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Institute for Governance and Policy Studies  
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# E-MISSION POSSIBLE

Low-emission investment and ETS reform

14 February 2018

## Motu Presentation

### Dr Suzi Kerr

**“Climate teams: A model for international cooperation”**

**Funders:**



# The problem

Globally we need to get to net-zero long-lived gases

Mismatch between mitigation opportunities and resources/  
commitments to mitigate

e.g. Host: Colombia

Investors: New Zealand, Republic of Korea...

We can help accelerate the transition to low emissions in  
countries like Colombia.

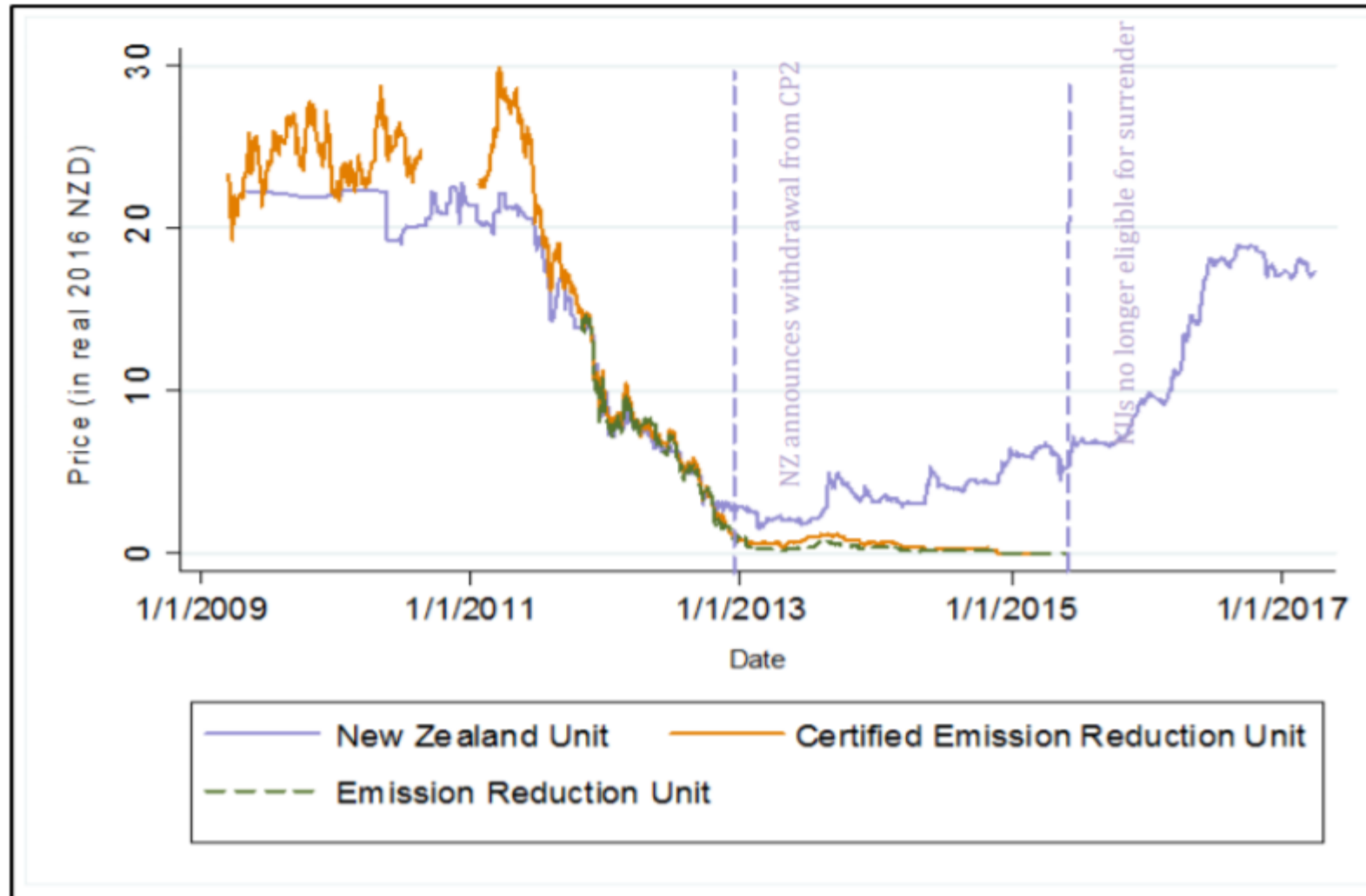


# International emission reductions

1. We need them – **and** they are part of our contribution to global low emissions transition
2. We can't buy them from the UN mechanism or through ETS linkage – yet – and may not want to even if we can
3. Government should control the amount of international emission reductions used by NZ; unlimited linkage implies
  - loss of control of price; and
  - loss of control over domestic decarbonisation



# ETS linking is risky – especially for the small



# International emission reductions

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3. Government should control the amount of international emission reductions used by NZ; unlimited linkage implies
  - loss of control of price; and
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4. Taxpayers should get the benefit from lower-cost international emission reductions
5. Government may be able to access better quality, lower-cost international emission reductions than other domestic actors
6. **Conclusion: Purchasing should be led by government (the only option now), and any future purchase-and-surrender by ETS participants should be limited and not affect total supply**



# Government-led purchasing options

Purchase from UN mechanism (or tender for private actors to purchase from UN mechanism)

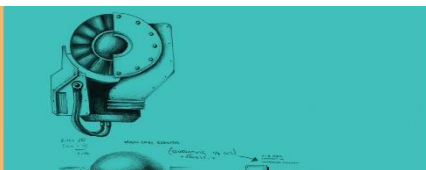
Purchase from government with strong ETS and overall compliance – but these countries don't need our help

'Climate team' with weaker government and low-cost reduction opportunities

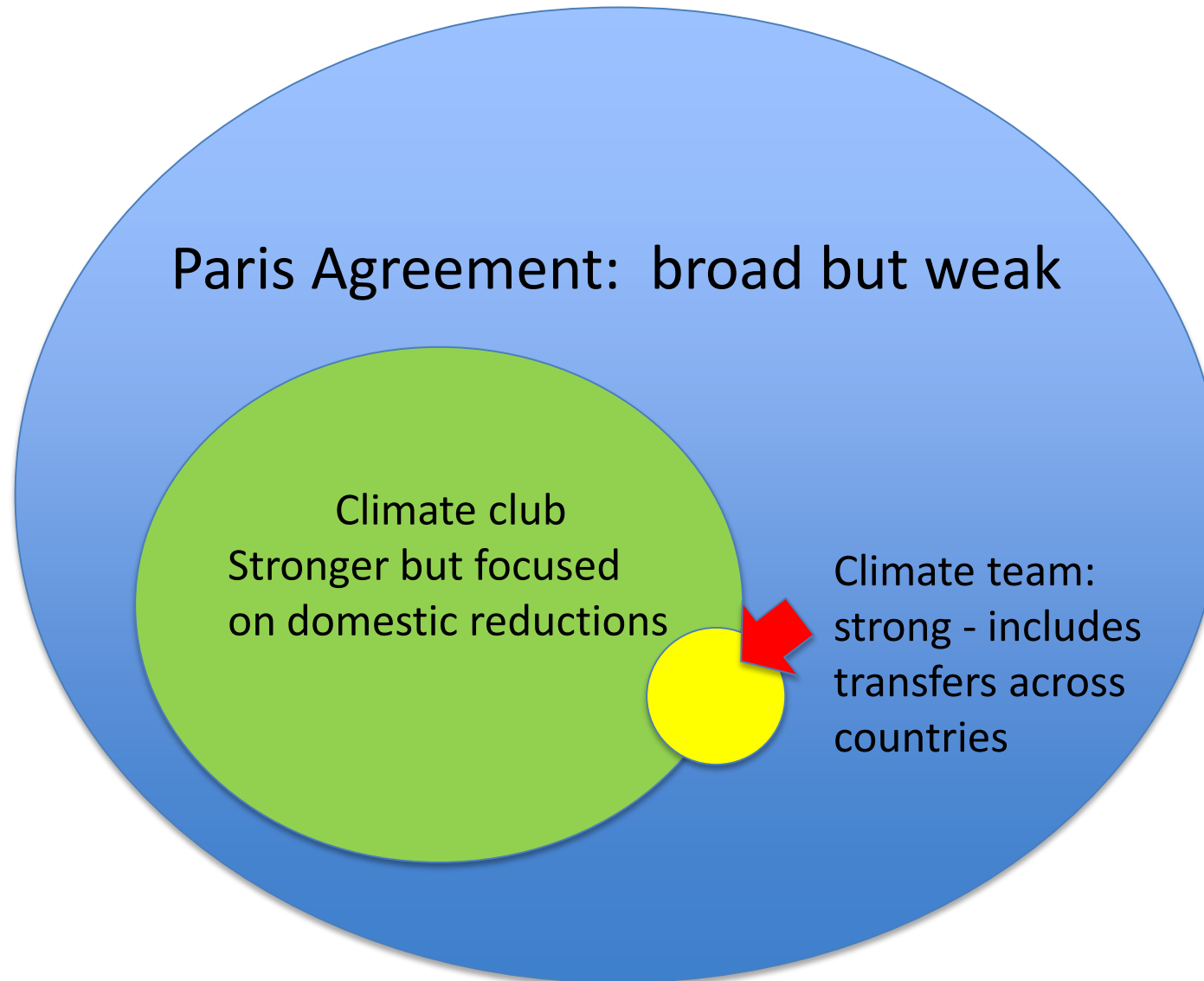


# ‘Climate Teams’

- working together to accelerate others’ low emission transitions



# Layers of global cooperation





# What 'hosts' need (Colombia)

1. Guarantee of income flow if they make large costly (economically or politically) systemic changes
  - energy transition
    - public transport infrastructure
    - electrification of vehicles
  - transition of land out of cattle ranching
  - creation and implementation of large scale reforestation programme
2. Expertise
3. Access to capital
4. Co-benefits from contract
  - e.g. poverty reduction, assist peace process, climate adaptation



# What 'investors' need (New Zealand, Korea...)

1. 'Internationally transferrable mitigation outcomes' to meet ambitious international targets during period of domestic transition to low emissions

....and beyond – can continue to contribute to others' mitigation

2. Credible units in the eyes of domestic taxpayers and voters

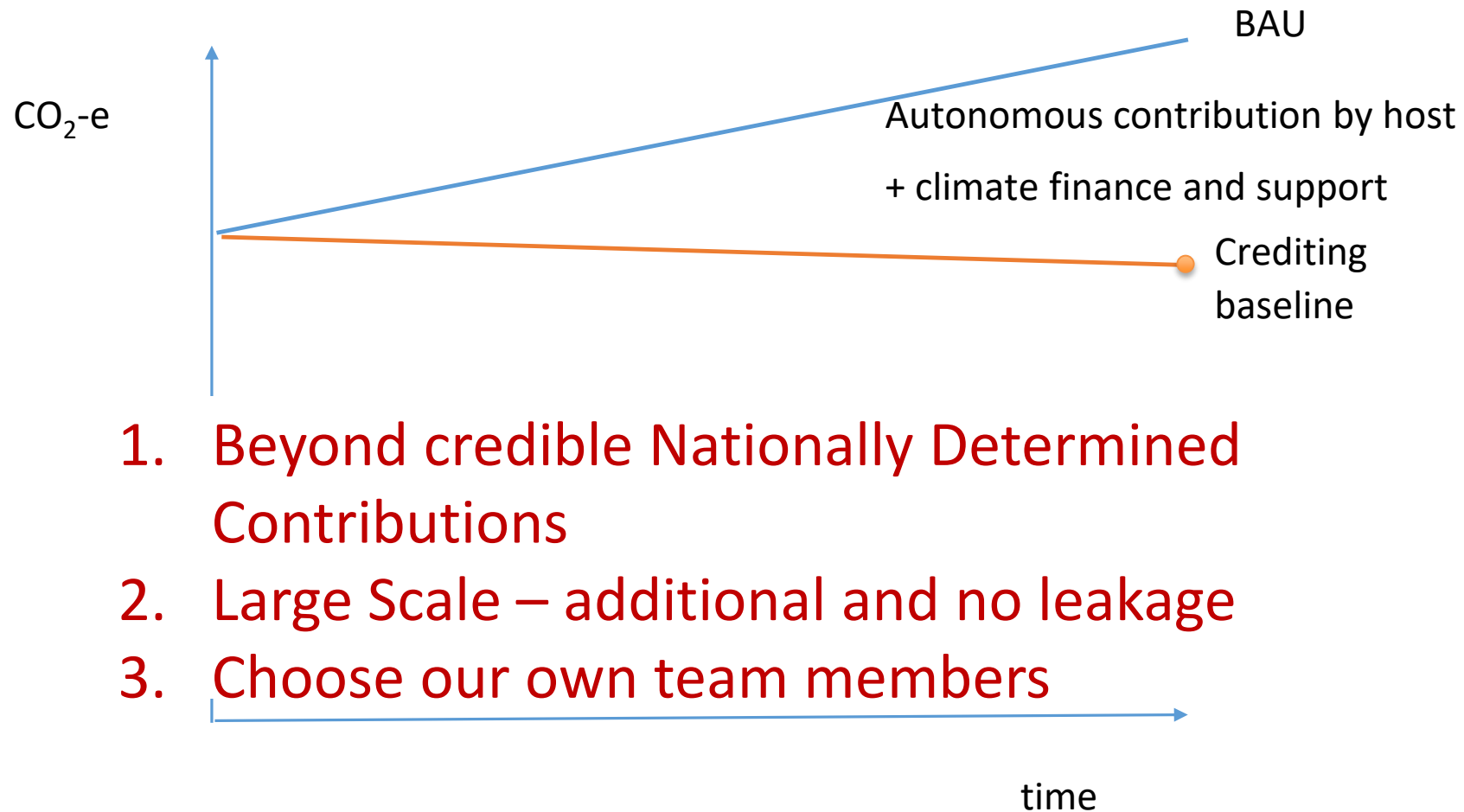
and in the eyes of other countries – to encourage reciprocal cooperation

co-benefits associated with resource transfers

– e.g. poverty reduction, assist peace process, climate adaptation

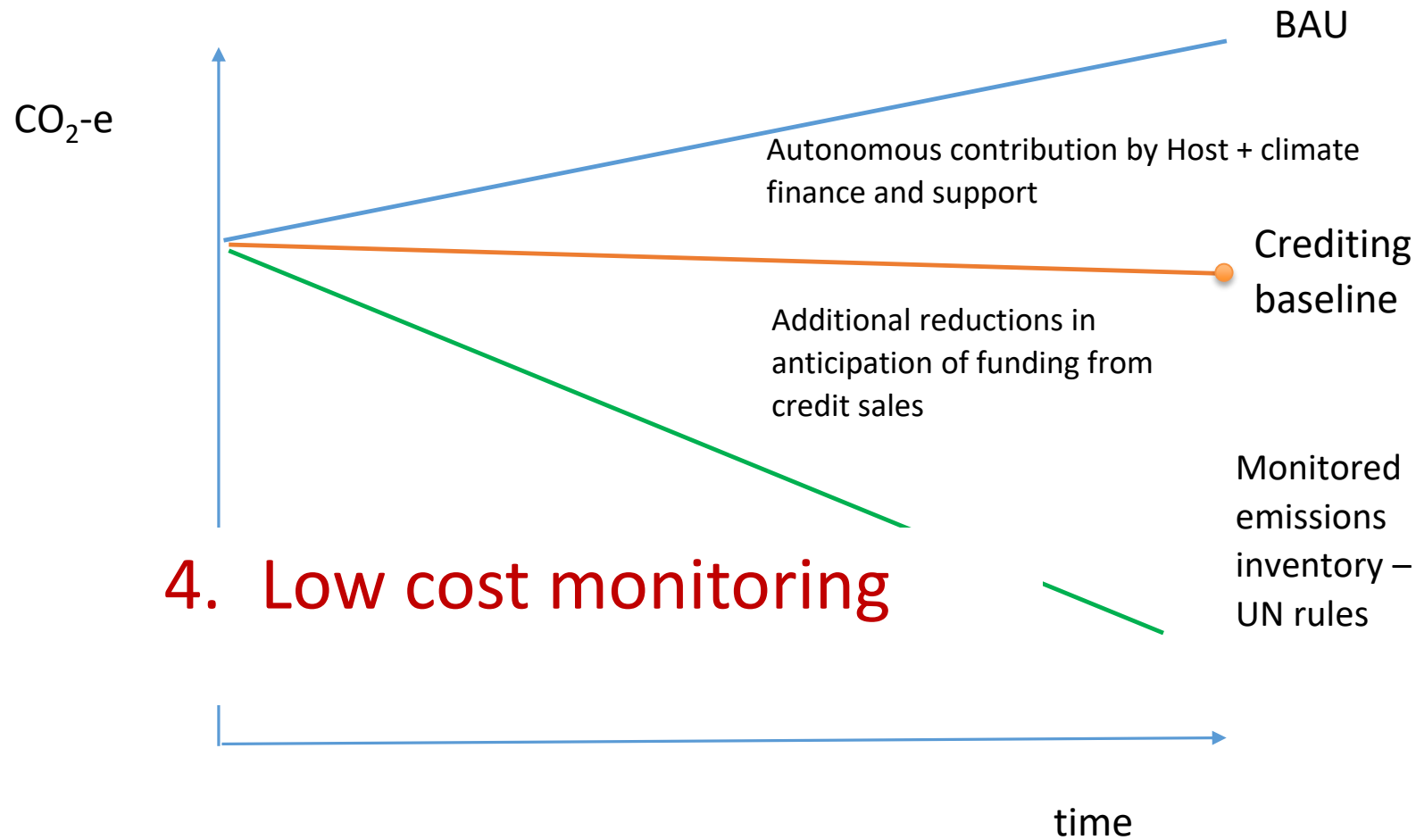


# Climate team model



1. Beyond credible Nationally Determined Contributions
2. Large Scale – additional and no leakage
3. Choose our own team members

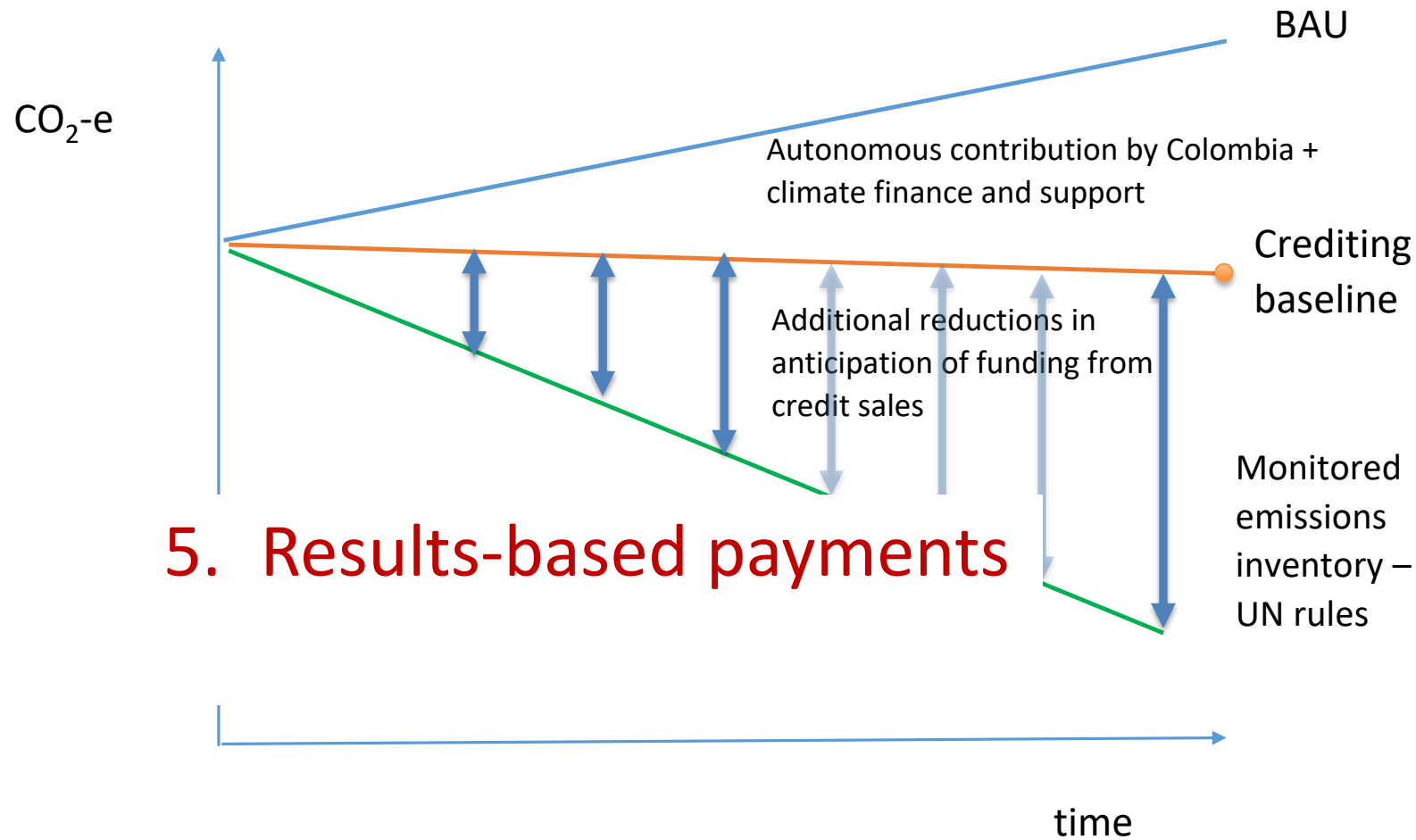
# Climate team model



## 4. Low cost monitoring



# Climate team model



# Climate team

1. Agree on a crediting baseline – at least as ambitious as NDC
2. Use ‘climate finance’ strategically to help host country reach NDC
3. Agree on a minimum credit price – to protect the host

The investor is required to pay at least this amount

4. Agree on a maximum credit price – to protect the investor against high international prices

The host may not sell to others unless the investor agrees

5. Agree on a level of funding committed in advance by the investor

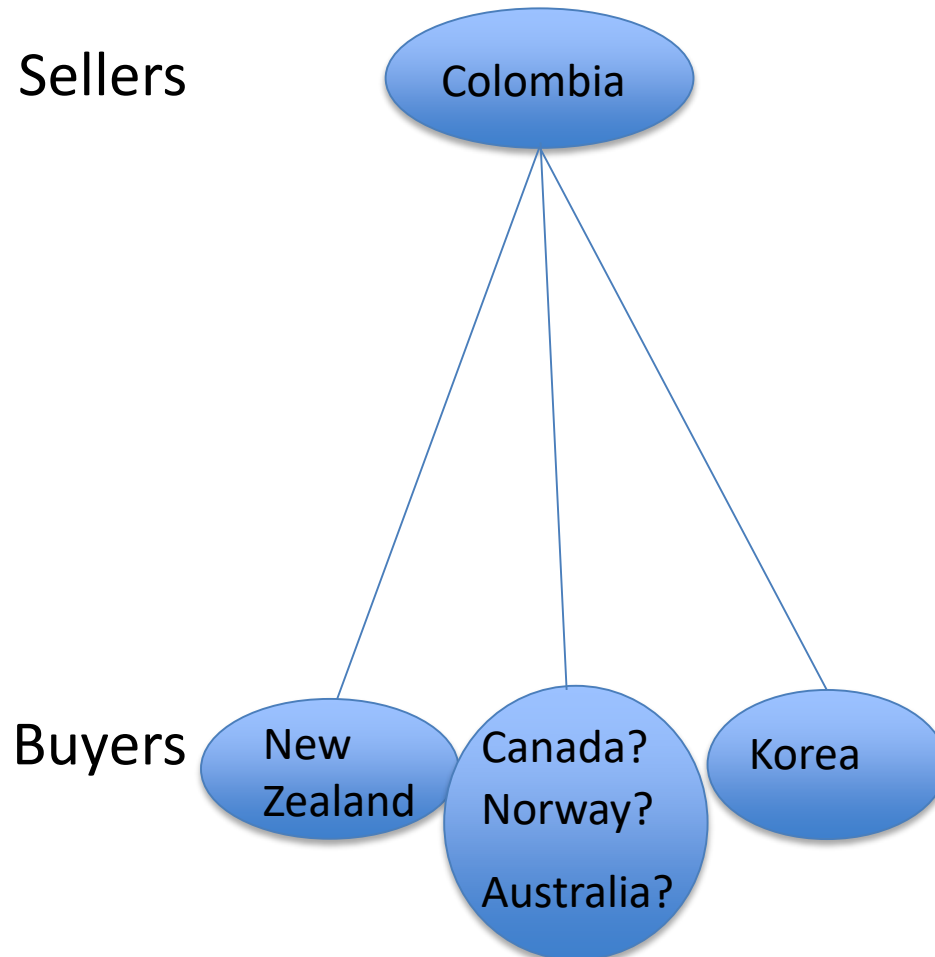
Once this is spent on credits, the contract ends

6. Complement contract with aligned finance and expertise

**Aligns incentives of all with low emissions transition**



# Risk of lack of supply: seller constrained to sell to team



# Network of climate teams?

