ENERGY EDGE

ENERGY EDGE POLICY BRIEF

GLOBAL CONFUSION YES, BUT CLIMATE POLICIES ARE HERE TO STAY

In Brief:

The climate talks in Warsaw this November did not help much to clarify how international climate policies impacting energy production and use will evolve. A weak emissions allowance market in the EU means EU emitters have little incentive to change practices, and have all but destroyed the global Clean Development Mechanism as a viable mechanism for international climate mitigation finance. Canada, Australia and Japan have backed away from previous commitments. But overall, the trend is for more legislation promoting low carbon energy and limiting emissions from fossil energy.

Much has been noted regarding the climate talks in Warsaw in November. Many have noted how they reflect disarray in global climate policy, with Australia, Japan and Canada having declaring reduced ambition, and hosts Poland criticized for promoting coal by simultaneously hosting the international coal and climate conference. And while the Warsaw climate talks were never intended to be a watershed event (that's for 2015 in Paris), there was only limited progress in preparations for a global deal. One could be led to believe that the global low carbon movement was in reverse.

That's a mistake. Around the world, with the above notable exceptions, the overwhelming movement is towards stronger climate policies, covering a broader range of issues.

Here are some reasons why:

- *China,* the world's largest emitter, is has opened emissions trading schemes in Shenzen, Shanghai, and soon Beijing, with more cities to follow. 77 GW of installed capacity in coal-fired plant closed from 2006-2010, replaced with more efficient coal plants along with a 40-fold increase in wind energy capacity.

- In the *United States*, energy-related greenhouse gas emissions have fallen 13% in the past seven years. Federal level greenhouse control legislation has gone no-where, while state and regional cap and trade programs now cover California and most of the Northeastern States. And the Federal government through existing legislation has set greenhouse gas standards for transportation sector and is now preparing to regulate new power plants and large industrial facilities.

- *India*, while vocal in opposing "commitments" for developing countries, has developed a variety of renewable energy and energy efficiency standards, and now is the fourth largest market for new wind-energy projects.

- In the *European Union*, deadlock over reducing the number of Allowances under its Emissions Trading Scheme that has kept prices low has been resolved with a deal expected to be passed in Parliament in December, and many expect this paves the way for a "supply-adjustment mechanism" to automatically remove permits if supply is deemed too high.

- It's also important to look at *scientific developments*. The UN's Intergovernmental Panel on Climate Change (IPCC) recently released a seminal physical science report noting that "human influence on the climate system is clear" and noted how the climate models have improved in recent years.

- Finally, and regardless of the challenges in causally attributing individual weather events to climate change, the devastation caused by *Typhoon Haiyan* at the same time that the Warsaw conference was underway has, for many in the public and in policy circles, highlighted the importance of tackling climate change.

Energy companies, both smaller companies with a presence in one nation, and especially multi-national companies, need to understand that the future of climate policies impacting their competitive position will continue to follow an uneven - and hardly easy to predict - trajectory towards lower carbon economies and increased attention towards controlling emissions and preparing for the climate changes that are likely. *Energy Edge* is there to help navigate the climate policy landscape and interpret how policies offer opportunities for energy companies of all types.

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