



THE BOARD OF TRADE OF THAILAND

# **After Bangkok & Barcelona, the Road to Copenhagen**

**Buntoon Wongseelashote**

**Chairman of the subcommittee on Climate Change  
The Joint Committee of Thai Bankers Association,  
The Board of Trade of Thailand and the Federation of Thai  
Industries**

# Bangkok talks

- EU wants single instrument or single agreement, merging two negotiating tracks and outcomes i.e. termination of Kyoto Protocol after 2012
- US wants national target for emission reduction instead of internationally binding target
- US wants action from large emitters, proposes same commitments from major developing countries (inscribed in US law)
- DCs want KP extended, plus pressure put on US, now outside KP
- DCs accuse US of killing UNFCCC
- DCs accuse EU of killing KP

# UNFCCC 1992

- Establish national greenhouse gas inventories
- Agreed in general to recognize "**common but differentiated responsibilities,**" with greater responsibility for reducing greenhouse gas emissions on the part of developed countries, which were listed and identified in Annex I of the UNFCCC
- Assist developing countries with adaptation, finance capacity building and technology
- Parties to UNFCCC are classified as:
  - Annex I countries (industrialized countries and economies in transition)
  - Annex II countries (developed countries which pay for costs of developing countries)
  - Developing countries.

# The Kyoto Protocol 1997

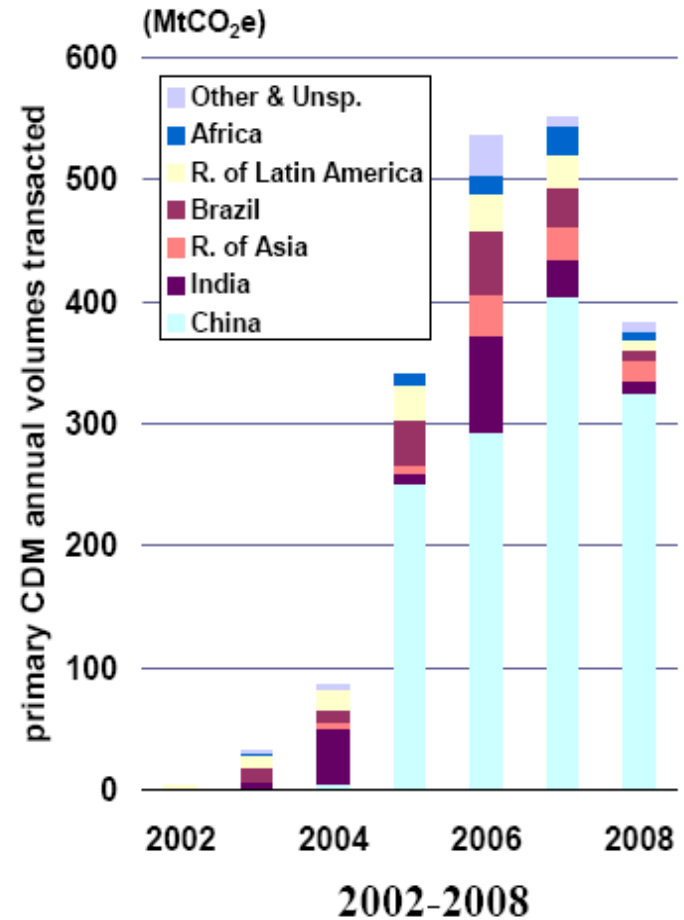
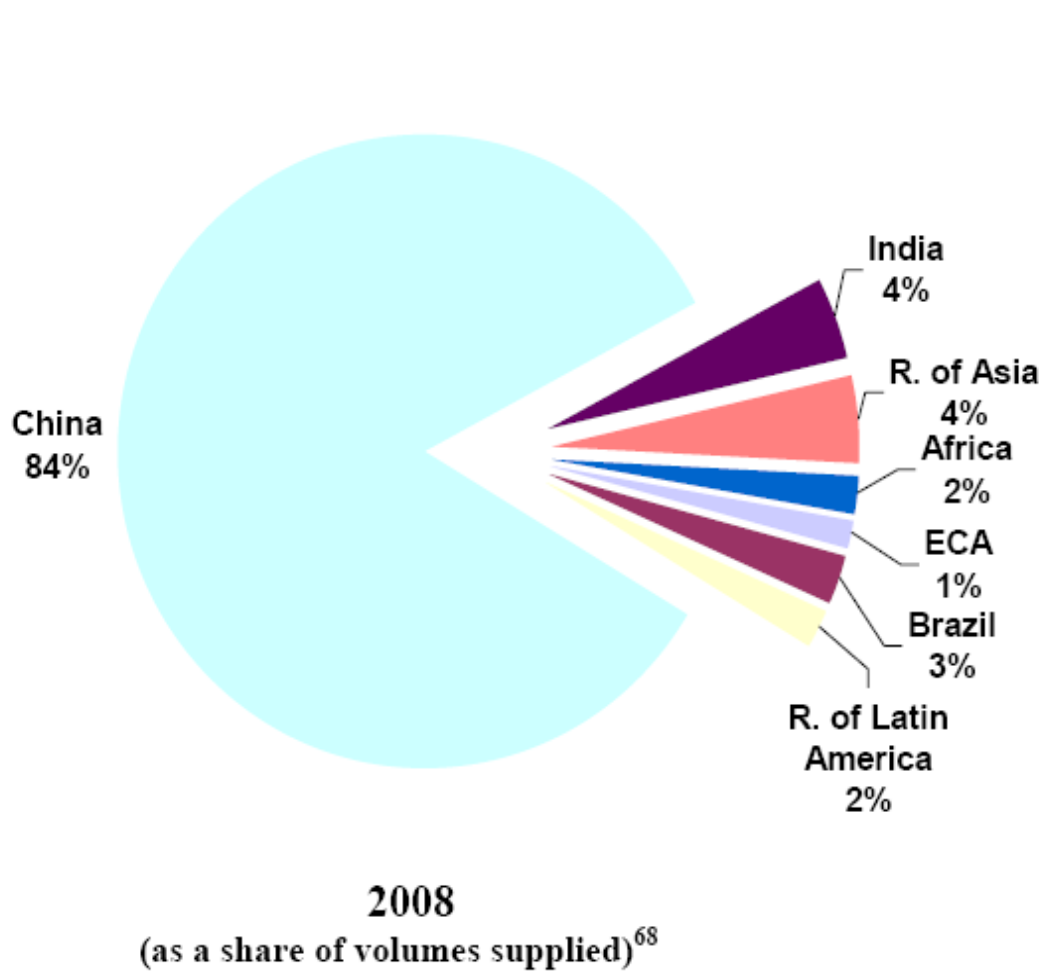
- Completes the UNFCCC that has not binding commitment
- In force since February 16, 2005
- Quantitative commitments on emissions reductions on 2008-2012 compared to 1990 (-8 % for EU, -7% for USA, - 6% for Japan and Canada, 0 % for Russia... - 5.2% on average for OECD countries)
- Six GHG (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFC, PFC & SF<sub>6</sub>)
- 2 categories of countries: notion of « **Common but differentiated responsibility** »
  - Developed countries must reduce their emissions, domestically first
  - Other countries have no commitments and technology transfer is used to find low carbon growth paths
- The US is the last Annex I country that has not ratified the Kyoto Protocol (along with Croatia)

# Volume and Value of Carbon Credit 2007 – 2008

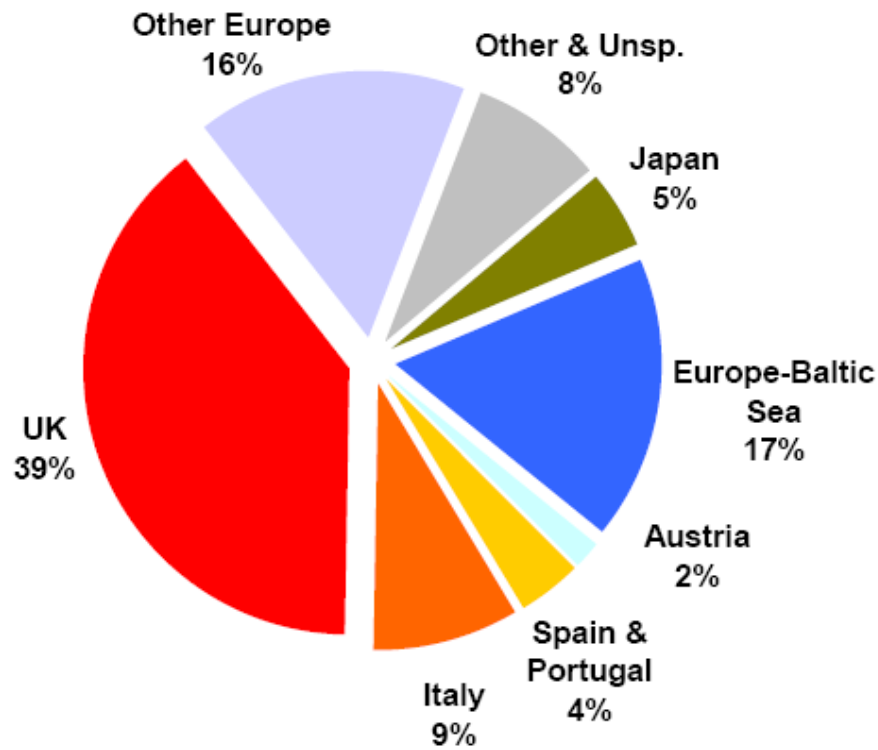
	2007		2008	
	Volume (MtCO <sub>2</sub> e)	Value (MUS\$)	Volume (MtCO <sub>2</sub> e)	Value (MUS\$)
<b>Project-based Transactions</b>				
<b>Primary CDM</b>	552	7,433	389	6,519
<b>JI</b>	41	499	20	294
<b>Voluntary market</b>	43	263	54	397
<b>Sub total</b>	<b>636</b>	<b>8,195</b>	<b>463</b>	<b>7,210</b>
<b>Secondary CDM</b>				
<b>Sub total</b>	<b>240</b>	<b>5,451</b>	<b>1,072</b>	<b>26,277</b>
<b>Allowances Markets</b>				
<b>EU ETS</b>	2,060	49,065	3,093	91,910
<b>New South Wales</b>	25	224	31	183
<b>Chicago Climate Exchange</b>	23	72	69	309
<b>RGGI</b>	na	na	65	246
<b>AAUs</b>	na	na	18	211
<b>Sub total</b>	<b>2,108</b>	<b>49,361</b>	<b>3,276</b>	<b>92,859</b>
<b>TOTAL</b>	<b>2,984</b>	<b>63,007</b>	<b>4,811</b>	<b>126,345</b>

Source: State and Trends of the Carbon Market 2009, World Bank

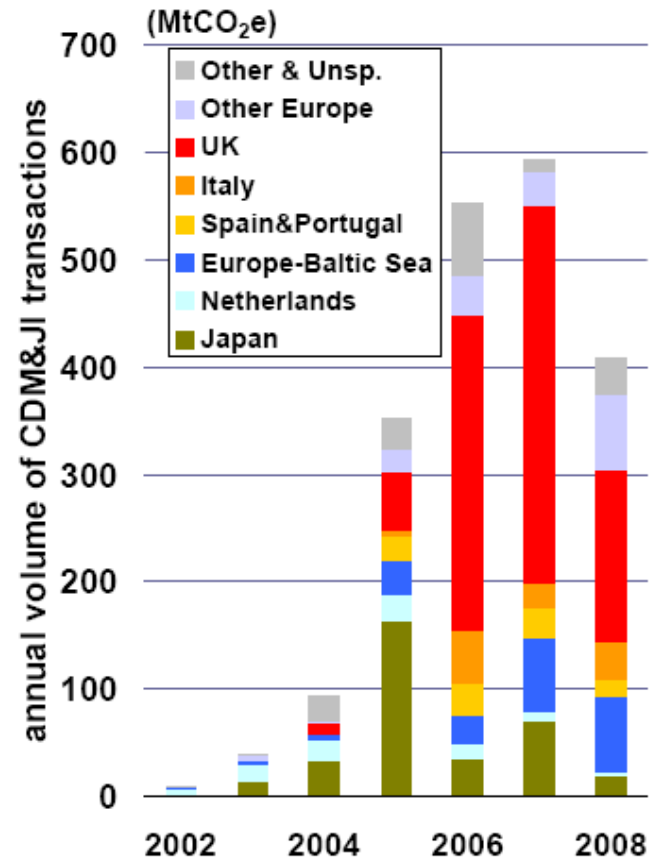
# Who earns?



# Who pays?



2008  
Overall volume 409 MtCO<sub>2</sub>e



2002-08

# BALI ACTION PLAN 2007

- Cooperation in GHG emission reduction of all countries will be under the principle of ***equity (historical debt), common but differentiated responsibilities***
- developing countries would, in the context of sustainable development, supported and enabled by **technology, financing and capacity building**, undertake **nationally appropriate mitigation actions (NAMAs)** and adaptation efforts
- The outcome of the efforts must lead to global temperature rise not to exceed **2 degrees C**, and global GHG concentration of not more than **450 ppm CO2 equivalent**
- Amount of GHG emission reduction made by developed countries must be **measurable, reportable and verifiable (MRV)**
- Establishment of **Ad Hoc Working Group on Long Term Cooperative Action (AWG-LCA)** and **Ad Hoc Working Group on Kyoto Protocol (AWG-KP)**

# **AWG-LCA vs AWG-KP**

- AWG-LCA is the negotiating track under UNFCCC and is meant to enhance implementation of UNFCCC, i.e. technology transfer, finance, capacity building and adaptation.
- AWG-KP is the negotiating track under Kyoto Protocol, primarily on mandate for emission reduction by Annex I parties. The mandate is to negotiate for further commitments beyond 2012 of Annex I parties based on Article 3.9 of the Protocol, by amending Annex B of the Protocol.

# Developed Countries

- collapse the AWG-KP into the AWG-LCA track, thereby effectively ending the negotiations for a second commitment period for Annex I Parties under the Kyoto Protocol and continuing with negotiations under the AWG-LCA track.
- seek a legally binding outcome under the AWG-LCA with the goal of superseding the Kyoto Protocol. If the elements of the Kyoto Protocol are moved into the AWG-LCA, and are discussed and concluded as part of a legally binding instrument under the Bali Action Plan process, then the Kyoto Protocol may effectively be rendered dead or meaningless.

# How can a treaty be terminated?

- On ‘Termination or suspension of the operation of a treaty implied by conclusion of a later treaty’, Article 59 of the Vienna Convention on the Law of Treaties (1969) states that -
  - “A treaty shall be considered as terminated if all the parties to it conclude a later treaty relating to the same subject matter and it appears from the later treaty or is otherwise established that the parties intended that the matter should be governed by that treaty;”
- This means that a later treaty on the same subject matter could have the effect of terminating the earlier treaty.

# How can we deal with US?

- The vexing question of the US, which is not a Party to the Kyoto Protocol, and which does not therefore have a quantified emission reduction commitment, is addressed in the Bali Action Plan in paragraph 1b(i) – there should be “comparability of efforts” between what it does under the Convention, and what other Annex I countries do under the Kyoto Protocol.
- The AWG-LCA should discuss comparable efforts by the US to the commitments determined in the AWG-KP for Annex I Parties.

# What are the prospects

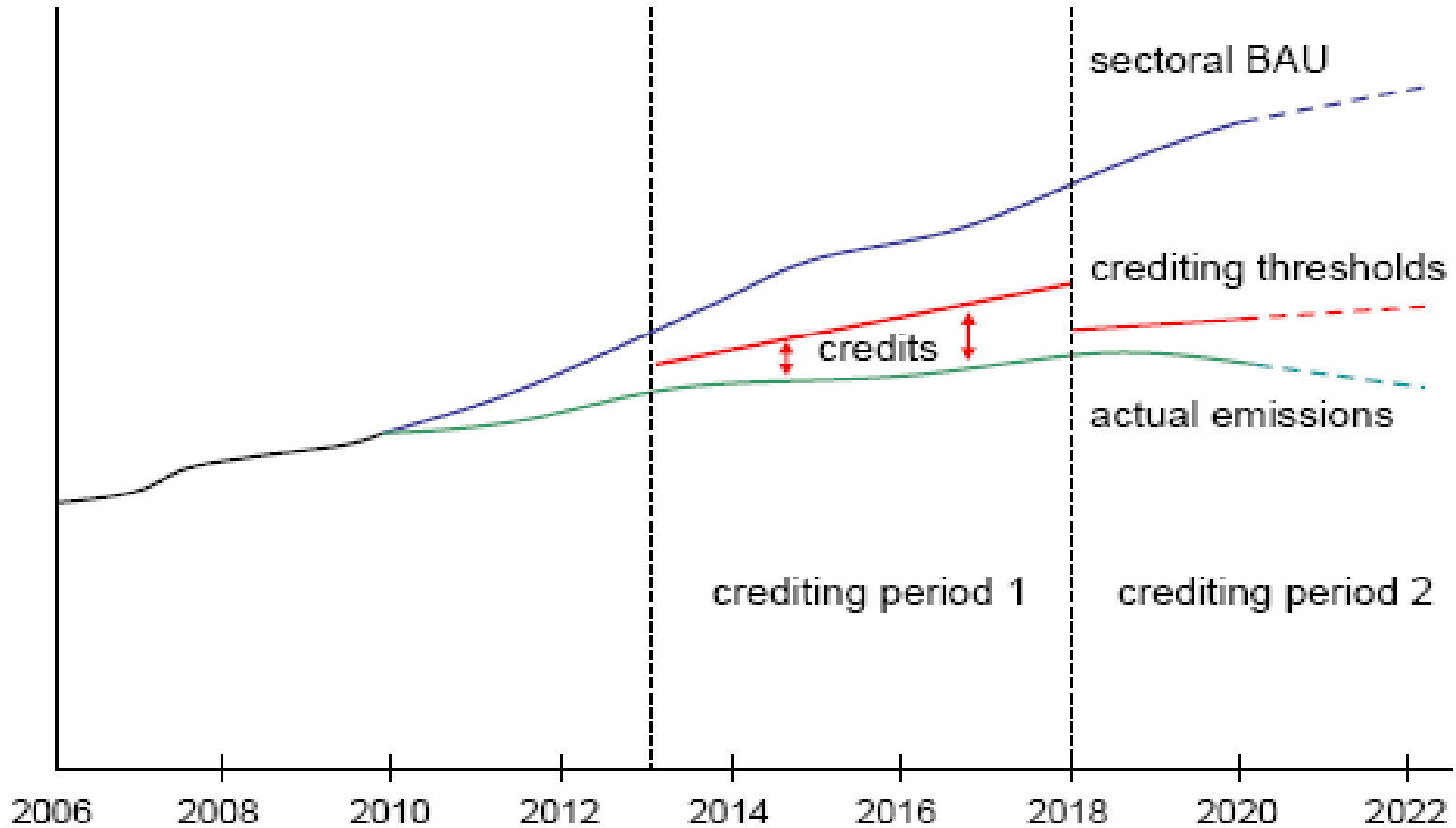
Four broad outcomes are possible from the Copenhagen summit:

- a comprehensive deal with all loose ends tied up
- a deal agreeing the "big picture", but with lots of details remaining to be thrashed out over the coming months or years
- adjournment of the COP, probably until midway through 2010
- breakdown.

# EU proposes SCM

- CDM should be focused on LDC while a new SCM focused on developing countries
- All countries except LDCs should prepare low carbon growth plan by 2011, mid term and long term objectives, and prepare annual greenhouse gas inventories,
- Carbon market should generate financial flows to developing countries around 38 billion euros per year

# SCM to supersede CDM



# CDM vs SCM

- CDM applies to a single project, a single installation
- SCM covers entire sector i.e. steel, cement, power, etc., a number of installations
- CDM credits emission reductions that are additional to 'business as usual'
- SCM credits emission reductions against a threshold, which represents an own mitigation contribution of the developing country
- Money goes to project owner under CDM, but it goes to the developing country sector administrator under SCM

# Agreement by G8 at L'Aquila summit

- G8 countries collectively cut emissions by 80% by 2050 and the world should also cut by 50% by 2050
- new policies will include buying up to 50% of the reduction from abroad

## **If Annex 1 countries buy offset by 50% the rich cut 40%, the poorer cut 60%**

- Annex 1 countries produce 15bn tons of CO<sub>2</sub>, or 51% of global emissions, which is 29.2 bn tons, reducing 80% will trim output by 12bn tons
- Global cut by 50% is 14.6bn tons, other countries need to cut by 2.6bn tons.
- Buying 50% offsets allows Annex 1 countries to trim output only by 6bn tons, leaving other countries to cut by 8.6bn tons, or 60% of current consumption.

# Both CDM and SCM mean

- ‘Polluter pays’,  
transforming to  
‘who pays may  
pollute’