
A Survey by EcoSecurities

Strategic Policy Advisory Services Market Sentiments on International Climate Change Policy Post-2012

Results from a stakeholder survey conducted in 2007 by the
EcoSecurities Global Consulting Group

27.11.2007

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Executive Summary

Ever since the Kyoto Protocol came into force in 2005, negotiations for further international action once its commitment period expires in 2012 have been ongoing. As this 'deadline' approaches, many proposals have been published, yet little agreement found. This uncertainty in turn causes insecurity for investors and project developers with an interest in climate change action such as CDM or JI beyond 2012. It also leads to questions about a future commitment period and possible approaches, overall targets, different negotiation arenas and the linking of different emission mitigation schemes. Therefore it is crucial to shed light on what a future climate regime may look like.

EcoSecurities through its Global Consulting Group conducted a survey of 48 representatives from NGOs, the business sector, policy makers and climate policy experts to provide some initial insight into stakeholders' opinions about the potential design and options for a future international climate regime.

Several fundamental, political and technical issues need to be addressed for a new climate change regime agreement to be in place by 2012. Stakeholder opinions on the following issues were surveyed:

Commitments and approaches post-2012: 90% of stakeholders interviewed support the continuation or expansion of absolute and binding emission reduction targets as they have been designed under the Kyoto Protocol and hence see a continued role for both CDM and JI post-2012. Of those, 37% also support a mixed approach, where binding targets exist parallel to voluntary or non-emission reduction ones, such as technology development and transfer, sectoral (i.e. non-target, intensity based) agreements, policy based approaches, equity and development, or financial measures. The mixed approach is adopted in order to involve as many participants as possible to reach the ultimate goal of the Convention.

Continuation of project based / flexible mechanisms: It is crucial that stakeholders and investors have certainties regarding the future of flexible mechanisms. The lack of clear guidance on the role of the CDM after 2012, for example, is already affecting related investment decisions – certain project types and sectors are preferred due to short term carbon credit gains (so-called 'low hanging fruits'). 90% of all interviewees were in favour of a continued role for the Protocols' flexible mechanisms, while 38% of this group emphasised the need for CDM reform. In addition, almost half of all interviewed stakeholders would prefer sectoral or programmatic elements. Furthermore, about a quarter highlight the need for streamlined and simplified procedures and 17% the need for considering sustainability aspects.

Alternative, non-emission target based approaches: The idea of a multi-dimensional approach to effectively and fairly mitigate climate change post-2012, including multiple dimensions and mechanisms, is gaining increasing support. Emission reduction targets and allocation rights post-2012 might be supplemented by other coalitions and commitments, under the umbrella of the UNFCCC or outside the Convention. Negotiations and implementation of future climate policy regimes with mitigation and adaptation efforts in different arenas and with actions taking place under a number of frameworks, i.e. parallel

developments with different speeds such as voluntary, technology focused initiatives, are already happening. 64% of all respondents believe that technology (transfer) based approaches will play a more important role while only half see sectoral agreements as a real possibility.

Negotiation arena: More than 60% of the respondents see the UNFCCC as the major negotiation forum for the future. Other respondents believe negotiations should take place in forums outside the UNFCCC (8%), independent of others influencing the UNFCCC (17%), or they wish to see the G8 or G8+5 as a (future) major driver (6%). At present, less than half see the UNFCCC and its negotiation and decision-making bodies as the major forum (45%) whereas almost a third (29%) sees forums outside the UNFCCC as the major negotiation and decision-making circles influencing the UNFCCC. A mere 4% regard the G8/G8+5 or forums completely outside the UNFCCC as major drivers on this theme. Almost half of all interviewees see the emergence of parallel climate regimes (e.g. Asia-Pacific Partnership and other voluntary or non-binding initiatives) as desirable and acknowledge their increasing importance and role with respect to addressing climate change; a quarter of the participants find parallel agreements undesirable.

Linking different trading schemes: 80% of all participants in the survey consider the linking of other (sub-) national or regional trading systems with the EU- ETS desirable and possible - similar instruments and a common currency (tCO₂) are used by most of them. Almost half (46%) envisage a role for project based mechanisms such as the CDM or similar mechanisms within those trading systems. Some technical and legal consequences may arise because the EU ETS is based on a compliance system with binding targets whereas some of the other trading systems only share elements such as flexibility or offsetting mechanisms with the EU ETS.

For project developers or suppliers as well as buyers of carbon credits with a focus on the Kyoto compliance market and the EU ETS, the survey results reflect three important messages: 1) The majority of stakeholders interviewed supports a continuation of Kyoto-style absolute emission targets; 2) The CDM is seen as a crucial element of an emissions reduction scheme with binding targets; 3) Two thirds of all interviewees believe there will be no gap between the completion of the first commitment period of the Kyoto Protocol and a second commitment period or another future climate change regime. It will be interesting to see how the international climate community will respond or incorporate the various other alternative mitigation routes that are emerging, be they voluntary or of other non-binding nature with respect to emission reductions.

1 Introduction

The Kyoto Protocol's first commitment period will end in 2012. The current absence of a clear perspective on an international climate policy regime after that date triggers a wide range of uncertainties and risks for the public and private sectors and in particular the carbon finance sector. In the carbon market the lack of an international regulatory framework for a post-2012 period causes uncertainties for investors who intend to be involved with flexible mechanism projects, such as the Clean Development Mechanism (CDM) or Joint Implementation (JI), beyond 2012 because there is no clarification on the validity and values of carbon credits for these projects issued after that date.

Discussions on an agreement that may follow the Kyoto Protocol have been ongoing since 2005. Since the first commitment period of the Protocol was negotiated, researchers, non-governmental organizations (NGOs) and other stakeholders have proposed more than 50 proposals and approaches for a future international climate regime (Michaelowa 2006). Furthermore, as alternative regional and global climate change policies and programme initiatives evolve the issue of potential linkages between different approaches and systems in a post-2012 context is also being researched and evaluated.

To guarantee a smooth transition from the present stage of the Kyoto Protocol the negotiations for post-2012 are already under time pressure: even if a new agreement is reached in time governments will need time to ratify it domestically. Nevertheless, United Nations Framework Convention on Climate Change (UNFCCC) Executive Secretary Yvo de Boer remains optimistic that a seamless regime transition can and will occur. He stressed that 2007 is a vital year for the process in terms of moving towards the next phase of international negotiations (PointCarbon 2007).

There is a great need to shed some light on future climate policy and on the future of credits created from flexible mechanism projects in particular, in order to provide investors with a better insight into future developments. This report presents the results of a stakeholders' survey of opinions and perceptions of a future climate regime. The information presented provides an insight into the international discussion about post-2012 climate regimes currently taking place. Furthermore, it gives an impression of key stakeholders' opinions about the direction a future climate regime should or will aim to have.

2 Findings of the Survey

98 stakeholders were contacted by E-Mail and telephone and invited to participate in a survey designed by EcoSecurities (see Annex). 44 telephone interviews were conducted and 4 responses were given in written form, which reflects a response rate of 49%. The interviews were conducted between November 2006 and March 2007. Respondents were grouped in four categories: 11 responses were given by stakeholders from major global NGOs, 10 answers were given by policy makers from Europe and South-America, 14 answers were provided by climate policy experts in academia, consulting and research (experts) from the US, Canada, Europe and Asia, and 13 by representatives from the business sector from Europe, Canada, US, South-Africa and Japan (see Figure 1).

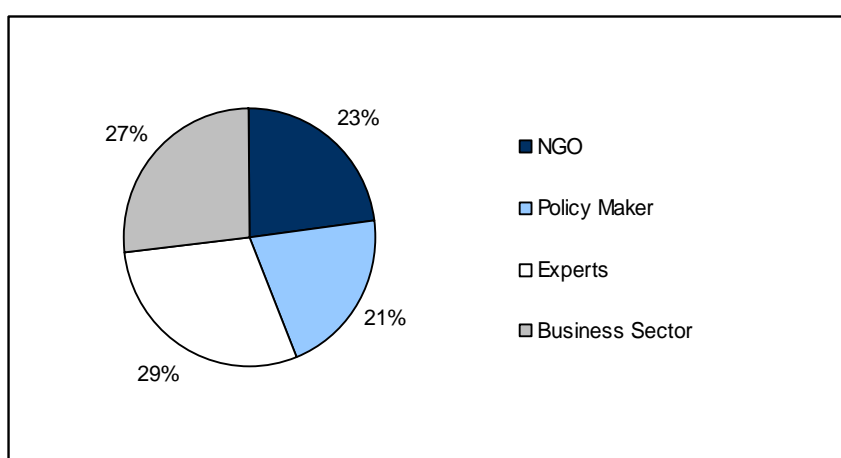


Figure 1: Survey participants by groups

Respondents were asked to provide their opinions on the following issues:

- Possible commitments and approaches for a post-2012 climate regime
- Continuation of project based flexible mechanisms such as the CDM & JI
- Linking of different schemes
- Alternative agreements/approaches
- Guiding principles of a future climate regime
- Negotiation arena
- Seamless changeover to a future international climate regime

Key findings on these issues based on the survey results will be presented below.

2.1 Possible commitments and approaches for a post-2012 climate regime

Research organisations, NGOs and other stakeholders have published a wide range of proposals for an international climate change regime post-2012¹. These approaches and proposals may be classified into two different categories: 1) proposals including (emission reduction) target based approaches; and 2) non-emission target based approaches. Both contain different sub-categories, which were also presented in the survey (see Annex). The stakeholders were questioned about their preference of one of the proposed approaches.

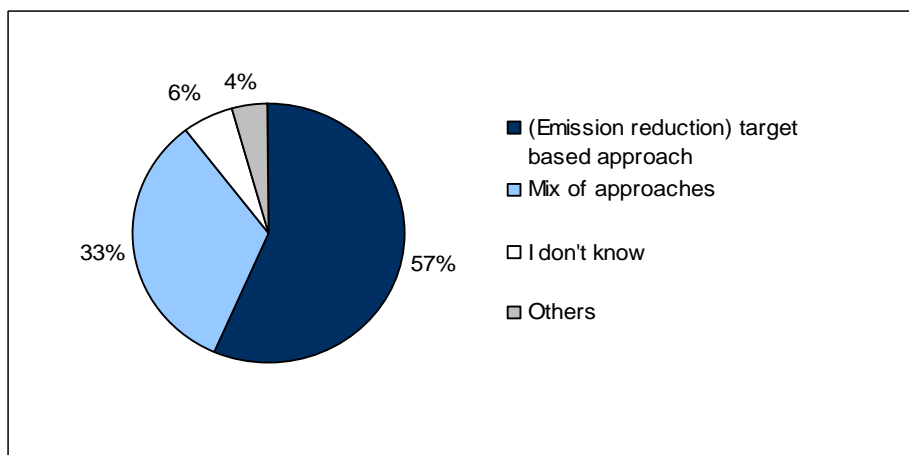


Figure 2: “What type of commitment/approach do you think is the most appropriate for the post- 2012 international climate regime?”

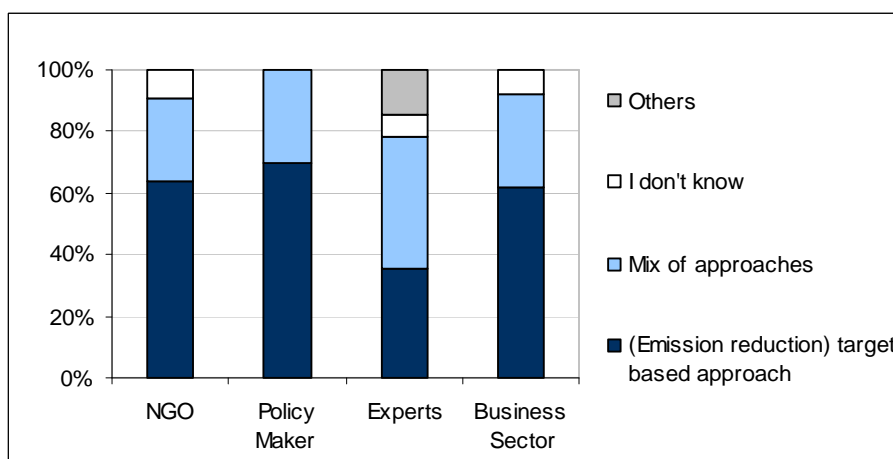


Figure 3: “What type of commitment/approach do you think is the most appropriate for the post-2012 international climate regime?” categorized by stakeholders

¹ Bodansky (2004) and Blok et al. (2005) provide a comprehensive overview of the most important approaches for a climate regime beyond 2012.

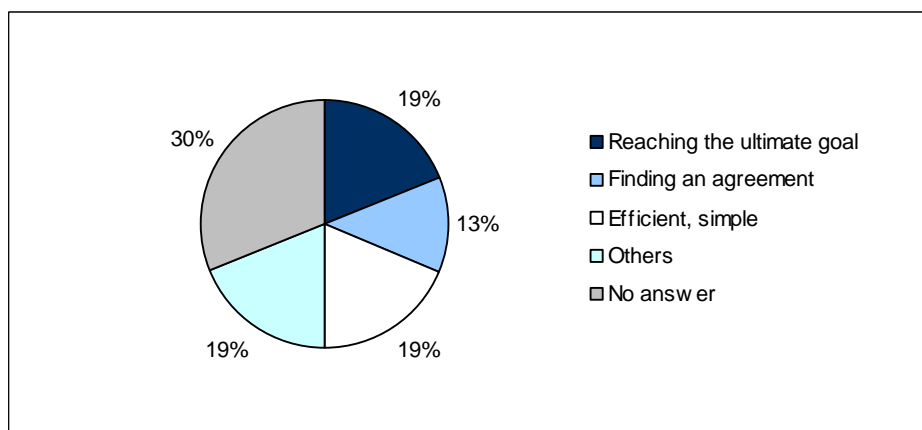


Figure 4: “What are the strengths/advantages of such approaches?”²

Key findings:

- 57% of the participants consider (emission reduction) target based approaches the most appropriate. However, another 33% of the interviewees were in favour of also including a mix of non-emission reduction target based approaches.
- Interviewees consider it most important that a future approach: reaches the ultimate goal of stabilising GHG emissions (19%), is simple and efficient in its implementation (19%), and contributes to an agreement between the negotiating countries (13%).

² Explanation of the labels in Figure 4:

Reaching the ultimate goal: to stabilize atmospheric concentrations of greenhouse gases at a level that would prevent dangerous anthropogenic interference with the climate system (UNFCCC 1994).

Finding an agreement: the importance of an agreement in the given timeframe among Annex I and non-Annex I countries to the Convention.

Efficient and simple: Preference to build on something existing rather than start a new approach, due to the tight timeline. There will also be improvements on lessons learnt.

2.2 Continuation of project based flexible mechanisms such as the CDM & JI?

The Kyoto Protocol allows for market mechanisms such as emissions trading, Joint Implementation (JI) and the Clean Development Mechanism (CDM). The CDM and JI are project based mechanisms that allow industrialized countries, Annex I countries, to achieve part of their emission reduction targets by investing in emission reducing projects taking place in Non-Annex I countries (CDM) or other Annex I countries (JI).

Proposals to expand or reform these mechanisms often target the project based character of these activities. With regard to the CDM the main ambition of these proposals is to enable sector- or policy based activities to become considered as CDM project activities. The main aim of the proposals is to overcome some of the perceived challenges of the CDM, such as perverse incentives, high transaction costs, the inequitable distribution of projects and the limited contribution to sustainable development.

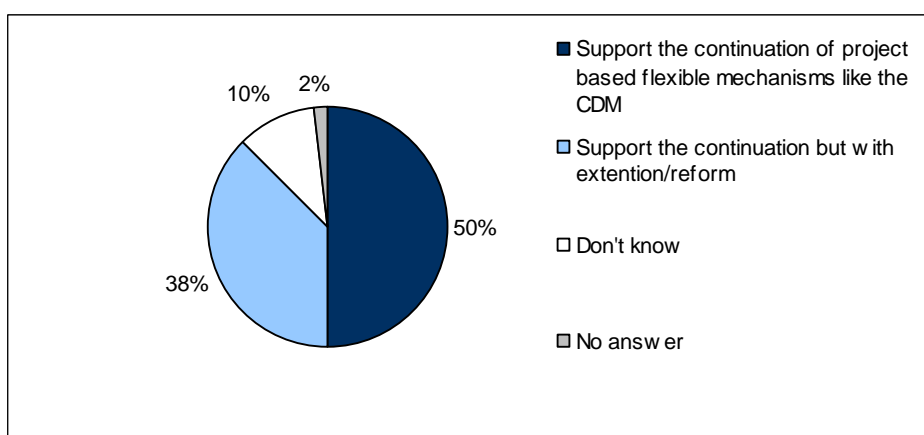


Figure 5: "Do you consider the continuation post-2012 of project based flexible mechanisms like the CDM important?"

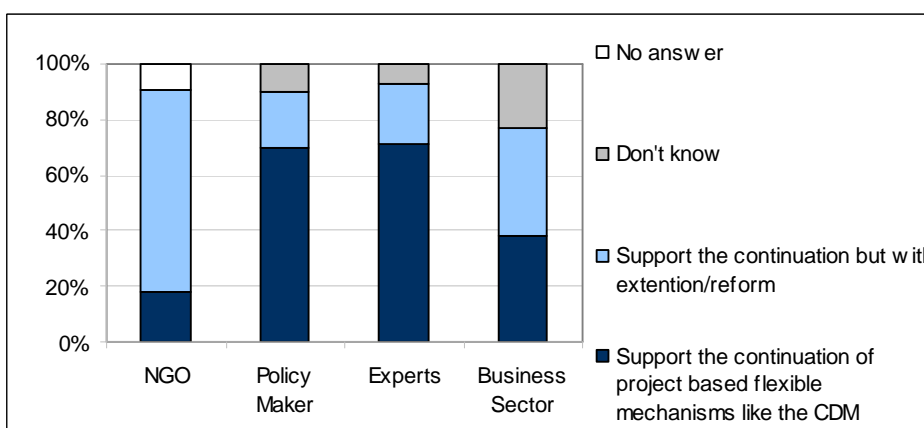


Figure 6: "Do you consider the continuation post-2012 of project based flexible mechanisms like the CDM important?" categorized by stakeholders

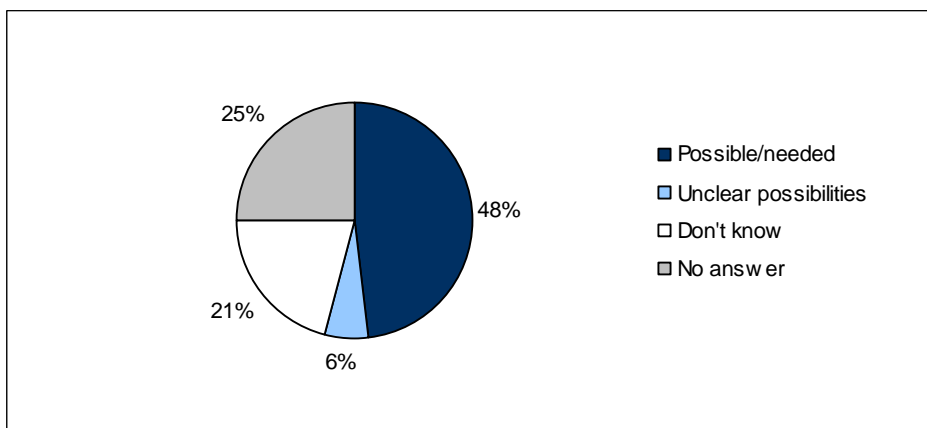


Figure 7: “How do you evaluate the idea of extending/reforming the CDM to a sectoral and programmatic focus?”

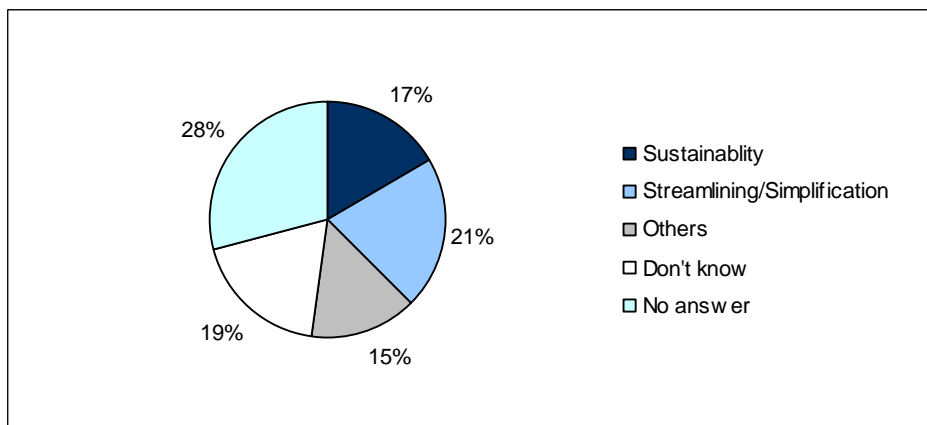


Figure 8: “Which are the important issues related to the reform of the CDM?”

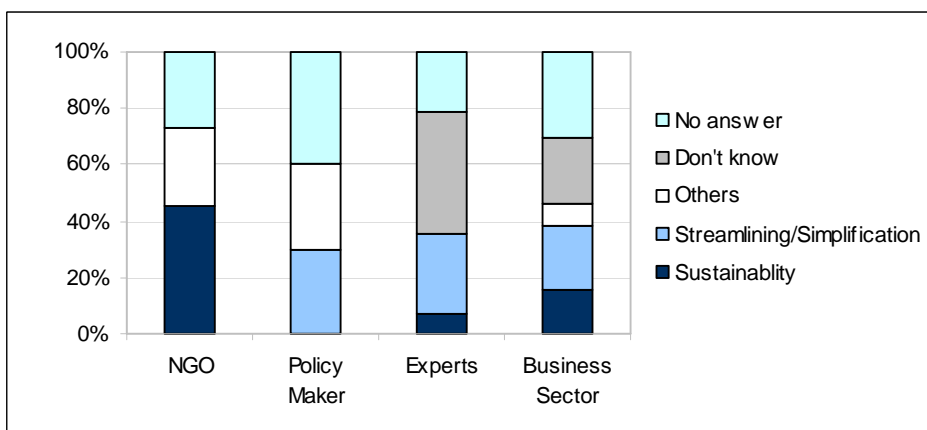


Figure 9: “What are the important issues related to the reform of CDM?” categorized by stakeholders

Key findings:

- 50% of stakeholders have a positive perception of the continuation of a project based flexible mechanism like the CDM.
- 38% of respondents (73% of NGOs) believe that extending and reforming the CDM is required in the post-2012 climate regime. The other stakeholder groups also consider it important but state that it will happen as part of a natural development when a new system is implemented.
- Overall, participants have a limited understanding of the benefits of sectoral or programmatic CDM.
- 21% of interviewees call for further improvement with regard to more streamlined and simple procedures for CDM projects.
- 17% of interviewees consider the principle of sustainability a key component of future reforms of the CDM.

2.3 Linking of different schemes? - The EU ETS and its potential for linkage

Currently the international carbon market is dominated by the EU Emission Trading Scheme (EU ETS), which began in January 2005. Although the EU ETS is defined as an international emissions trading system, not a Kyoto Protocol trading system, linkages to the Protocol's project based mechanisms (JI and CDM) have already been established, which means that since 2005 Certified Emission Reductions (CERs) from CDM projects can be used for compliance under the Scheme and Emission Reductions Units (ERUs) from JI projects will be available from 2008.

Domestic emission trading systems of various forms and sizes are being implemented by a number of countries both within and outside the signatories of the Kyoto Protocol. The creation of trading schemes such as the New South Wales Abatement Scheme, the Canadian Emission Trading Scheme, the California Climate Action Registry, the Chicago Climate Exchange, the Japan Voluntary Emission Trading Scheme or the Regional Greenhouse Gas Initiative are frequently due to the independent and/ or voluntary commitments of states or companies to reduce their GHG emissions. Some of the above mentioned or burgeoning emission trading schemes that are based on cap-and-trade and use offsetting or flexible mechanisms might have the potential to link up either with each other or with the EU ETS. Such developments would most likely need to be considered during the development of a post-2012 regime. How such a linkage could be implemented in practice as well as its legal or technical implications remains unclear.

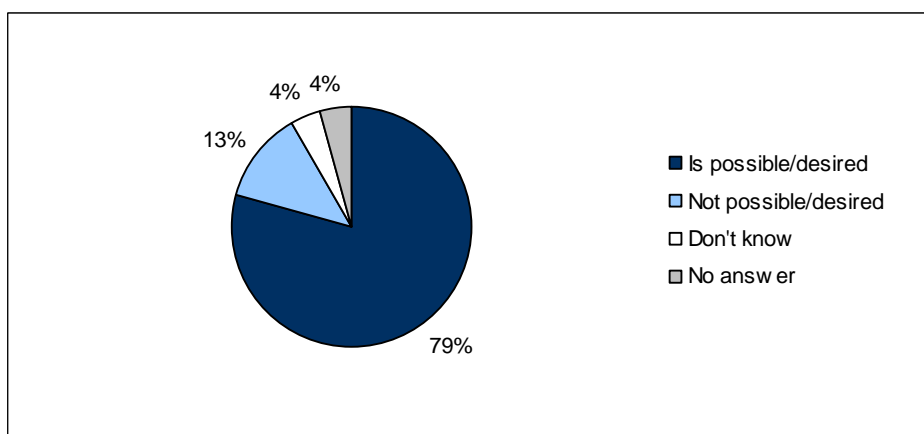


Figure 10: "In the context of the design of a future international climate regime, do you see room for a linkage between different schemes and the EU ETS?"

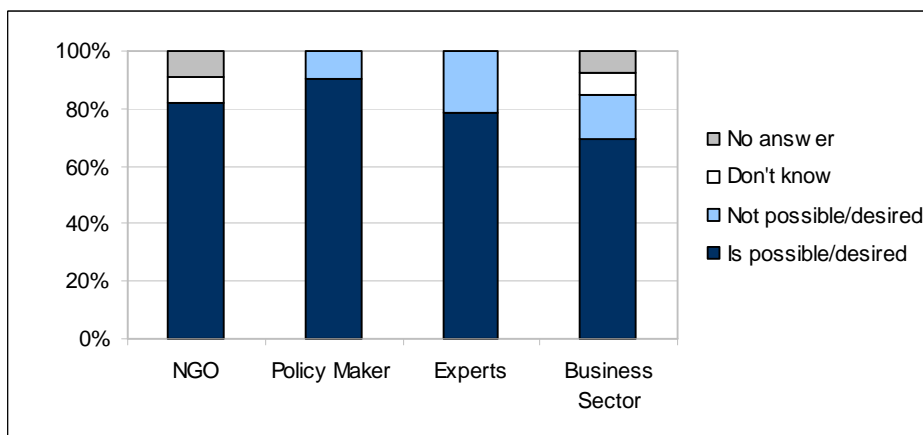


Figure 11: “In the context of the design of a future international climate regime, do you see room for a linkage between different schemes and the EU ETS?” Categorized by stakeholders

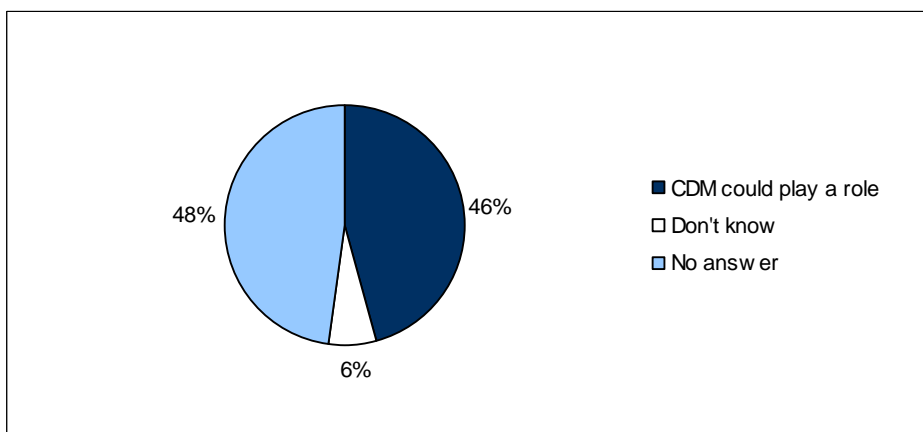


Figure 12: “Could project based or flexible mechanisms play a role in linking schemes?”

Key findings:

- 79% of stakeholders have a positive view of linking different schemes in a post-2012 climate change agreement.
- 48% of respondents could not provide an answer as to what such a global emission trading scheme would look like.
- CDM is perceived by 46% of interviewees to play a role in linking schemes.

2.4 Alternative agreements/approaches

Alternative proposals for a post-2012 climate regime include non-target based as well as target based approaches. Bodanksy (2006) outlines the following approaches: The *Growth Baselines* and the *Converging Markets* proposals, for example, envision the possibility of sector based targets. *International Agreements on Energy Efficiency* is a non-target based proposal where countries would develop energy efficiency standards. Such agreements are seen as complementary to the Kyoto Protocol. Technology based approaches such as the *Technology-Centred Approach* propose the negotiation of protocols to finance collaborative research, develop common technology standards, and support the deployment of existing and new technologies.

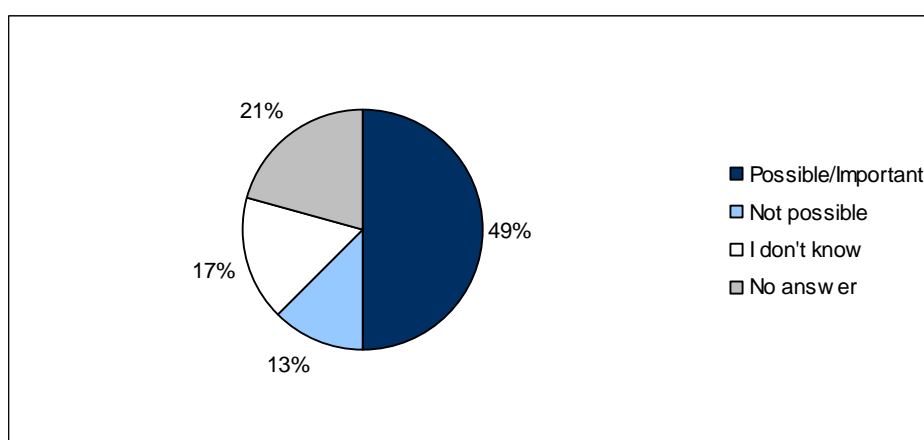


Figure 13: “What is your opinion about the inclusion of a non-target based approach like a sectoral agreement in the post-2012 climate regime?”

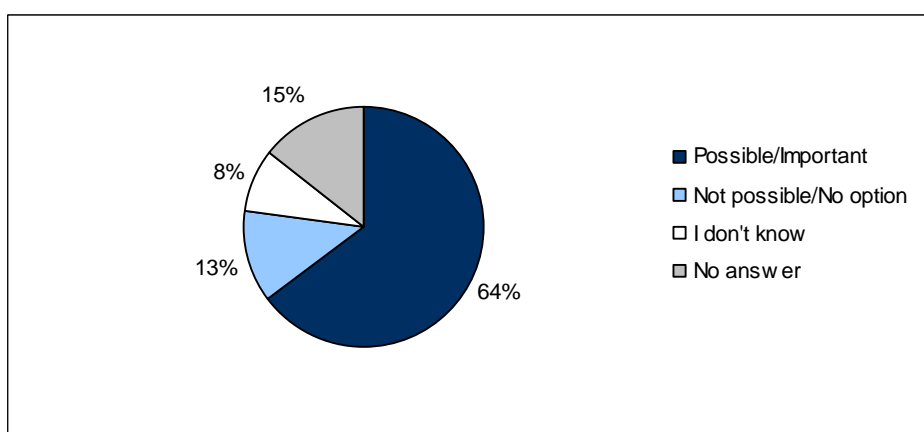


Figure 14: “What is your opinion about the inclusion of a non-target based approach like a technology transfer based approach in the post-2012 climate regime?”

Key findings:

- Among non-target based approaches, more stakeholders deem technology transfer based approaches important and easily implemented in the future (64%) than sectoral agreements (49%).
- Participants stated a preference for such an alternative approach to be implemented in parallel to, rather than instead of, target based approaches.
- The overall impression of respondents' knowledge about these two alternative non target-based approaches was limited, as demonstrated by the high rate of "don't know" and "no answer" responses.

2.5 Guiding principles of a future climate regime

A whole range of key principles exist which could guide the design of a post-2012 international climate regime (see Annex). Interviewees were asked to choose which key principles they consider the most important ones, and which ones should guide the design of a future climate regime in theory (see Figure 15). In a second step they were asked to state their assumption as to which principles will in reality lead the design of a future regime (see Figure 16).

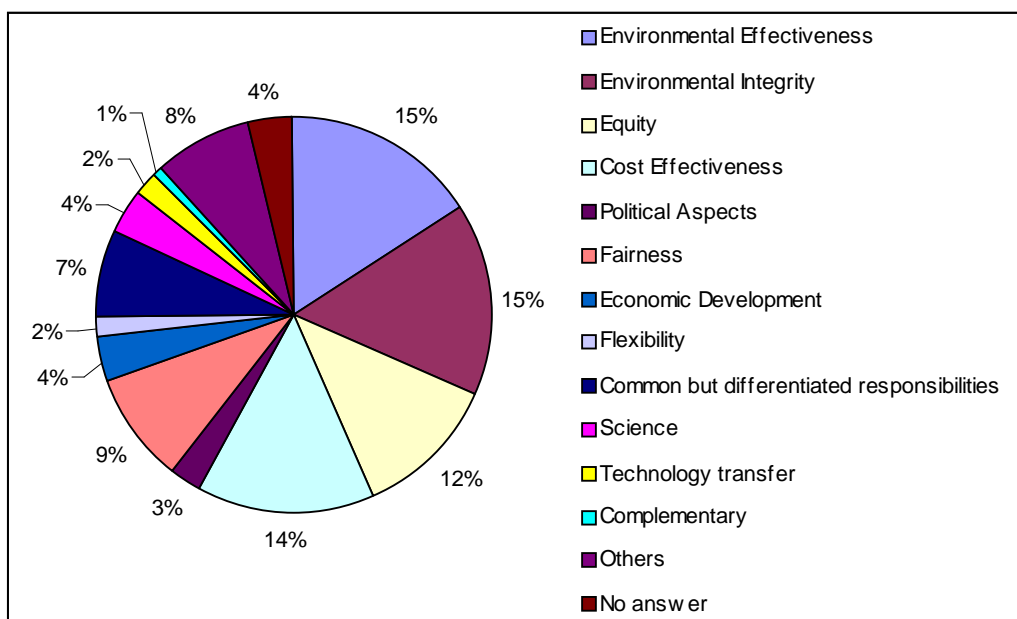


Figure 15: “In your opinion which should be the most relevant principles/criteria for a post 2012 climate agreement?”

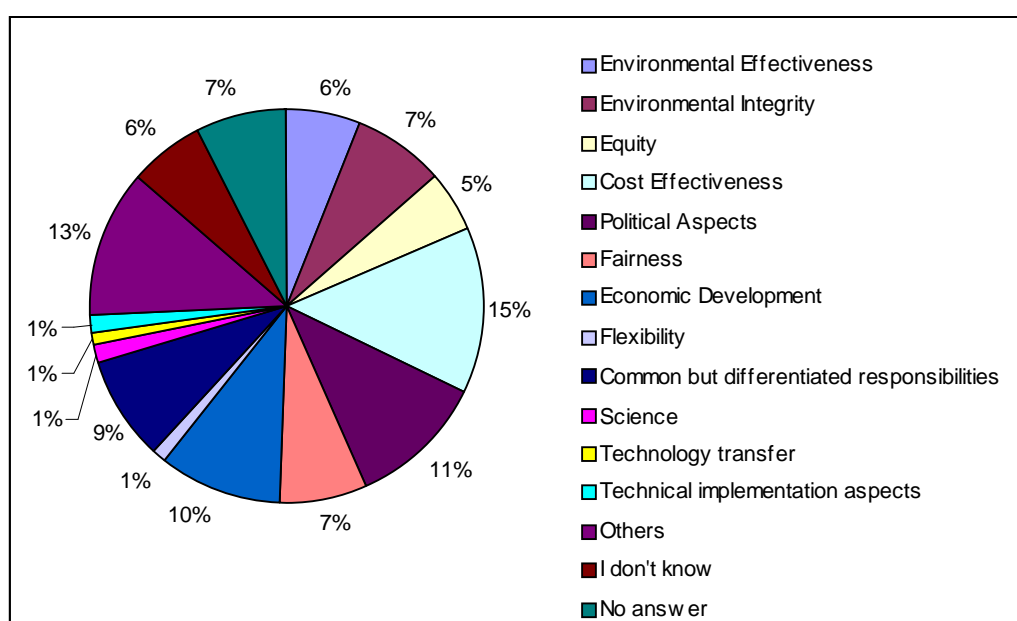


Figure 16: “Which principles/criteria will end up being central in the post-2012 regime negotiation in reality?”

Key findings:

- Environmental effectiveness (15%) and integrity (15%) are the most desired principals for a post-2012 climate agreement.
- It is perceived that, in reality, cost effectiveness (15%), political principles (11%), and economic development (10%) will be central to a post-2012 climate agreement. 13% listed other important principals.
- Business sector representatives frequently stated their preference for fast and simple solutions, which would work for their businesses.

2.6 Negotiation arena - Current state of negotiations

The UNFCCC forms the framework for international climate policy, and entered into force in 1994. It defines the ultimate objective of climate policy as the stabilisation of GHG atmospheric concentrations at a level that would prevent dangerous anthropogenic interference with the climate system³. The Kyoto Protocol (1997) is a treaty based explicitly on the UNFCCC, and forms the second layer of current international climate policy. It shares the objectives, principles and institutions of the Convention but strengthens the Convention by committing Annex I Parties to individual, legally-binding targets to limit or reduce their GHG emissions. The Protocol has defined a five-year “commitment period” starting 2008 and ending in 2012 (first commitment period), which means that the agreement de facto ends in 2012⁴.

Some stakeholders support the idea that to effectively mitigate climate change, negotiations on the future climate regime may have to be conducted in different arenas and actions may take place under different frameworks. Negotiations could for instance take place among G8 or G8+5 member states or major emitters. Some stakeholders support moves to pursue negotiations outside the Convention. This could include agreements such as the Asia-Pacific Partnership on Clean Development and Climate⁵ or other national and regional initiatives such as New England’s Regional Greenhouse Gas Initiative⁶.

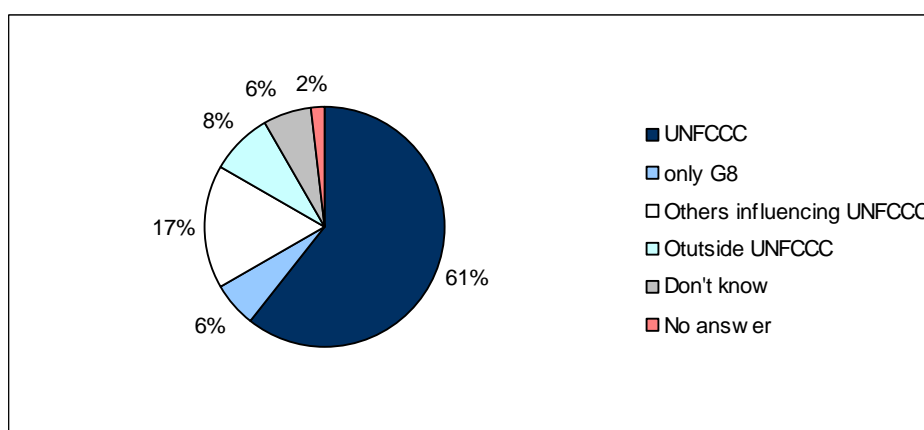


Figure 17: “In which forum should the future climate agreement be negotiated?”

³ UNFCCC (1992): <http://unfccc.int/resource/docs/convkp/conveng.pdf>

⁴ However, paragraph Art. 3.9 of the Kyoto Protocol implies that negotiations on post-2012 should start by 2005 which refers to subsequent commitment periods UNFCCC (1997): <http://unfccc.int/resource/docs/convkp/kpeng.pdf>

⁵ <http://www.asiapacificpartnership.org/> The Asian-Pacific Partnership (Australia, China, India, Japan, Republic of Korea and the United States) have agreed to work together and with private sector partners to meet goals for energy security, national air pollution reduction and climate change in ways that promote sustainable economic growth and poverty reduction. The partnership’s focus is mainly on expanding investment and trade in cleaner energy technologies.

⁶ <http://www.rggi.org/> The Regional Greenhouse Gas Initiative (RGGI) is a coordinated effort between seven north eastern and Mid-Atlantic States (Connecticut, Delaware, Maine, New Hampshire, New Jersey, New York and Vermont) to implement a cap and trade program to limit GHG emissions in the region. Regional emissions would be capped at 121.3 million short tons of CO₂ through 2014, and reduced to 10% below this level in 2018. The RGGI will only affect fossil fuel fired power generators of over 25MW capacity, that burn more than 50% fossil fuel. The RGGI is set to commence on 1 January 2009.

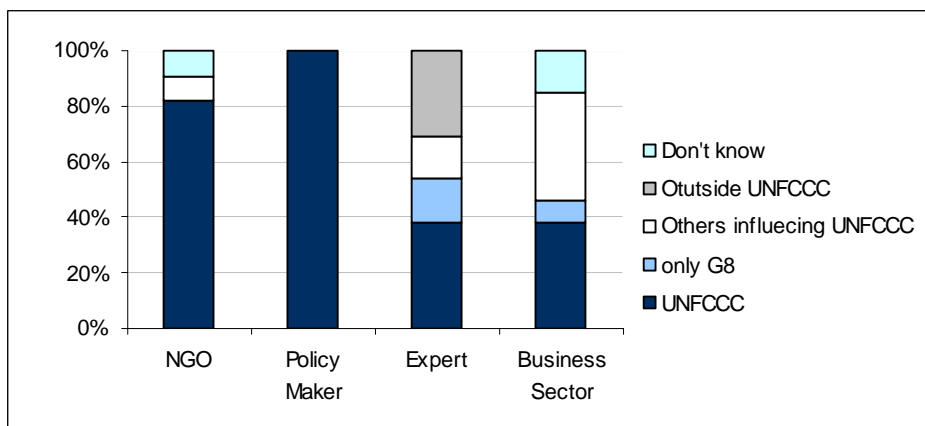


Figure 18: “Forum for climate agreement negotiation” categorized by stakeholders

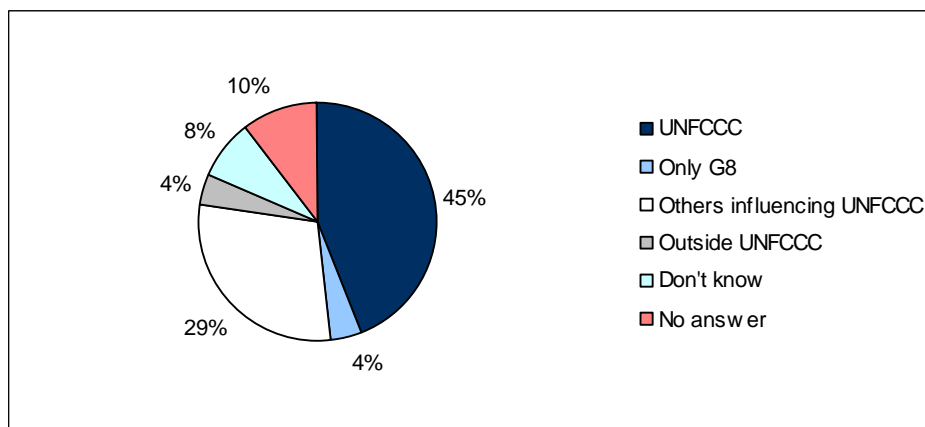


Figure 19: “In which forum will the post-2012 climate agreement end up being negotiated?”

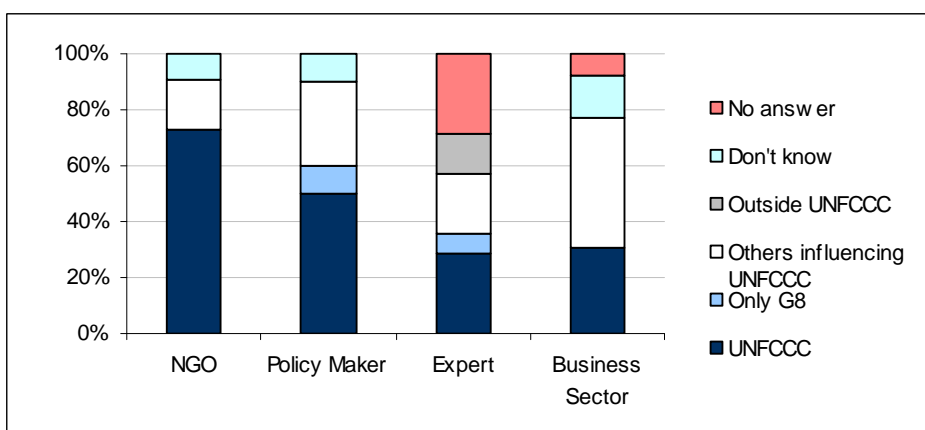


Figure 20: “Forum for climate agreement negotiation” categorized by stakeholders

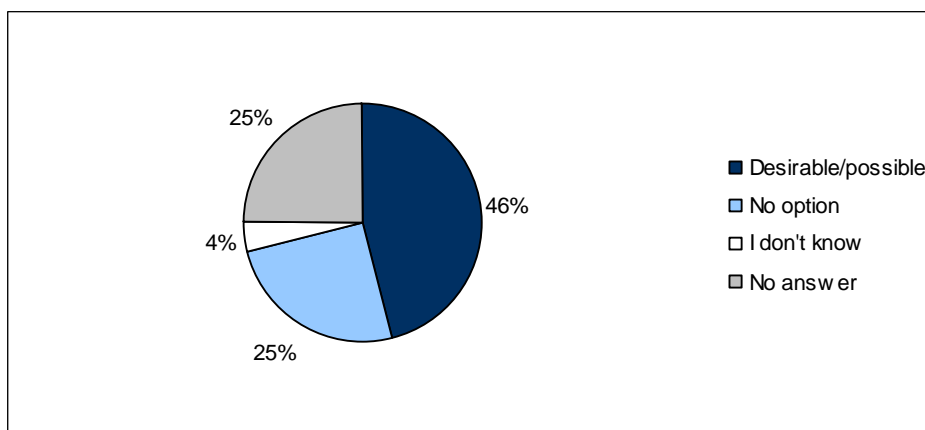


Figure 21: “How do you evaluate the importance of parallel climate policy regimes?”

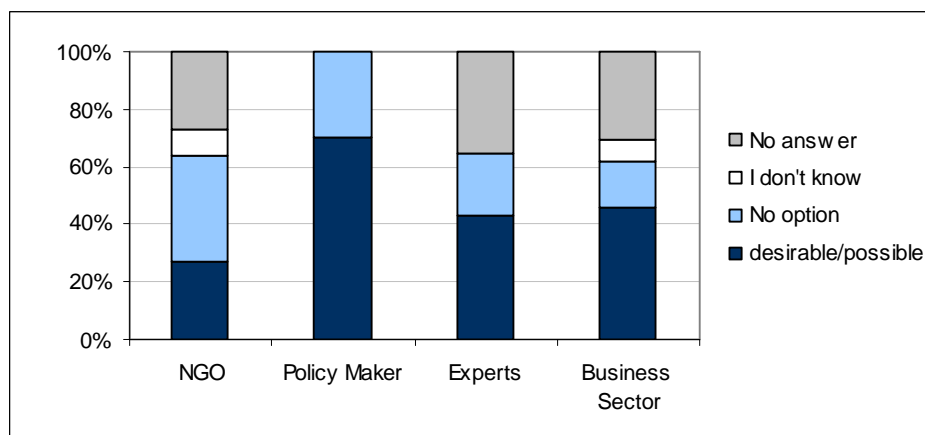


Figure 22: “How do you evaluate the importance of parallel climate policy regimes?” categorized by stakeholders

Key Findings:

- The UNFCCC is considered to be an appropriate framework for the negotiation of a future climate policy agreement by 61% of interviewees. The strongest proponents for this were policy makers and NGOs.
- However, only 45%, mostly NGOs and policy makers, felt it would be the only place for negotiations to take place in reality. Other agreements through G8, G8+5 or other forums were often stated as likely frameworks where preliminary negotiations will be made, which will then influence decision making under the UNFCCC.
- The existing and emerging schemes for climate change mitigation, such as the Asia Pacific Act, are seen as a positive development (46%) mostly by policy makers and the business sector. However, it is frequently stated that parallel regimes should act complementarily and not competitively.

2.7 Participants’ assessment of the seamless changeover to a future international climate regime

Both carbon market- and policy specialists have emphasized that early signals to the market and investors about a future climate regime, particularly with regard to the future of project based mechanisms like the CDM, are important to secure future investments in clean energy projects. A seamless connection with a future regime is therefore required and interviewees’ views on this very surveyed.

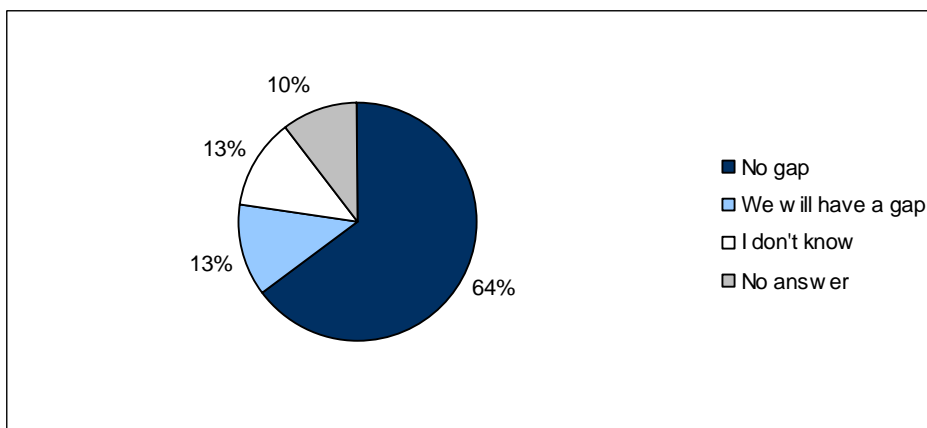


Figure 23: “Will there be a gap between the Kyoto Protocol and the future climate regime?”

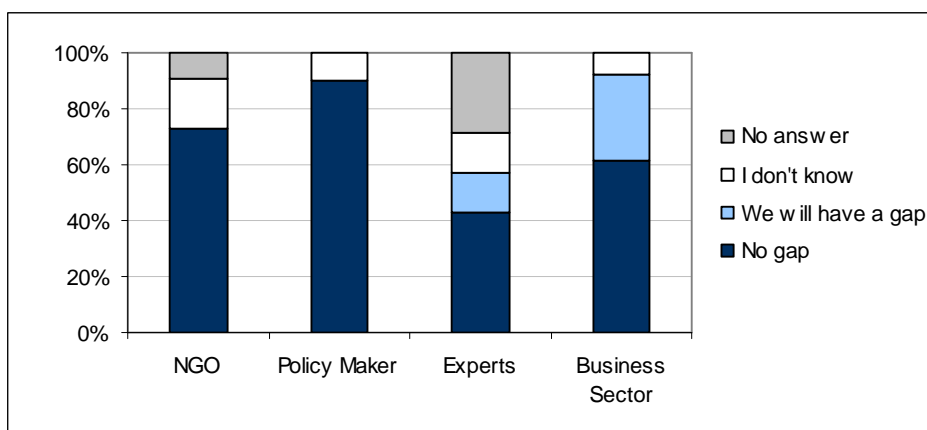


Figure 24: “Will there be a gap between the Kyoto Protocol and the future climate regime?” categorized by stakeholders

Key findings:

- Overall there was a positive perception (64%) that there will not be a gap between the first commitment period of the Kyoto protocol and a future regime.
- However, many participants found it difficult to state a forecast (23%).
- Policy makers are most optimistic (90%) and experts most pessimistic (43%) about finding an agreement in time.

3 Conclusion

The discussion on the form and design of an international climate policy framework at the end of the second commitment period of the Kyoto Protocol began in 2005. The continued uncertainty on this issue, in turn, causes uncertainties for investors and project developers with an interest in CDM projects beyond 2012 and also brings up additional questions about the future of climate change mitigation. Therefore it is crucial to shed light on how a climate regime, as well as credit creation from flexible mechanism projects, could look in the future.

EcoSecurities conducted a survey, which provides insight into stakeholders' opinions about a future international climate regime, its possible commitments, as well as predictions of the continuation of flexible mechanism project activities. Furthermore, this survey aimed to provide an outlook on possible linked emission trading schemes and current stakeholder perceptions of the negotiation framework. For views from a cross-section of stakeholders interviews were conducted with representatives from NGOs, policy makers, experts and the business sector.

Interviewees were in favour of (emission reduction) target based approaches (57%), although another 33% of the interviewees considered it important for these approaches to work with non target based approaches in the future. Furthermore, stakeholders deem it important that any future approach further the ultimate goal of stabilising GHG emissions (19%), and that it is simple and efficient in its implementation (19%). Sector based and technology transfer based approaches are the non-target based emission reduction approaches stakeholder believe have the potential to play a major role in the post-2012 regime. More interviewees favour a technology based approach (64%) over a sector based approach (49%). However interviewees stated that they should run in parallel to rather than as a substitute for target based emission reduction approaches.

Interviewees believe that project based flexible mechanisms like the CDM are likely to continue in the future. 50% of the interviewees support the continuation of project based flexible mechanisms such as the CDM, and another 38%, mostly NGOs, are in favour of a continuation, but highlighted the need for extension or reform. 21% of the stakeholders highlighted the importance of streamlining the current CDM and the need for further simplification. Another 17% consider the CDM's contribution to sustainable development as an area for improvement.

The emergence of national and sub-national emission trading schemes raised the issue of linking different schemes. 79% consider the linking of other trading systems with the EU ETS as not only possible, but desirable. All four stakeholder groups consider linking to be equally important.

Interviewees desire principles, such as environmental effectiveness (15%), environmental integrity (15%), cost effectiveness (14%), and equity (12%), to guide a future climate agreement. However, participants consider that in reality cost effectiveness (15%), other principals (13%), political aspects (12%), and economic development (10%), will take precedence in the post-2012 climate regime negotiation.

61% of participants consider the UNFCCC as the appropriate framework for negotiations to take place. However, only 45% think that negotiations will solely take place under UNFCCC. 29% stated that other forums, such as G8/G8+5, will influence the negotiations under the UNFCCC. 46% of interviewees consider parallel climate regimes (e.g. Asia-Pacific-Partnership) desirable and as serving an important role. However, a quarter of respondents see parallel climate regimes as no option at all.

Almost two-thirds believe there will be no gap between the end of the first commitment period of the Kyoto Protocol and a future climate regime or a second commitment period. 13% believe there will be a gap after 2012. Participants from the business sector were most pessimistic.

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Annex 1 Survey Questionnaire



The Hague, 7th February, 2007

Dear interviewee,

The following questionnaire, which is divided into three main areas, was designed to be used as guidance for the interview. We would be glad if during the interview we could get your inputs about all the issues included in the questionnaire. However, if you do not feel confident or do not want to express your view about any of these issues, we will understand.

What is the future of the CDM and under which regime(s)?

Type of mitigation commitments

Different types of mitigation commitments for a post-2012 international climate agreement have been proposed and discussed among experts from academia, NGOs and representatives from governments and international organizations. While some of these proposals are partially based on the basic architecture of Kyoto Protocol, others, by articulating different types of commitments, depart by varying degrees from the existing structure.

Some stakeholders support the idea of a multi-dimensional approach: to effectively and fairly mitigate climate change, the negotiations of the post-2012 climate agreement should include multiple dimensions and mechanisms. For example, some specialists argue that negotiations of emission targets and allocation rights within the UNFCCC or even the Kyoto Protocol have to be supplemented by other coalitions and commitments (i.e. technology agreements, national policies, reformed CDM and other forms of cooperation) This could be done under the umbrella of the Conventions or not. In your opinion:

- 1) What type of commitment /approach (or combination of approaches) do you think is (are) the most appropriate for the post-2012 international climate change regime?
- 2) Why?
- 3) What are the strengths/advantages of such approach(es)?
- 4) What are the weaknesses and challenges of such approach(es)?

Note: Table 1 represents an attempt to briefly summarize the main types of commitments, approaches and their subcategories being considered for a post-2012 climate regime.

The lack of clear information about the **role of the CDM in the post-2012 climate agreement** is already negatively influencing investment decisions. In your opinion:

- 5) Do you consider the continuation post-2012 of project based flexible mechanisms like the CDM important? Why?
- 6) How do you evaluate the idea of extending/reforming the CDM to a sectoral and programmatic focus?
- 7) Which are the other important issues related to the reform of the CDM?

The emergence of national and sub-national emissions trading schemes has raised the issue of **linking different schemes** to achieve more ambitious and balanced efforts for GHG emission reduction whilst also promoting economic efficiency and global equity for such efforts (e.g. linking EU-ETS with regional efforts such as RGGI/California). In theory, under a post-2012 regime cap-and-trade schemes or other schemes (renewable energy targets, activities on sustainable development, sector emission targets, regional cap and trade regimes, etc.) could be linked.

- 8) In the context of the design of a future international climate regime, do you see room for such linkages?
- 9) How could this be done? Could project-based flexible mechanisms play a role?

Types of commitments based on **sectoral agreements** have been promoted. These approaches include non-target based agreements or emission targets for particular sectors on a national or international basis.

- 10) What is your opinion about the inclusion of sectoral agreements in the post-2012 climate regime?

Commitments based on **technology transfer** have been promoted. These approaches include the adoption of technology standards globally as well as other measures to enhance the diffusion of technology.

- 11) What is your opinion about the inclusion of technology transfer based approaches under the future climate regime?

Key principles for the future climate regime

The following lists a set of key principles and criteria that in theory should guide the design of the post-2012 international climate regime: fairness, equity, environmental integrity and effectiveness, cost effectiveness, economic development, complementarity with other technical, political and economical aspects.

- 12) In your opinion, which should be the most relevant principles / criteria for a post-2012 climate agreement?
- 13) Which principles/criteria will end up being central in the post 2012 regime negotiations in reality?

Note: Box 1 briefly outlines some of the key principles that may be central in post-2012 climate agreement.

Negotiation arenas and framework for action

Some stakeholders support the idea that to effectively mitigate climate change, negotiations on the future climate regime may have to be conducted in different arenas and actions may take place under different frameworks. Indeed, at the moment there are multiple forums for dialogue on international action on climate change policy running in parallel to the negotiations under the umbrella of the Climate Change Convention (UNFCCC).

- 14) In your opinion, where should the future climate agreement be negotiated?
- 15) In which forum will the post-2012 climate agreement end up being negotiated?
- 16) How do you see the emergence of parallel climate policy regimes (e.g. Asia-Pacific Partnership and other voluntary or non-binding initiatives)?

The post-2012 International policy agreement as a factor for the continuation of the Carbon Market

Both specialists from the carbon market and policy specialists have emphasized that to secure future investments in clean energy projects, it is important that the markets and investors have early signals that project based mechanisms like the CDM are likely to continue after 2012 and without a time gap.

- 17) Based on your perception of the dynamics of the dialogues and negotiations of the future international climate regime, do you believe that there will be a continuation without a gap between the Kyoto Protocol and the future climate regime? Why?

Questionnaire Annex

Table 1 – Type of commitments

Main Type of Commitments		Main Approaches	Type of mechanisms / targets
Quantified Emission Targets		Binding absolute emission reduction targets with Emission Trading (continuation of Kyoto-style emission targets)	<ul style="list-style-type: none"> - Expansion of fixed binding emission targets to developing countries - Stronger fixed binding emission targets to developed countries
		Alternative indexed flexible emission targets with emission trading,	- Voluntary absolute targets (i.e. REED)
			- Positively binding targets
			- Dual targets
			- Price Cap (safety valve)
			- Dynamic targets (variables GDP, physical production)
- Targets based on per-capita allocation			
- Voluntary flexible targets			
Non-target-based approaches	Technology based approaches	Enhanced measures on development and diffusion of technology (Technology agreements)	- Technology agreements and standards (i.e. alternative technology based protocol)
	Policy based approaches	Coordinated policies and measures (harmonized and non-harmonized)	- Charges
			- Taxes on emissions
			- Incentive based instruments
	Sectoral based approaches	- Sectoral agreements and initiatives (i.e. international agreements on Energy Efficiency)	- Non-target based initiatives - Establishment of a voluntary “no-lose” intensity targets.
	Financial Measures		- Developed countries doing mandatory financial contributions to technology transfer funds to developing countries.
- Non-mandatory financial contributions to technology transfer funds - Mandatory multilateral fund to help spread new technologies to developing countries;			
Equity and development based approaches		- Sustainable development policies and measures: implementation of national policies for sustainable development	
Sectoral CDM			
Parallel Voluntary regulatory and non-regulatory commitments		Non-binding emission targets and trade: <ul style="list-style-type: none"> - CCX - Asia-Pacific Partnership - Other regional efforts 	
Linking different commitment schemes			

Potential key principles and aspects to be considered for the negotiation of a future international climate mitigation regime

Technology Transfer
Fairness
Equity
Environmental Integrity
Environmental Effectiveness
Cost effectiveness
Economic Development
Technical implementation aspects
Political aspects
Science
Flexibility
Complementarity
Common but Differentiated Responsibility

Possible Dialogue and Negotiation Process

Dialogues and negotiations under the Climate Change Convention (UNFCCC)

Options:

- 1 Further action on climate change under the G8 Via Kyoto Protocol (with or without USA)
- 2 Via a new Protocol for the UNFCCC
- 3 A deal/negotiation among major emitters
- 4 Split into several treaties (treaties for adaptation, mandatory emission reduction, LULUCF activities, communication/report, ...)

Dialogues and negotiations under the Kyoto Protocol

- 1 Open Ended Ad Hoc Working Group on Article 3.9 –AWG
- 2 Review of the Protocol (Article 9)
- 3 Asia-Pacific Partnership for Clean Development and Climate (parallel climate policy)
- 4 CAN (Climate Action Network) supported by the G77 + China
- 5 National and regional initiatives

Annex 2 Survey Methodology

For data acquisition telephone interviews were conducted between November 2006 and March 2007. Some of the interviewees preferred to answer the questions in written form. The questionnaire and guidance notes for the interviews can be found in Annex 1. The participants were informed that the information they provided would be treated confidentially and anonymously.

The survey was addressed to key stakeholders in international climate policy. Four categories were distinguished: NGOs, climate policy experts (experts), policy makers and private sector representatives. Across these four categories stakeholders from Annex I countries and Non-Annex I countries were included.

For the analysis of the data, recorded phone interviews and interview notes (from phone interviews not recorded) were available. The recorded phone interviews were transcribed. All the answers from interviews were compared carefully by identifying key statements. By means of these key statements the labels of the charts were created, which allow quantitative analysis. For this categorization content and meaning of participants' responses and explanations were taken into account. This report also contains qualitative analysis based on key statements from interviewees and overall impressions experienced during the interviews.