

Project design: Capacity building for Climate Change management in Turkey

(Developing the capacity of Turkey to participate efficiently in the international climate change negotiations and voluntary carbon markets)

*Ankara and Istanbul, Turkey
14-18 July
First country mission*

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The Task

- In 10 days within the period 23 June – 20 August, to develop a ToR for a project
- Starts with a 5 days mission to Turkey
 - To collect information
 - To agree on the scope of the project
 - To prioritize activities
- **Deliverables:**
 - Report on capacity gaps and priority assistance needs 1 week after the mission to Turkey
 - Logical framework 1,5 weeks after the mission
 - Draft paper 2 weeks after the mission
 - Final paper 1 week after receiving **comments** to the draft version

Objectives of the project

The overall objective of the project is threefold:

- To facilitate effective engagement of Turkey in international climate change policy dialogue, focusing on post-2012
- To support the Government of Turkey in establishing VCM structures
- To further develop human capacities of the relevant stakeholders for efficient participation in the international negotiations and carbon markets

Status of Turkey under UNFCCC/KP

- **Annex I, but not Annex B**
- **Ratification of the KP pending**
- **However, in regard to the mechanisms:**
 - **Only non-Annex I Parties can host CDM**
 - **Only Annex B Parties can do JI or IET**
 - **VCM seems to be the opportunity for 2008-2012**

Possibilities, any of the following ones:

- To request COP/MOP to become Annex B Party to the KP, to be able to participate in JI and IET during the second commitment period;
- To request a new decision from COP/MOP to allow Turkey to host CDM projects as Annex I/non Annex B;
- Turkey might also propose at international level a new model for other “advanced developing countries” to be agreed, (e.g. Non-EU, Non-Annex-B countries of OECD (i.e. S. Korea and Mexico)); or
- To accede the KP as non Annex B and to participate effectively in the ongoing negotiations on post 2012 regime, and meanwhile to use the opportunity of the Voluntary Carbon Markets.

For this reason Turkey should:

- Estimate its reduction potential and the related costs, and possibly to reach a nationally agreed target for emission reductions;
- Formulate a proposal for its participation in post Kyoto to the COP/MOP - Nationally agreed position should be achieved;
- Coordinate with the EU and other countries on possible change of the status of Turkey under the KP;
- Upon that to decide in what kind of emissions trading mechanisms will participate in the post Kyoto regime;
- Create the necessary structures and procedures for participation in emissions trading; and
- Develop appropriate policies and measures for mitigation and adaptation, possibly a Strategy and an Action Plan.

Urgent and important:

To participation in VCM

To have a position for the post Kyoto

Types of Carbon Markets

Carbon markets have been promoted as an important part of the solution to the climate change because of their economic and environmental efficiency and their potential.

They exist both under compliance schemes and as voluntary programs:

- **Compliance markets** are created and regulated by mandatory regional, national, and international carbon reduction regimes, such as the Kyoto Protocol and the EU ETS;
- **Voluntary carbon markets** (VCMs) function outside of Kyoto, project based, and any offset and trade is on a voluntary basis.

Types of carbon mechanisms

- **Clean Development Mechanism CDM – art. 12 KP**
- **Joint Implementation JI – art. 6 KP**
- **International Emissions Trading IET – art.17 KP**

↑
International

Compliance markets

↓
National

- **European Union Emissions Trading Scheme (EU ETS)**
- **New South Wales GHG Abatement Scheme of Australia**
- **Chicago Climate Exchange**
- **Regional Greenhouse Gas Initiative (RGGI)**

Voluntary Carbon Markets - VCM

Voluntary Carbon Market (VCM)

- Provides additional to the KP emissions reductions;
- Enables those in unregulated sectors or countries, that have not ratified the KP (such as Turkey, Kazakhstan, Belarus) to offset their emissions and to benefit from selling emission reductions;
- It is not a subject of international regulation as the compliance market, therefore project developers are more flexible how to implement projects;
- Besides the emission reductions, this mechanism contributes to the SD, co-benefits through technology transfer, other environmental benefits, poverty reduction and capacity building for the hosting countries.

Carbon markets

Carbon markets are already a substantial economic force and will likely grow considerably over the coming years (more than €40 billion traded in 2007).

VCM, although much smaller than the compliance market, (€62.6 million in 2006) is also growing rapidly -market analysts estimate that annual transactions in the VCM could reach 4 bill USD in the next 5 years.

VCM is getting more regulated, and thus more reliable and attractive.

Examples for sellers

- Around 160 projects in 50 countries - Asia 40%, Africa 31%; Lat. America 28%
- Mainly small hydro, afforestation and wind power
- Example Turkey – wind power

On 2 February, 2007 EcoSecurities has signed an agreement with Zorlu Enerji to develop and purchase Verified Emission Reductions (VERs) from a 135MW wind power project in Turkey. The project located in Osmaniye City - South of Turkey, will generate 500,000 MWH per annum by 2009, and will be the largest wind farm in the country

VCM's buyers:

Consist of:

- Companies;
- Governments;
- Organizations;
- Organizers of international events;
- and Individuals, taking the responsibility of their carbon emissions (footprints) by voluntarily purchasing carbon offsets

Buyers face two main concerns about VCMs:

- **Credibility** - it is difficult for companies to assess the reliability, additionality and permanence
- **Availability of information** - there is little information about the available options in the voluntary market, especially who the sellers are and the quality of their projects

Few examples for offset buyers 1

- Major conferences and conventions (UNFCCC) have offset their emissions. The WB has committed to being carbon neutral
- Major sporting events World Cup Soccer, The Super Bowl and others are going carbon neutral, as are many athletes
- Airlines and travel agents are offering customers the option to offset their flights, and some airlines are offsetting all of their flights. Many hotels are also providing carbon neutral accommodations
- Movie studios offset the emissions from the production of feature films and documentaries, and media companies such as MTV are offsetting the emissions associated with their broadcasts
- Organizations as the EPAs and cities as Hague and Amsterdam have purchased large quantities of renewable energy certificates to offset their electricity use
- Large companies like HSBC, Swiss Re, and Vancity have committed to making their entire operations carbon neutral

Few examples for offset buyers 2

- Many businesses are now offering carbon neutral products or services, such as carpeting, clothing, flower deliveries, coffee, and taxi rides
- Some utilities are offsetting their emissions and allowing their customers to purchase carbon neutral energy
- Governments (such as the UK) are offsetting the flights of their employees
- Schools and churches are voluntarily offsetting their emissions
- Rock bands like the Rolling Stones, Coldplay, and Dave Matthews Band have offset the emissions associated with their concerts and albums
- Many people are now offsetting their weddings (including air travel of the guests)
- Many families are offsetting their electricity bills

Pricing of VERs

The uncertainty over future pricing of VER has led to market value estimates ranging from 1 billion to 3 billion USD for the next 5 years and a single price of VERs between 3 and 35 USD

The variety of predictions on the size and growth rate of the voluntary market from its current size of 100 million tones in 2007 demonstrates the uncertainty that surrounds the sector analyst predictions on the market size by 2010 have ranged from 400 to 800 million tones.

Depends on the standard used, currently the Gold Standard is the highest VER standard achieving the highest prices

The average price of voluntary and retail project based transactions is between 7USD (in 2005) and 9 USD (in 2006)

Examples for Carbon offset standards

Standards are developed to generate credibility in the market. The most important currently available voluntary standards are using CDM as a benchmark:

- Gold Standard (GS)
- Voluntary Carbon Standard 2007 (VCS 2007)
- VER+
- The Voluntary Offset Standard (VOS)
- Chicago Climate Exchange (CCX)
- The Climate, Community & Biodiversity Standards (CCBS)
- Plan Vivo System
- ISO 14064-2
- GHG Protocol for Project Accounting

VCM regulations

VCM are not regulated internationally, but:

- Standards, getting closer to CDM requirements
- Registries established
- Verifiers accredited under CDM EB or JI SC
- National procedures envisaged to be developed

With this:

- Credibility is growing
- Possibility to be linked to other markets
- Transaction cost is growing
- Time for verification as well

VCM National procedures for approval

Not a requirement but:

- Assure project compatibility with the national policy and SD priorities
- Gives the government an opportunity to create enabling environment for projects
- Gives credibility to the projects
- All the projects may use the same/similar standards
- Possible easy switch to JI/CDM
- Could increase the price

In this case a **National Body for Approval of VP** will be needed – **NBAVP** (name to be consulted)

What could be done thought this project for improvement of Turkish participation in the VCM:

1. Proposal for establishment of a NBAVP - draft legislation, location, structure, functions, training of the experts
2. Proposal for national procedures for approval of VPs
3. Clarification of the legal status of VERs, taxation, levies
4. Development of a website/clearing house for VPs
5. Awareness raising for efficient participation in the VCM – workshops, printed materials, media
6. Estimation of the potential for VPs, development of energy and forestry baselines and few PDDs for concrete projects
7. Involvement of the industry and financial institutions

Proposal for project design:

1. Extensive support for effective participation in the VCM
2. Development of a study regarding the possible options for Turkey's participation in the KP and possibly to trigger a national dialogue on Turkish status under the KP
3. Proposal for follow up projects, e.g. support for the EU ETS

Thank you for the attention !!!!

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