

Supporting Renewable Energy Policy: How can South African best make use of the carbon markets?

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*Centre for Renewable and Sustainable Energy Studies,
August 2007*

Overview of the structure of the Carbon Market in 2007

Two principle types of trading schemes:

- Cap and Trade
- Baseline and Credit

Kyoto vs non-Kyoto

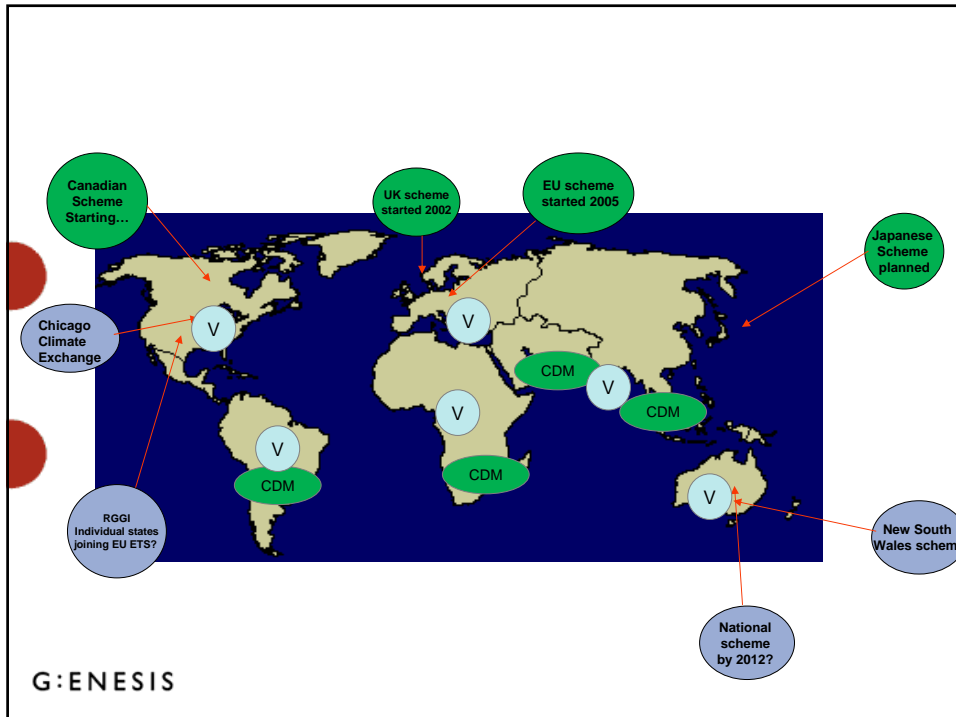
Voluntary vs Mandatory

Carbon offsets

	KYOTO	VOLUNTARY
Cap and Trade	ET, EU ETS	CCX, NSW
Baseline and Credit	CDM, JI	GS Voluntary, Plan Vivo, The Climate Group

Blue arrows indicate flow: from CDM, JI to ET, EU ETS; from GS Voluntary, Plan Vivo, The Climate Group to CCX, NSW; and from CDM, JI to GS Voluntary, Plan Vivo, The Climate Group.

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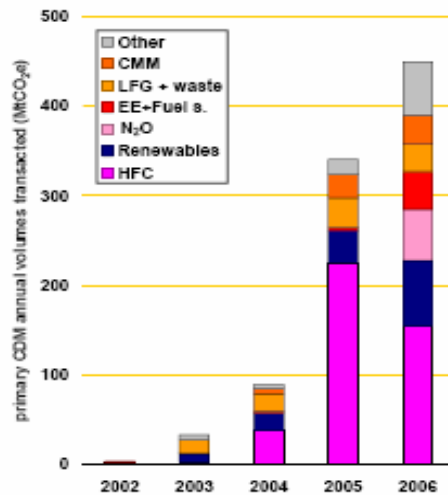
South Africa and the Carbon Market

	KYOTO	VOLUNTARY
Cap and Trade	ET, EU ETS	CCX, NSW
Baseline and Credit	CDM, JI	GS Voluntary, Plan Vivo, The Climate Group

CDM vs Voluntary

- Voluntary easier, good for small community based projects, high SD
- But contentious
- Interim measure?
- Post 2012, CDM lower risk

How do Renewables Projects Fare?



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2002-2006

State and Trends of the Carbon Market, WB, 2007

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SUMMARY SENSITIVITY ANALYSIS

INCREMENTAL IRR RESULTS - CONTRIBUTION OF CARBON FINANCE

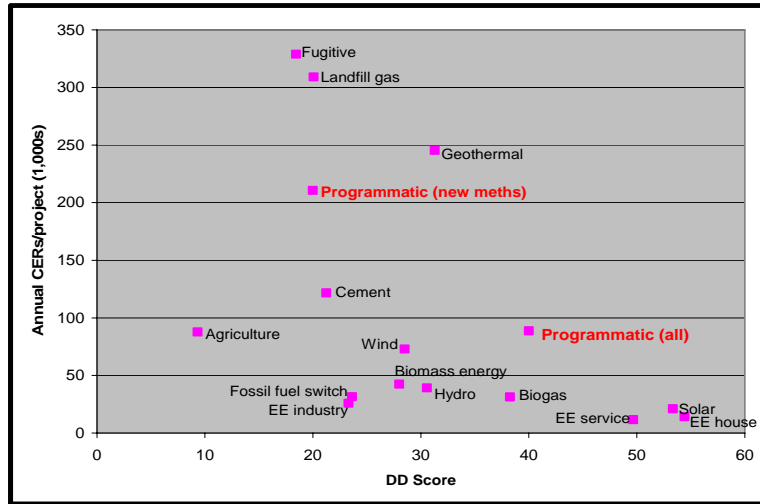
Sector	Impact (%) @ price = \$6.5/ton CO ₂ e				CF impact (% range)
	Purchase 7y	Purchase 10y	Purchase 14y	Purchase 21y	
Landfill	5.5 - 46.8%	13.9 - 48.8%	17.6 - 49.3%	20.3 - 49.3%	5.5 - 50
CH ₄ from coal	7.6%	9.7%	10.8%	11.5%	7 - 12
Biomass	1.9 - 3.5%	2.3 - 5.1%	2.6 - 6.3%	2.9 - 7.1%	2 - 8
Forestry	0.4 - 4.6%	0.9 - 5.7%	1.7 - 6.3%	2.6 - 6.8%	0.5 - 7
Renewable energy	0.2 - 1.7%	0.3 - 2.2%	0.5 - 2.6%	0.6 - 2.9%	0.2 - 3
District Heating	0.5%	0.6%	0.6%	0.7%	5 - 1

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Kaphil Vaghela, Industrial Development Bank of India, based on WB analysis

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Figure 6: Programmatic CDM, CERs and DD Scores



Notes: HFC and N₂O projects are not plotted on this graph.

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Source: IISD Development Dividend Paper 2

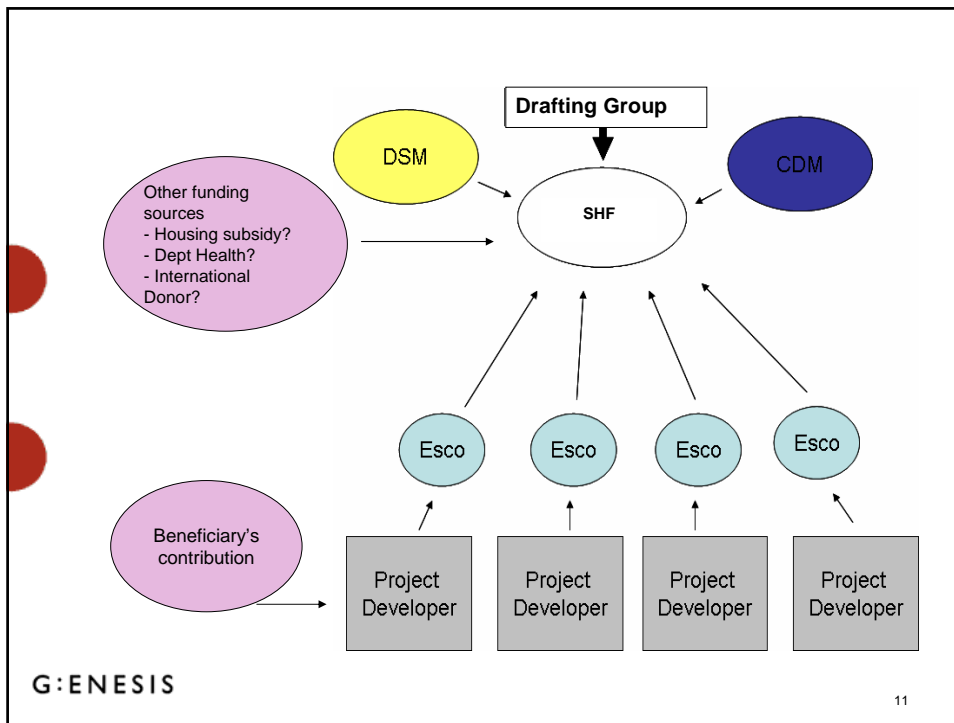
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However!

- Carbon Finance *is* an important revenue source
- Call for tighter targets to increase carbon price
- Opportunity for govt: financial mechanism to support RE policy
- More targeted approach to facilitate private sector uptake
- Economies of scale for small point source emissions: Programmatic CDM

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And finally...

Interaction with TRECs

Thank you