

1.2.3 Exploring Market-based Mechanisms for Carbon Sequestration, Energy Efficiency, and Renewable Energy in North America

Project Summary

This project was created in response to the 29 June 2001, Guadalajara CEC Council communiqué, directing the Secretariat “to explore further opportunities for market-based approaches for carbon sequestration, energy efficiency, and renewable energy in North America.”

The project will build upon the CEC’s work thus far in market-based approaches in support of environmental goals, with a particular emphasis on the identification of opportunities at the North American level related to the use of market-based instruments for carbon sequestration, energy efficiency and renewable energy.

Goals and Objectives

The main goals of this project are three-fold:

- First, the project will identify different market-based instruments that have been used, or are under consideration, to reduce and sequester carbon. Particular emphasis will be placed on identifying market-based instruments that have been used, or are under consideration for possible future use, in the context of energy efficiency and renewable energy. An illustrative list of such instruments includes environmental labeling and certification schemes, emission trading mechanisms, incentives and related fiscal and tax policies, institutional procurement schemes, green pricing initiatives.
- Second, the project will identify those market-based instruments that appear to offer significant potential, in furthering the goal of carbon sequestration and reduction. Particular emphasis will be placed on market-based instruments that present opportunities for cooperation at the North American level.
- Third, the project will provide analysis of potential next steps in the use of market instruments in relation to carbon sequestration, energy efficiency and renewable energy.

Rationale

In recent years, the potential of market-based instruments to support environmental goals has been widely recognized. By harnessing the power of markets, environmental policies can realize environmental objectives in cost effective and efficient ways.

Market-based approaches have long been recognized as important tools to support environmental objectives and their role in the carbon sequestration, energy efficiency, and renewable energy is increasingly being analyzed. Studying the complex relationship between these three goals in a North American environment will help provide concrete mechanisms and policies available to the citizens of North America to address the energy-environment dilemma posed to them in a globalizing world.

Progress to Date

The CEC has acquired experience in the electricity markets through its 2001 initiative on Environmental Challenges and Opportunities of the North American Electricity Market and on the market-based mechanisms project that show that efforts to support green electricity require not only the appropriate public policies, but also innovative partnerships with the private sector. For example, in October 2001, the CEC released the results of a joint CEC-Conae market survey examining the potential interest in, and willingness for the industrial sector in Mexico, to pay for renewable energy. In November 2001, the CEC released an updated version of its online database on “green” energy initiatives: these include timely and comparable information on energy efficient products, renewable “portfolio” standards and initiatives, and green pricing initiatives.

In 2001, the CEC released a report on “Mexico and Emerging Carbon Markets,” examining the potential role of small and medium-size enterprises in Mexico in participating in market-based approaches to addressing the climate agenda. Also in November 2001, the CEC invited the Parties, the private sector, consumer groups and communities to an informal meeting to explore barriers and opportunities for renewable energy in the context of the evolving North American energy market.

Actions 2002 Overview

The project will start with an exploratory meeting with key stakeholders from industry, consumer groups, environmental organizations, investors, academia, and government on climate change opportunities, with an emphasis on energy efficiency and renewable energy. Based on that meeting, options for action will be presented to the public and Council for consideration.

2002

Estimated Resources Required (C\$)

Action 1: Explore opportunities to develop a North American market-based approach to carbon sequestration, renewable energy and energy efficiency		190,000
Activity 1: Develop a discussion document identifying market-based instruments with the potential to encourage carbon sequestration, energy efficiency, and renewable energy	<i>35,000</i>	
Activity 2: Convene a meeting with key stakeholders from industry, consumer groups, environmental organizations, investors, academia, and government to discuss the issues in the discussion document; to identify those instruments that present opportunities for cooperation at the North American level; and to identify next steps. Allow for a period for public comment	<i>45,000</i>	
Activity 3: Finalize the document, to be presented to Council before their June 2002 meeting, which: outlines those market-based instruments for encouraging carbon sequestration, energy efficiency, and renewable energy, that present opportunities for cooperation at the North American level, and provides an analysis of these instruments and recommendations for next steps	<i>110,000</i>	
		Total Resources Required 190,000

Public Participation

This initiative will help build effective trilateral public and private sector partnerships to employ market-based mechanisms to reduce greenhouse gas emissions. It is anticipated the JPAC will play a key role in shaping the means of involving, and interacting with, public during and after the period of public comment on options identified by key stakeholders.

Capacity Building

To be determined once actions are selected.

Expected Results

Improved information about the opportunities and market-based mechanisms available for supporting carbon sequestration, energy efficiency, and renewable energy in North America will help find cost-effective solutions to a cleaner and more efficient North American energy market. This initiative will identify and pursue promising avenues of North America cooperation to reduce emissions of carbon dioxide to the atmosphere.

Expected Partners and/or Participants

Expected partners will include providers, distributors, consumer groups, environmental and conservation groups, international organizations concerned with climate change and energy efficiency, labeling and certification bodies, financial intermediaries and other stakeholders involved in energy.

JPAC has expressed a particular interest in this project.

Linkages to other CEC Projects

This project clearly builds on Article 13, green goods and services and financing projects. It will collaborate with the Pollutants and Health program area to explore North American clean energy options.

Actions 2003–2004

The CEC anticipates continuing study and analysis of the barriers and opportunities for using market-based mechanisms to foster renewable energy, energy efficiency, and carbon sequestration in North America