New Market Mechanisms to mobilize private sector engagement

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Enel Group overview

- 40 countries of 4 continents
- 97 GW of installed capacity
- 61 million customers
- 17.7 bn € EBITA
- 27 bn € investments 2011-15
- 75k employees
- 291 TWh produced
- 244 TWh sold
- 510 TWh distributed
Moving to a fragmented carbon market world?
The collapse of the prices in the largest carbon markets

The graph shows the price trends of EUA, CER, and SPREAD from Sep-08 to Sep-12. The prices decreased from 2009 onwards, with a significant drop in 2010. The final prices were 6.06 €/t for EUA, 5.38 €/t for CER, and 0.68 €/t for SPREAD.
The Voluntary market experience
Voluntary standards

Source: State of the Voluntary Carbon Market 2011
New market mechanisms could have a difficult application without a common framework (FVA) under a UNFCCC body

- In an international context where carbon credit demand is low, new market mechanisms could come across serious obstacles to develop.

- A common framework is needed to set shared rules on the use of domestic and international compliance mechanisms with a clear top-down approach:
  - A common framework at UNFCCC level, setting the standards for environmental integrity and accounting.
  - An independent authority, ensuring application of standardized global measurement, reporting and verification methodologies.
  - A common carbon currency, eventually supported by a credit conversion mechanism.
How should the New Market Mechanisms look like?

Main features of NMM:

- **Simple**, with limited transaction and capacity building costs
- Supporting *both domestic and international action*
- *Incentives must be right for both developing and developed countries and for the private sector*
- *Risks must be acceptable and manageable* in order to attract the required investments
- *Sectoral trading more straightforward*. Crediting requiring proper incentives on virtuous investors vs non performers
Conclusions

- A common Framework under the UNFCCC is urgently needed to address the increasing market fragmentation.

- A decision on New Market Mechanism would provide an additional instrument for those countries that cannot afford the design of full-blown domestic market mechanism.

- Agreement on the Framework and the NMM would support developing countries in reaching their domestic target in harmony with international pledge.