

Utilizing market-based mechanisms for mitigation target in Indonesia 2020 and beyond based on the Indonesia INDC and Paris Agreement



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Agenda

Key Elements of the Paris Agreement

Business opportunities after Paris – Invest in green projects, go carbon neutral, tackle risks in your supply chain

Building on the momentum of Paris - Can cities lead the way to a low carbon future?

Q&A Session

Key Elements of the Paris Agreement



What is the Paris Agreement?

The Paris Agreement is the Successor of the Kyoto Protocol after 2020

The agreement legally binds signatories to:

- Present pledges (Nationally Determined Contributions, NDCs)
- Use an agreed format to present such pledges
- Thereby reflect “highest possible ambition”
- Participate in “global stocktaking” every 5 years, to increase ambition
- Transparency framework to track emissions and progress

The agreement also creates a basis for a variety of concepts, such as:

- Sustainable Development Mechanism
- Voluntary cooperation
- Results-based finance for REDD+ (forest conservation)
- Capacity development
- Technology transfer
- Adaptation

...and what not?

The agreement does **NOT** legally bind signatories:

- To any particular emission reduction target
- To any other level of ambition
- To use any particular type of policy or mechanism
- To any specific financial commitments

The agreement **does not** contain any sanction mechanisms

What makes „Paris“ so special?

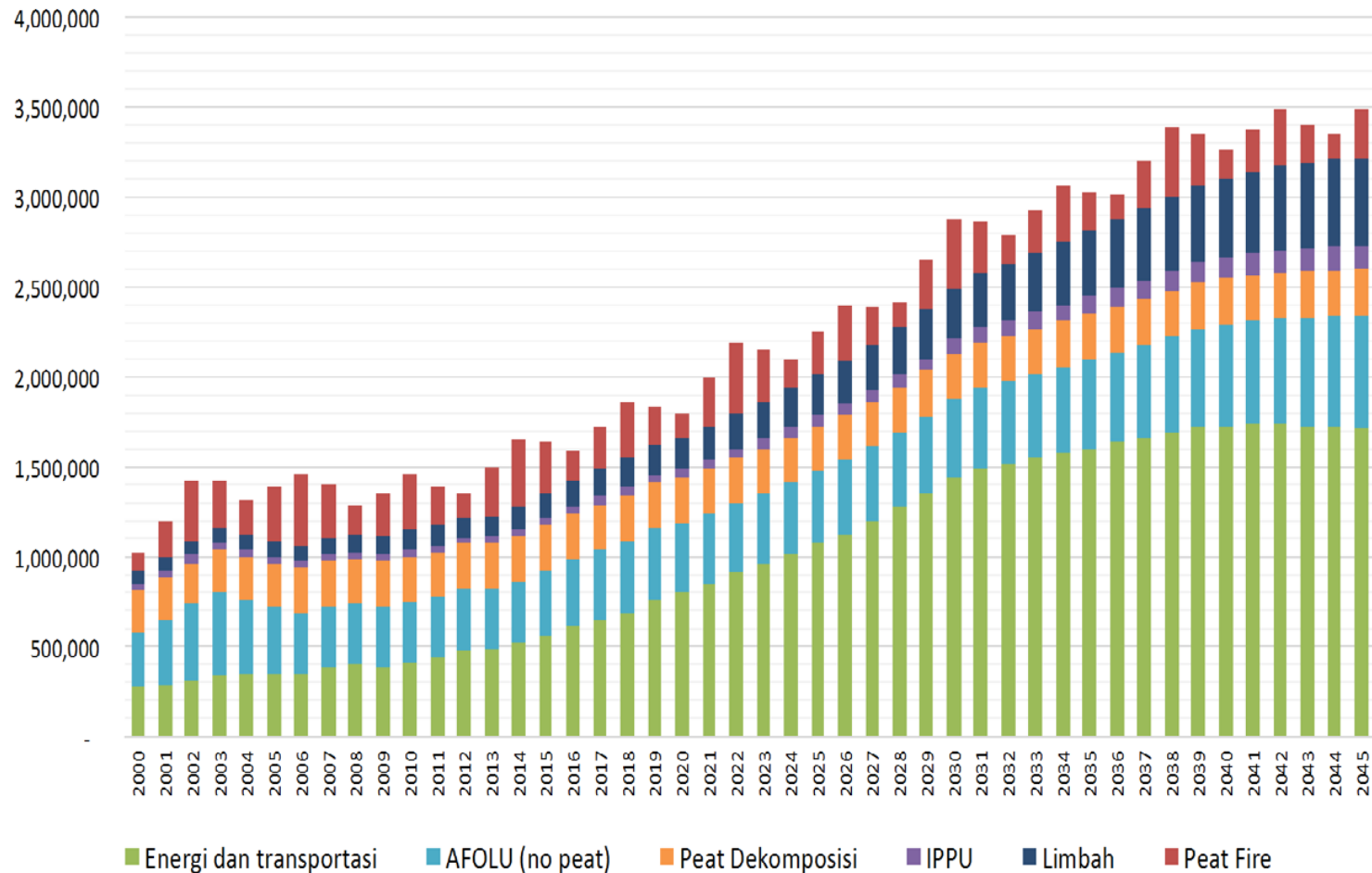
First: Goal to stay "well below 2°C" and to pursue efforts to limit the temperature increase to 1.5°C above preindustrial levels.

Plus a number of stunning elements, which ensure a certain degree of rigor while still enabling global participation:

1. Bottom-up instead of top-down approach (Kyoto)
2. You can choose if you want to be a developing country or not
3. Text carefully tailored to bypass approval by U.S. Senate
4. Creates a transparency framework – to be monitored by NGOs
5. Creates carbon markets while avoiding the word “markets”
6. For the first time explicitly encourages private players to act

Business opportunities after Paris

Updated baseline emission Indonesia



Source: Bappenas 2015

Emission from the energy sector will increase significantly after 2020

Market mechanisms are reinstated as key instrument

Two mechanisms:

- *The “Carbon Club”*: Bilateral or multilateral use of ITMOs generated from any sort of mechanism (JCM, NDC, NAMA?)
- *Sustainable Development Mechanism*: Reinstatement of a combined CDM&JI mechanism without its shortcomings?

Signals to project developers:

- Markets likely key mechanism
- Ratcheting up mechanism allows gradual increase in ambition
- REDD+ PES “encouraged”, implicitly linked to both mechanisms (“net” goals, long term abatement, sinks in Art. 6), PPP encouraged
- Commitment to 100 Bn USD / year finance
- Short term support: Transformative Carbon Asset Facility, N₂O Reduction Initiative, development of markets and PES in some INDCs

How can companies take the lead towards low carbon economy?

Commitment to 2°C / 1.5° C goal and long term “carbon balance”:

- *define long term science based emission reduction goals for companies, potentially including internal price on carbon*
- *Aim at investment decarbonization*

Recognition of “non-party” initiatives highlights importance of private sector initiatives: “reduce at home, finance abroad”

- *deliver on commitments such as RE100 and improve in CDP reporting*

SDM requires combining CO₂ reduction and other goals:

- *Invest into REDD+*
- *Use inseting*
- *Manage water and Climate risk jointly*

Fill in the voids:

- *Shipping & Aviation not regulated - offset scope 2 and 3 emissions*
- *NDC ambition level is variable – get involved with your government*

Example corporate action: Renewable energy certificates

Switch to renewable energy now

- Secure, globally available renewable energy at your disposal now
- Reportable according to RE100, CDP, LEED, WindMade, WWF Climate Savers
- Suitable to reduce your electricity-related emissions according to the GHG Protocol Scope 2 guidelines



Our take on renewable energy certificates

- Based on grid-connected renewable electricity projects in a variety of countries
- Tradable and non-tangible commodities
- Sold separately from the underlying electricity source



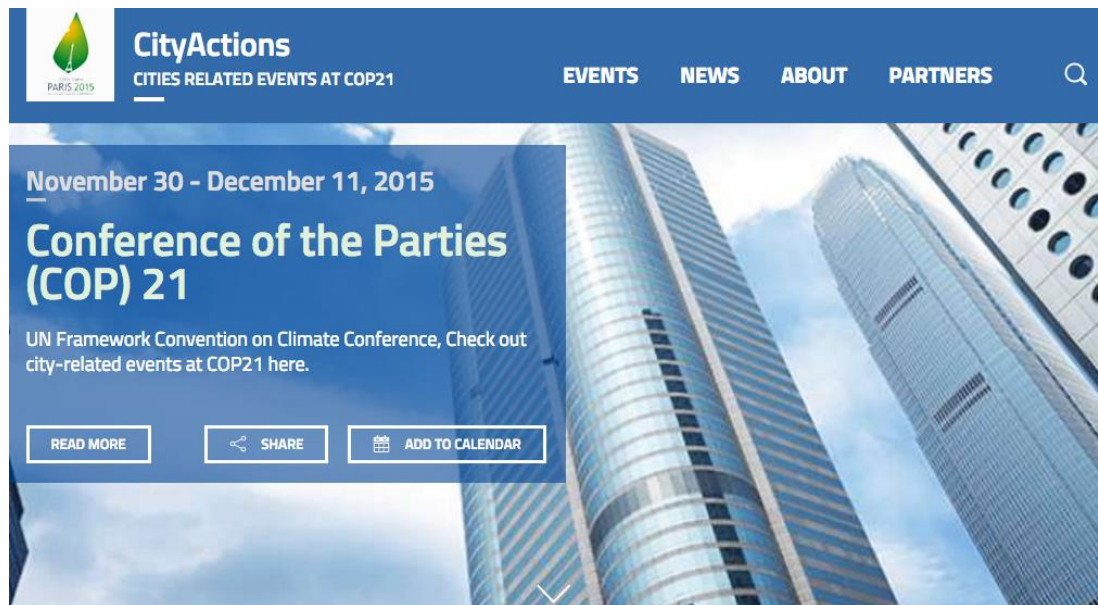
Building on the momentum of Paris - Can cities lead the way to a low carbon future?

Cities' role under the Paris agreement

Paris Agreement: first major climate agreement to **acknowledge role of cities** in fighting climate change

Cities as one of the most active players in the space

- 600+ cities: **pledge to reduce 1 Gt CO₂** (3% of global CO₂)
- Copenhagen, S. Francisco, Sydney +10 others **go carbon neutral**
- **250+ city-related events at COP21** see cityactions.org

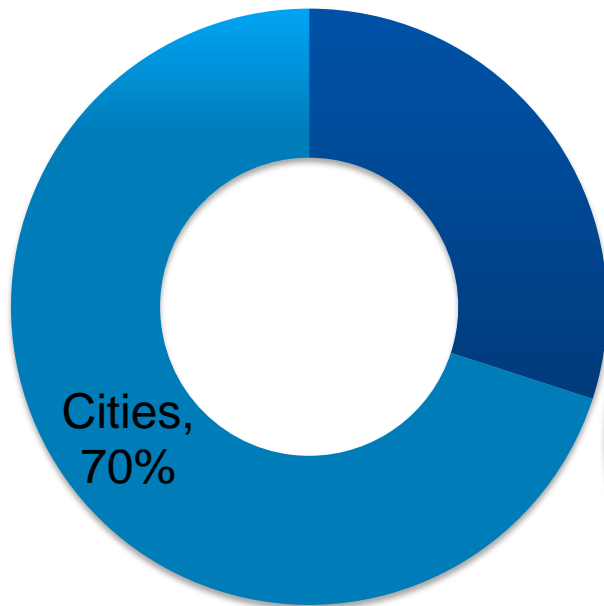


South Pole helps cities to reduce their footprint

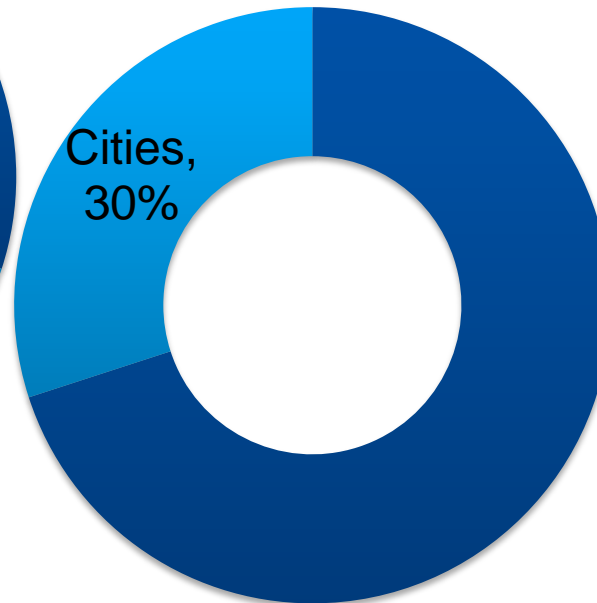


Finance challenge of cities

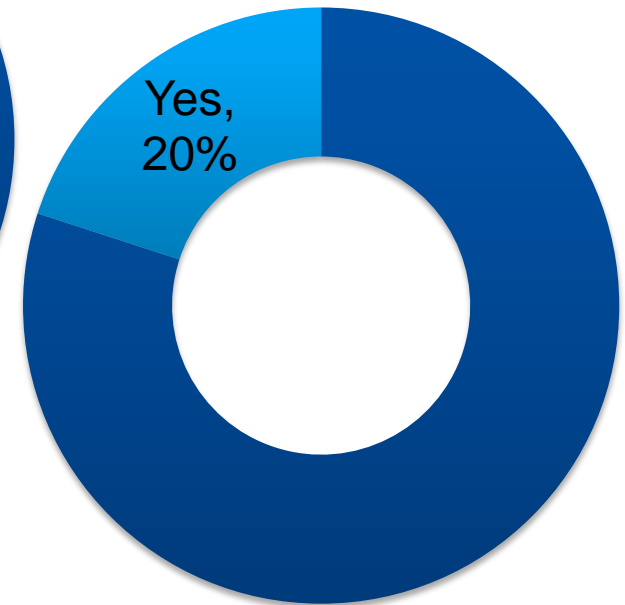
CO₂



Finance

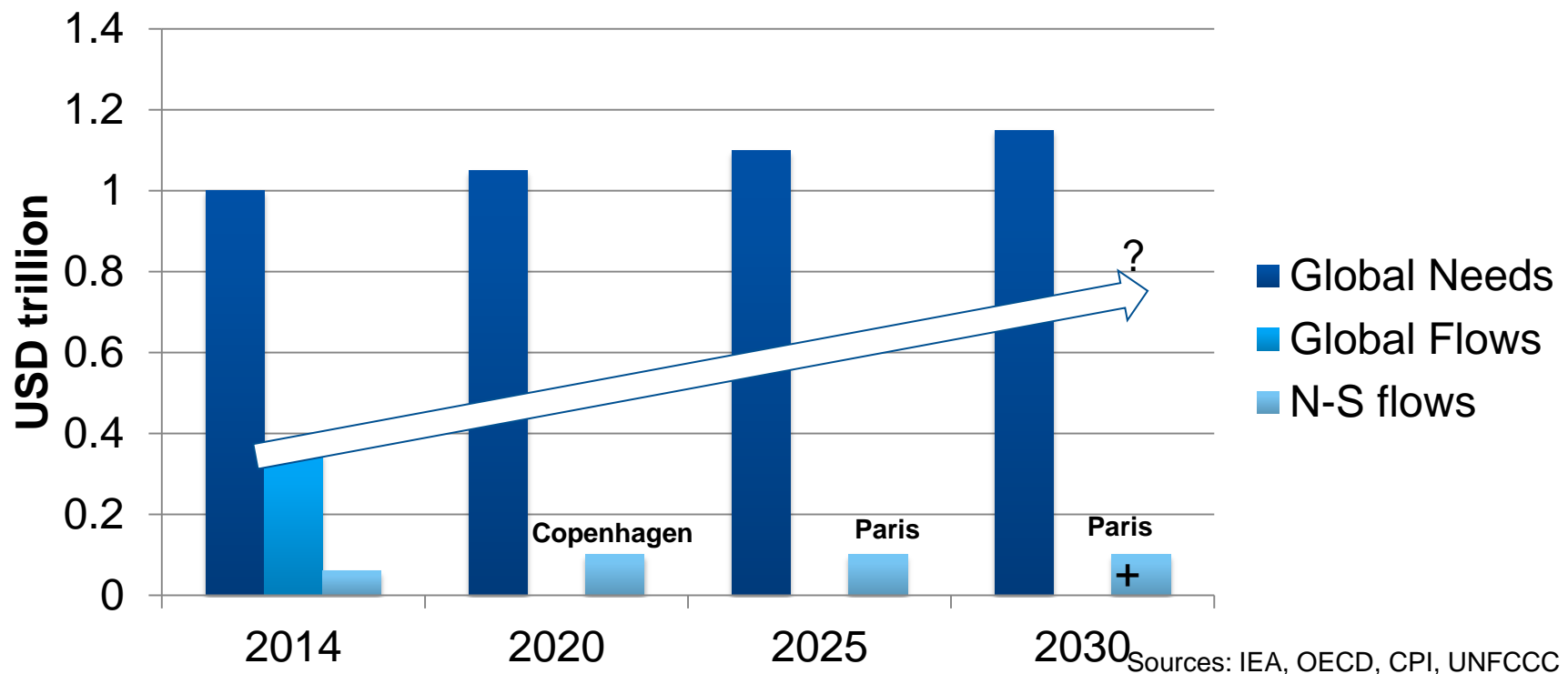


Creditworthiness



Finance under Paris Agreement

- 1 out of 3 measures for implementation (Art. 2)
- **Strong signal for wider investment community** that investment in low-carbon assets will pay off
- **No real progress on North-South finance**



Key take aways on cities and finance

- COP21: Cities = key actors to fight climate change (70% CO₂, ambitious pledges)
- South Pole Group helps cities to get better access to capital (only 20% are creditworthy)
- Paris: strong signal that investment in low-carbon assets will pay off
- Financial sector will invest in 2 degrees future, if national government action to implement Paris

Thank you for your attention!

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