...)
 - Governments, regulators & domestic PI
 - ✓ Demand side : market size and structure
 - Governments / International manufacture industry
 - Concerted action : G8 / IEA - IA
 - ✓ Full use of KM / Report under KP provisions
 - ✓ Possible co-ordination linkage with non KP / Intergov

=> competitiveness / WTO / Sector pledges under KP
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Sectoral Approaches & Voluntary Agreements

- A controversial assessment on private sector “voluntary agreements” at domestic level (BAU??)
- “Negotiated agreements” more effective (but supposes a “government”)
- Private international voluntary agreements do exist :
 - to establish a common practice (with competitive advantage => liability)
 - to pool capacity (as long as not competitive)

Climate policies in a deregulated market

- Capacity for the C instruments to provide the right incentive will become critical when capacity replacement / new TK
 - Current design do not provide sufficient incentive for new capacity development
 - Upfront investment
- Demand side management : a case for a stronger regulatory approach?

Diversify the technology portfolio

- Artificial opposition between ST/MT mitigation policies and LT technology development
- Positive outcome : need for specific collective action on future technologies (CCS, Nuclear G4, Renewables...)
 - Technology development
 - Technology assessment
 - Conditions for technology deployment

Voluntary, ad’hoc initiatives on technology development

- To involve both technology developers and future users (utilities)
- Government role :
 - Financial support / research capacity
 - Market opportunities for the learning process
 - Anticipation of required regulatory environment
 - Anticipation of required policy environment
- UNFCCC implication : pledges and report

Broaden the scope of action

- Two different drivers from an IC point of view :
 - To address competitiveness issue / possible leakage => **capacity for IC to act**
 - To take into account the growing share of (some) DC's emissions => **to make IC's action meaningful**
- Three basic assumptions in favor of sectoral approaches :
 - Easier to define a sensible objective ??
 - Provides for issue linkage (energy security)
 - Enabling tool on domestic policies (building block)

DCs and sectoral approaches

1. New approaches in the KP
 - « No lose » targets : stringency indetermination
 - Contradiction? Competitiveness issue not solved
 - Crediting mechanisms / Interaction with AI commitments
 - Scope / Time constraint
 - « sector only » pledges
2. Direct support to domestic policies
 - Selective action :
 - ST : demand side / risk of lock in
 - LT: profitability / capacity to invest
 - Package on design / implementation / technology
 - Selective purchasing / CDM?