

LESSONS FROM RIDING THE WAVE

MEMO TO POLICY-MAKERS

On the heels of the first wave of action and markets, others soon followed – including the first compliance carbon markets in the US. Some of these initiatives were able to learn lessons of the early movers, such as the importance of accurate data acquisition and reporting, centralised infrastructure, market oversight and avoiding windfall profits. However, other regions have not entirely followed suit while remaining subject to political whims, prompting challenges for business planning and operations.

Nonetheless, these programmes rode the wave of climate policy through economic and political turmoil, and are still standing – and have lessons for the climate policy world after Paris.

REGULAR PROGRAMME REVIEWS ARE IMPORTANT

When it started, the Regional Greenhouse Gas Initiative (RGGI) was – like the EU ETS – plagued by an oversupply of allowances as the fuel mix in the power sector in the states covered had changed since the programme had initially been conceived. A comprehensive and transparent programme review in 2012 led to a tighter cap, among other changes which were smoothly implemented, and RGGI's next programme review launches in 2016. Katie Dykes writes that RGGI's evolution has underscored the practical benefits of regular reviews.

A MARKET-BASED APPROACH CAN REACT QUICKLY TO CHANGING CIRCUMSTANCES

The inherent flexibility of a market-based mechanism means it can react to situations in a way that a regulatory approach or series of complementary policies simply cannot. How, where and when technology breakthroughs will happen is unpredictable, so it's best to enable the market to do what the market does best: channel capital and resources to the right technology under the right circumstances to achieve policy goals at least-cost, says Dorothy Rothrock.

COMMON STANDARDS ARE IMPORTANT TO ENSURE INTEGRITY

One of the most important lessons from the Kyoto Protocol's Joint Implementation mechanism is that any project-based mechanism needs to have common standards, irrespective of where the project is based. Otherwise, there is the risk of damaging the credibility of the whole mechanism – and investors need to trust the integrity of the programme if it is going to be successful, warn Hanna-Mari Ahonen and Kari Hämekoski.

INITIATIVES TO PROTECT FORESTS NEED SUPPORT POLICIES AT BOTH DOMESTIC AND INTERNATIONAL LEVELS

There is no doubt that an international mechanism

to support reducing emissions from deforestation and degradation (REDD) is needed to drive much-needed finance and demand for the outcomes, says Robert O'Sullivan – but this needs to be underpinned by robust and transparent domestic regulations combined with incentives to preserve forests.

POLICY INSTABILITY IS ONE OF THE – IF NOT THE – BIGGEST CHALLENGE TO BUSINESS

Constantly changing policy track according to the political whims of the day, as seen in Australia over the past decade, is less than conducive to long-term planning by business, writes Cameron Reid. And while there may be opportunities, if the policy itself still isn't clear, these could go untapped.

CLEARLY-DEFINED, TRANSPARENT RULES ARE CRITICAL

When designing any new policy, the lesson from Korea is to ensure transparency in the process, argue Sungwoo Kim and Hyoungchan Kim. This includes being clear about how future emissions projects are derived and ensuring that stakeholders are involved in the process as they will be shouldering the effort.

EMPOWER SUB-NATIONAL LEADERSHIP AND ENGAGEMENT

Ontario's Minister of Environment and Climate Change, Glen Murray, makes the case for sub-national involvement at all levels of climate policy formation, noting that sub-national governments are dealing with both energy and climate policies – including infrastructure and energy planning – as well as the realities of climate change. He also notes that using a market-based approach means it is no longer a choice between growing an economy or cutting emissions.

LINKING CARBON MARKETS BRINGS ECONOMIC BENEFITS

Widening the pool of a carbon market through linking brings greater liquidity, says Dominik Englert, which is better for price discovery. It also allows for more emissions reduction opportunities to be exploited. Following the California-Québec linkage, the proposed link between the EU ETS and Switzerland is learning that technical compatibility is an important consideration.