



**Carbon Forum Asia**

**Side Event : International Private Sector Investment**

**27 October 2009**

**Singapore**

# **Role of Carbon Market and Post 2012 Framework**

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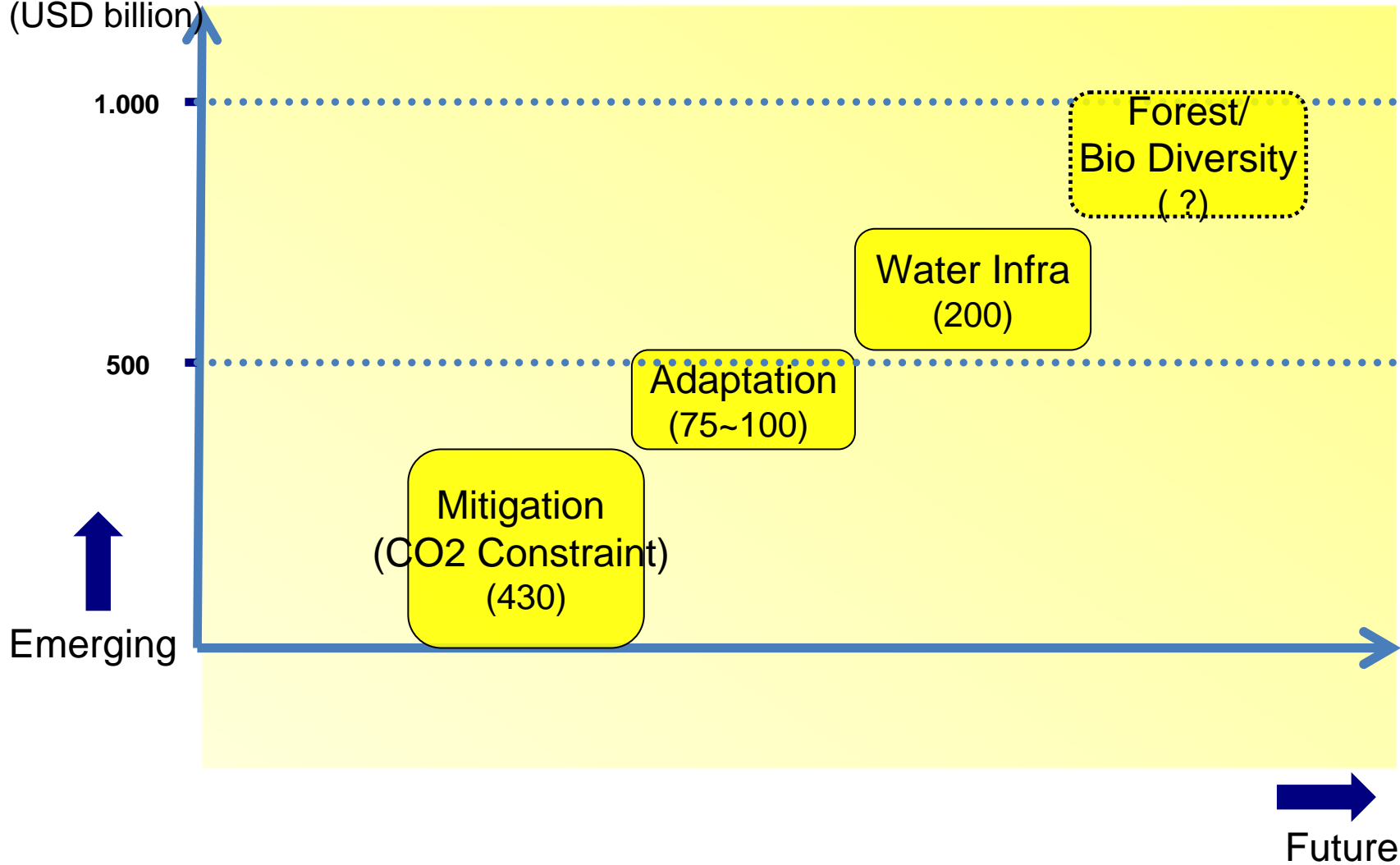
**Special Advisor and Head**

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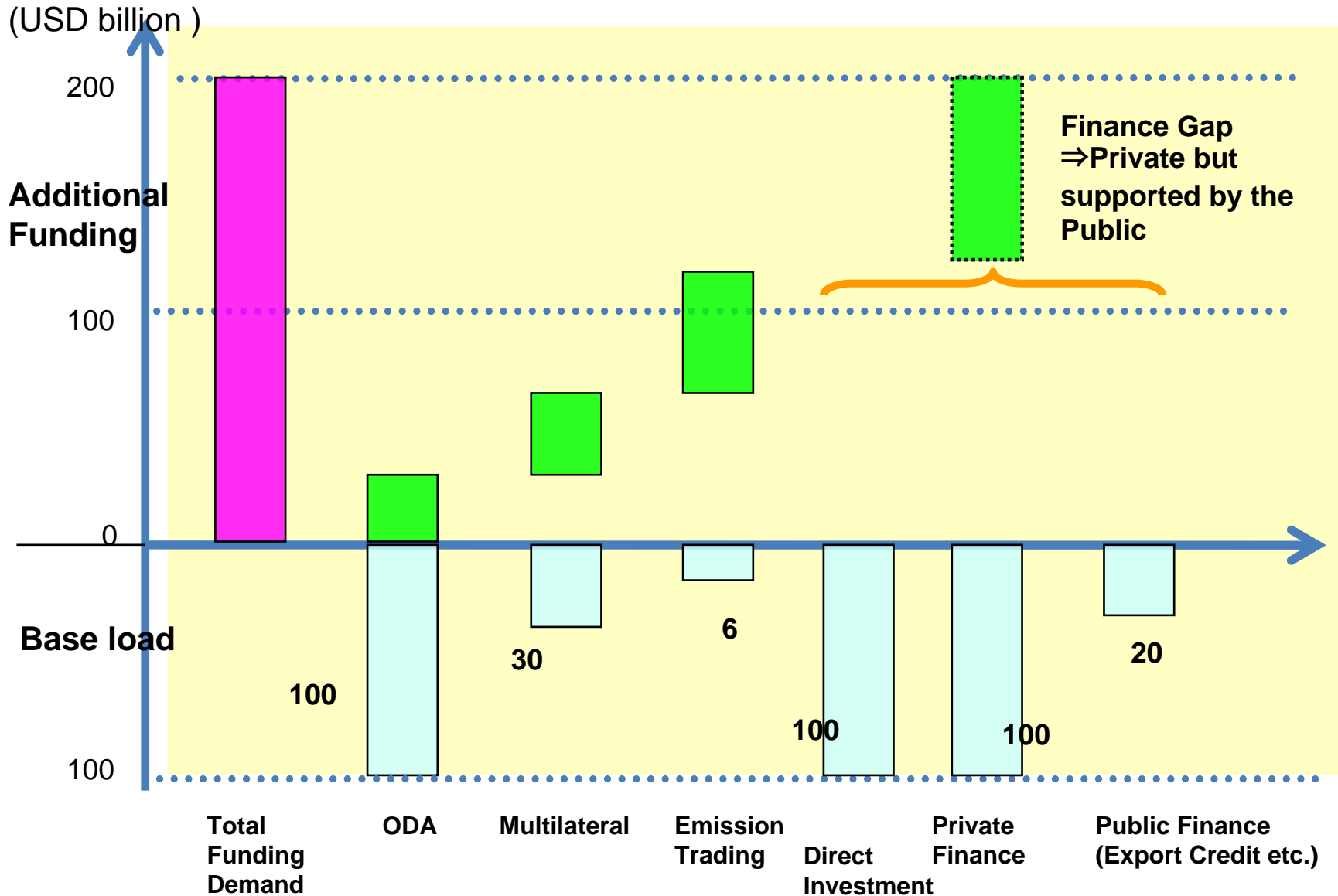
**Japan Bank for International Cooperation**

# Funding Demand by the constraints

Funding Demand( Additional)  
(USD billion)

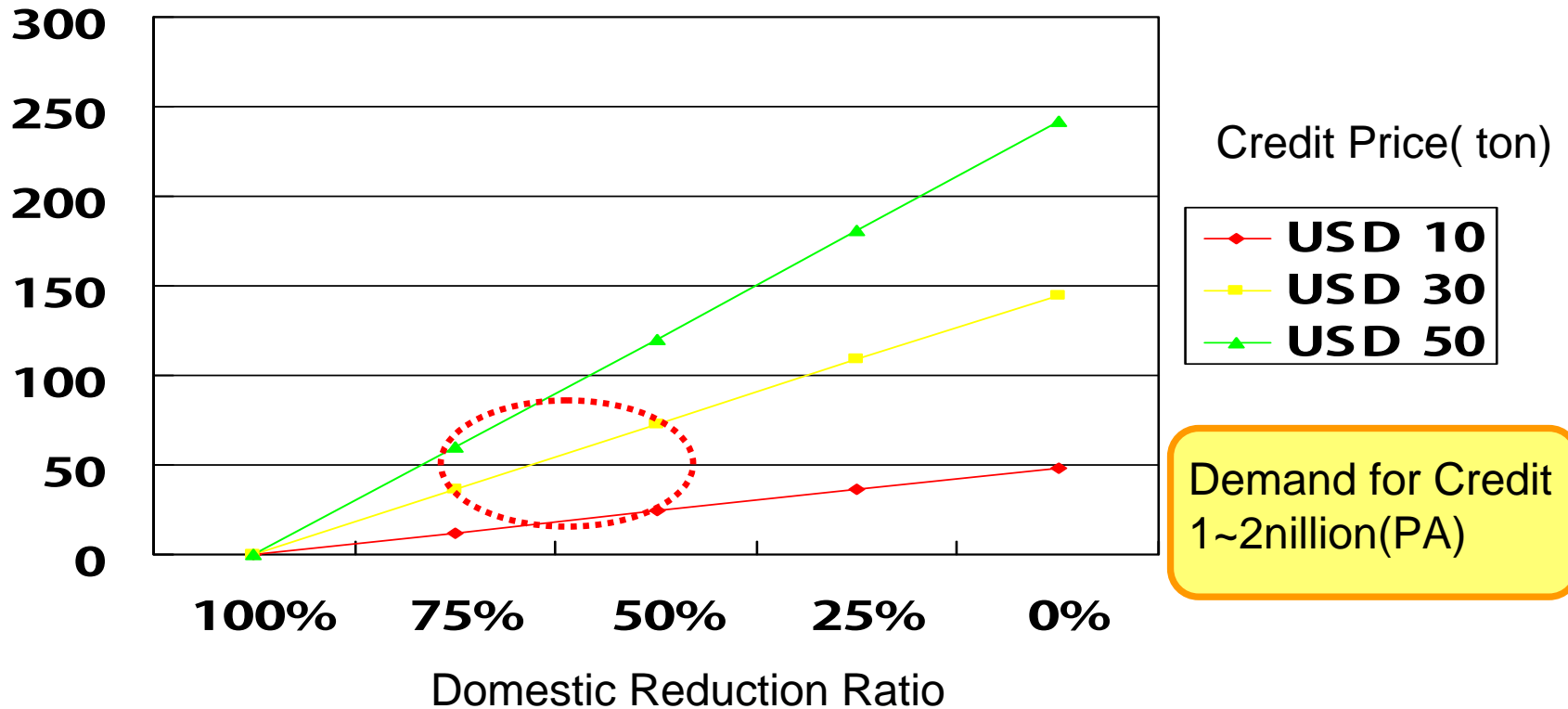


# Finance Flow to developing countries



# Potential Credit Demand post 2012 (Value)

Billion USD(PA)

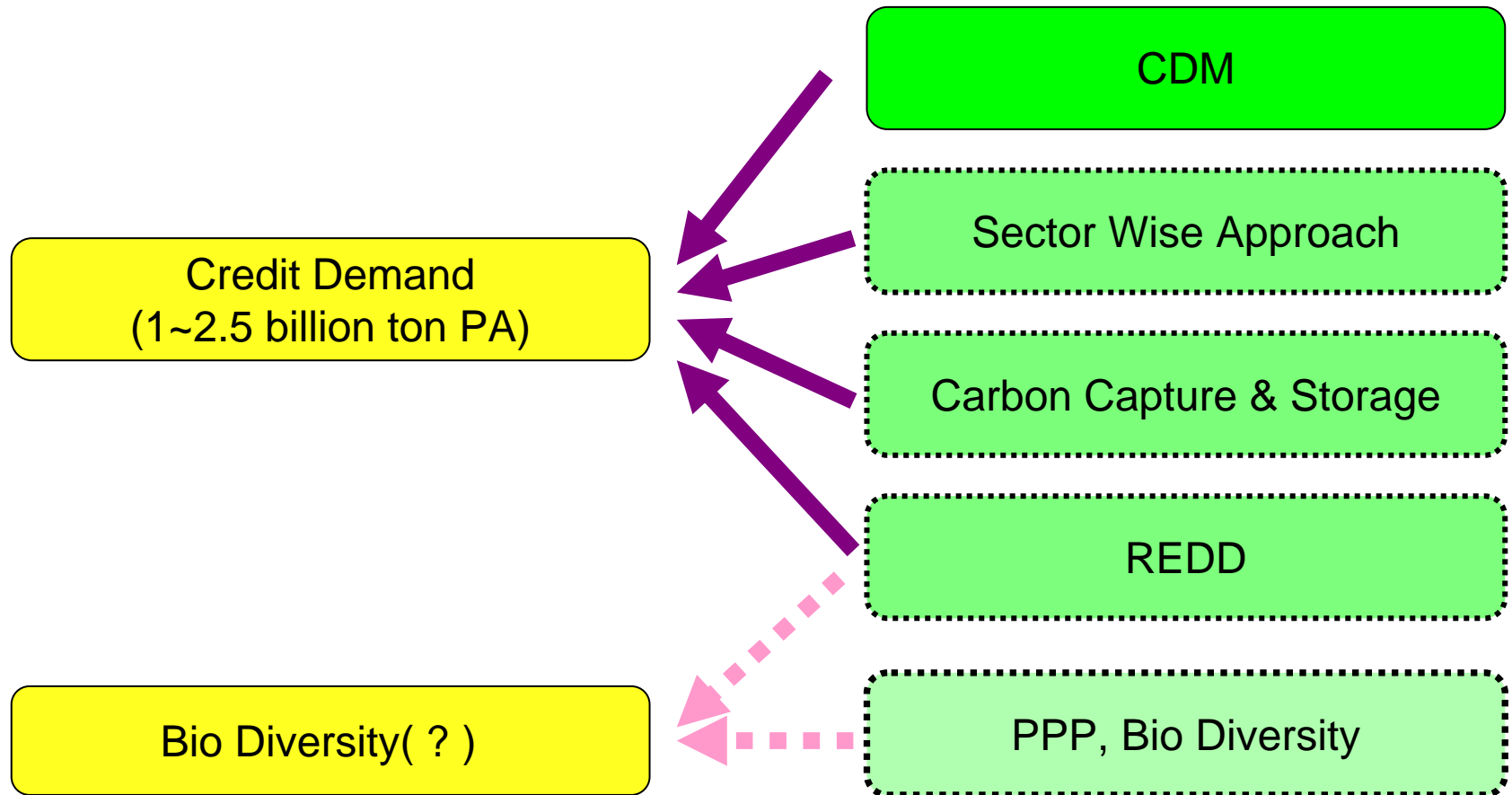


Assumption

CO2 emission of OECD(+) countries shall be reduced by 25% by 2020.

# Lack of Credit Supply

< Possible Approach >



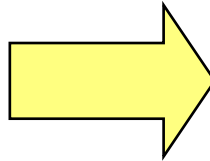
# SCM and Sector-Specific Benchmark CDM

		SCM	Sector-Specific Benchmark in CDM	( Cf : Present CDM )
Common Points				
①	Set some target	Can adopt the concept of improving energy efficiency per unit output.	Has no such concept	
②	Relations with targets set by developing countries	Can relate to methodologies for achieving sector-specific targets in developing countries. SCM has a more direct linkage to such targets.	No obligation for developing countries	
Differences				
①	How credits are generated	By improving sector-wide efficiency (on a sector basis)	By improving efficiency in each plant (project) ( on a project basis)	By improving efficiency in each plant (project) ( on a project basis)
②	How to set targets	Determined in the political process	Marrakech Accords has already set the top 20% as a criterion.	Marrakech Accords set forth the top 20% as a criterion.
③	Entities acquiring credits = Those given direct incentives	Government in the country where the sector exists	Private firms participating in the projects	Private firms participating in CDM projects
④	The amount of credits generated	Depending on a specific target level to be set (Given the same target, more credits will be generated than in Sector-Specific Benchmark CDM)	Depending on a specific target level to be set (Given the same target, less credits are generated than in SCM)	Small (due to complex process)
⑤	Relations with CDM	In principle, replacing CDM (no overlapping)	Can be seen as improvement on the present CDM.	Not applicable
⑥	Building New Organization	May need to build a new organization for governance.	Can utilize the present institutions such as the CDM Executive Board	The present institutions
⑦	Position of E U	Supportive ( but views that it takes time to realize SCM.)	Supportive (as it is seen as an improvement on CDM), but not considers it is not exclusionary to SCM.	The need for some form of reform is recognized.
⑧	Position of U.S.	Not clear at this point U.S. may resist to direct flows of funds to emerging countries like China and India.	Not clear at this point. Since this is based on the present CDM, it may be difficult for U.S. to get involved in its discussion.	Not clear at this point
⑨	Position of Developing	Cautious in setting targets	They may support it as an	The need for some form of reform is recognized

# Conclusion

**Policy Mix**  
Emission Trading  
Financing  
Tax  
Border Tax  
Regulation etc

**Role of the private**  
Who emit?  
Who has technology?  
Who can finance?



**Role of Carbon Market**  
1 Simple and predictable process  
2 Auction revenue  
3 Level Playing Fields