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Report "Caribbean Regional Dialogue on Carbon Pricing Instruments"  
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**Day 1**

Welcome Remarks

**Session 1: Introduction to Carbon pricing instruments**

Presentation: Why putting a price on carbon (UNFCCC, United Nations Framework Convention on Climate Change)

- Curbing emissions
- Other expected benefits

Presentation: Introduction to carbon pricing instruments (CMIA, Climate Markets & Investment Association)

- Carbon tax versus cap and trade: key features and differences
- Considerations in adopting a carbon pricing instruments
- Current trend in pricing carbon
- Concrete example of carbon pricing instrument: Mexico

**Nicolas Muller (UNFCCC, United Nations Framework Convention on Climate Change)**

Why would people consider putting a price on carbon?

What is the back ground to this?

Carbon price is the Price signal on greenhouse gases (GHG) emissions. To take into account all of the cost of carbon pollution in decisions. Putting a price on carbon is the only effective way to curb emissions to combat climate change. Carbon price is recognized by most economist as simplest/ most straight forward way to address GHG emissions. The basic thing to drive carbon pricing is that you need something to drive the economy to a more climate compatible model.

Relatively simplicity

- Economic signal which applies to all: producers, consumers and investors
- Simpler and broader than payments for emissions reductions
  - No need for complex assessments of each activity

- Requires capacity to monitor, report and verify emissions
- Technology and measure neutral
- Signal for current emitters but also planned investments
- Let's the economy implement measures where it is the most cost-effective

Another aspect of carbon pricing is that it can deliver a lot of co-benefits. If you go for a cleaner economy you will have health benefits and economic diversifications and this is also a way to attract investments and new projects. There are many things that you can achieve with carbon pricing.

### **Adrian Rimmer (CMA, Climate Markets & Investment Association)**

What does CMIA do?

- Connects governments, policy makers and businesses worldwide with private sector expertise across climate and development finance
- Share and advocate for the best practice, respond to relevant policy developments
- Work across climate finance: market mechanisms; government and multilateral agency funding; or solutions that blend public and private sector finance.
- Members include banks, investors, finance providers, legal and professional service businesses in the climate finance sector that come together to work on relevant professional topics.

### **Why do we need carbon pricing?**

- To address the market failure of climate change. Costs being incurred by future generations
- Increased cost of polluting encourages lower carbon development
- Delivers revenues that can be used to sport mitigation, adaptation & R&D

What does carbon tax give us?

The tax determines the price and fixes it to the level on which you decide as a policy maker and it will be paid, what it doesn't do is limit emissions.

What are the benefits of the different approaches?

The tax gives certainty because they know what their emissions are and they can apply the tax price to it. Businesses preferred to have certainty over the policy environment.

The carbon markets have been around for over 10 to 15 years. How the revenue will be used is important and it could be portrait in a very useful way if it is done properly.

### **What does the Paris Agreement mean for carbon markets?**

- Article 6 of the Paris Agreement facilitates carbon markets
  - 6.1 allows collaboration between countries
  - 6.2 & 6.3 consider the mechanism and accounting process
  - 6.4 & 6.7 outline the development of a new UN-led sustainable development mechanism
- Nationally determined contributions underpin the Paris Agreement
  - More than half of (180) INDCs include proposals for ETS's, and other carbon pricing tools, accounting for >60% of global GHG emissions
- 82 % of IETA'S 2016 GHG Sentiment Survey respondents believe that existing carbon markets will expand in scale as a result of the Paris Agreement. This was up from 58 % in 2015

Most INDCs feature carbon price in some contexts. Sweden was one of the first countries to introduce carbon price and that was in 1990. Since then emissions were reduced by 22 % and GDP grew by 58 %. There is a minimum price of carbon and you need to pay that regardless to what the market signals of the scheme is.

The World Bank is building capacity and helping a number of countries build markets in this area. Once a country goes down the path of putting a price on carbon, business is recognized by a trend and they want to anticipate that they will be regulated next and also want to reflect the economy. There is a huge potential in the Caribbean for low carbon abatement development projects.

### **Sergi Cuadrat (CMIA, Climate Markets & Investment Association)**

Mexico is considered the 5th largest economy as of 2015 and the world 13th largest green gas emission. Mexico congress dictated the general climate change law in 2012. In this legislation Mexico is expected to cut emissions by 50% by 2050 relative to the 2000 base line. In order to achieve such objective Mexico is expecting to generate 25% of electricity from green energy by 2018 and 35 % by 2034. It is very challenging. The last 5 years a lot of investments have been gone to renewable energy. In the climate change law of 2012 Mexico created the commission of climate change and that commission outcome to create domestic carbon markets. In the future it will be an emission

market. The idea of the market is that in 2013 Mexico put forward a carbon tax on fossil fuel production. In the carbon tax there was an option that covered entities to use certified emissions production as of clean develop mechanism. They decided to use national Mexican city projects in order to cover the entities for the use of which was included in carbon tax. The tax is used at the rate of 3.5 dollars per ton includes all the fossil fuel producers excluding the national gas producers. Under the carbon tax Mexico also has created the Mexico 2. The reason for Mexico 2 is to trade carbon credits including CR s between the companies which need to comply with the carbon tax. At the moment they are running their own voluntary scheme considering that all entities are meeting more than 25.000 tons per year. It's around 3000 companies from different sectors: energy, transport, agriculture, construction, governments etc.

**Question of the chairwoman of Suriname:** Where do the funds go if people pay their taxes and are other companies eligible to get some money from that fund if they sequent the carbon, does it work in detail. Does it goes into the budget or is it a specific fund where other companies or people trying to cut emissions can get loans or donations.

**Answer:** They are covered by carbon tax, all the internal fossil fuel producers in Mexico are obliged for the carbon tax and the government has set the price at \$ 3.5 per ton. The company which is inside of the scheme has the choice to pay the carbon tax or to buy CDMs, CRs at the local price and to offset the carbon footprint against the price of \$ 3.5 per ton. The idea is that most of the companies in Mexico are looking for the CRs in order to comply with the carbon tax. The revenues come from internal companies that are paying the carbon tax and they can use the CRs from the CDM. The private companies are now being oblige to pay the carbon tax and the money comes from them. There is a plan to create a Mexican green climate fund but at the moment it's still not working.

## **Session 2 How carbon pricing relates to INDCs (Intended Nationally Determined Contributions)**

Panel discussion:

- How can carbon pricing support INDCs achievement?
- What are other jurisdictions doing and why?
- How could a regional market instrument be used to support the achievement of mitigation targets in INDCs?
- Which opportunities for collaborating on INDCs achievement exist in the region and beyond?

### **Panelist Crispin D'Auvergne (OECS, Organisation of Eastern Caribbean States)**

Six independent countries of the Caribbean (Antigua & Barbuda, Dominica, Saint Lucia, Grenada, St. Kitts & Nevis, St. Vincent & the Grenadines) have submitted the INDCs. Every single one of these INDCs make reference to the willingness to consider market based mechanism towards fulfillment of the INDCs. The focus is based on the power electricity and the transport sector. Potential investors look towards larger markets just to get more out of it. The most part of the Caribbean do not have a legislation or regulation of policy in place to actively advocate practical enforce to support the political pace principal. Make sure you protect the vulnerable that is what needs to be considered.

### **Panelist Nicolas Muller (UNFCCC)**

A lot of countries mention that they are considering some form of instruments. It takes in INDCs a lot of different names international market and mechanics, common markets etc. If we work together we are stronger. The potential to address climate change its unfortunately like everything in the world, it's unevenly distributed. You have the people who have the financial means to address climate change and you also have some countries which have huge potential but do not have the financing that is available domestically to belongs the measures.

### **Panelist Adrian Rimmer (CMIA)**

Applying carbon price to change behavior and generate new revenues is cause of the delivery in the financing of the delivery of INDCs. There is a lot of

reference to the use of carbon pricing. There are 40 national and 23 sub national jurisdiction looking to implement carbon pricing including emissions trading schemes (ETS) and taxes.

### **Panelist Leon Charles**

The critical decision in our region is the size of our markets. We need to take a look at a regional approach if we really want to get into carbon finance in a big way. There is a lot of benefits from collaboration where we can produce projects to scale. We can also use these projects on multi contributions to facilitate the transformation we are looking for in the various sector. There is a lot of benefits that can be achieved. The challenge is going to be: how will we collaborate and that is where the INDC question comes in. There is been some talk in the region for example of consolidating the national INDC into a regional INDC so that we face everything as a region. We already have regional institutions that can contribute to this process (CCCCC, Caribbean Community Climate Change Centre, OECS, Organisation of Eastern Caribbean States)

### **Contribution of the chairwoman of Suriname:**

This is a very important activity because we are trying to wrap our heads around the carbon tax/ carbon trade and the effect it can have within our economy and in the region. As a small economy we have a natural disadvantage which is not only in this sector but general. The development of all the ideas and the systems are not developed in our country, they are somewhere else. How much influence do we adjusting things so needs. In the next generally lack understanding expertise when going to the implementation



have on that it fits our phase we

technical things are

phase. This is

important because we have to start to understand what the will have for us, what's in it for us and which challenges we have. We need carbon pricing when the why is clear. The question is how? We need some mechanism to ask people who indeed to make carbon pay for it. It has to be done according to the agreement on a national level, what's going to happen on the international level or we only going to do it through the trade like we are discussing or is there some other mechanism. It has to be effective in reducing CO<sub>2</sub> emission but it also has to be a system that is not only equitable and fair but simple and

transparent. It must not be like the whole financial sector issue with all kinds of derivatives and very complicated schemes. If i review what has happened in the past it looks very much alike. I think we need to discuss that it doesn't goes like that. We need to get a straight forward system where private sector and government know what is happening, how they can benefit, what they have pay and how it will work. Having said that what is it that we have in the Caribbean that produces CO<sub>2</sub> mostly the small islands. We have discussed it in other settings and it will be energy most of the times for the smaller countries, for the larger countries Mexico for example you also have transportation and industries. Most of the island depends on tourism and they have their energy needs. What is it that countries like Suriname where we are in fact sequesters of carbon 1.8 million tons. We are working on our energy sector where it is that we emit about 60 % of the carbon and we are trying to top our hydro which is 50% of the energy sector. We are trying to top it up by going to solar. This is the situation in Suriname. What is the choice that is good for the region, because I've heard that you have carbon tax and other different things. We need to understand where is it that we could reduce emissions and what is it that for example Suriname, Guyana that we contribute generally in the world towards reducing or sequestering emitters. What we are discussing here is what we have to do on a national level but what will happen on the international level. When we want to charge and tax businesses for carbon or force them to trade what will happen on the international level. Apart from the businesses you have countries that are emitters and countries that are sequesters. Otherwise you cannot choose the package for the region, it is more likely difficult. This is the bigger question what will happen on the international level. We have adaptation problems and damage as countries. With an internal carbon tax you might be able to address certain things but not everything. Our interest is not only complying with reducing emissions but also in the same process to make sure that damages we already have suffered from the whole climate change issue that we can get some funding to repair those and for the new adaptation message we have to take which we don't have the money for.

Why carbon pricing (tax or carbon market, national or regional)

How is the question?

- Effectiveness- curbing CO<sub>2</sub> emissions
- Equitable fair (not benefitting some and keeping others poor)
- Simple, transparent
- We do not need some kind of derivative scheme like what we had in finance.

Small economies have the normal disadvantages

- Negotiation power
- development of ideas and systems = not in our countries
  - how much influence do we have
  - understanding of the impact of the implementation of these mechanism

### **Session 3 The Caribbean Carbon Pricing Initiative, case study and potential benefits**

**Deborah Cornland**

Co-benefits is being a secondary effect of a carbon market. When you sell credits and then those credits result in investment of the power sector and that generates jobs and it is the largest in the Caribbean countries, it lower the cost of fossil fuel imports. It is possible to design into a regional mechanism requirements about contributions to sustainable developments.

There is positional to design those measures into the Caribbean carbon market. The question that needs to be asked is: "If that were to be the aim of a market design what benefits could or should be targeted for the attention in the design of the mechanism?

What institutions or organization in the region have the potential to develop capacity to play a role in implementing the Caribbean carbon pricing initiative and what are the interest?

A mechanism is intended to function in the private domain. It needs to be designed with strong involvement of the private sector. It needs to be based on incorporating basic business principals and anticipating business related activities and transactions. The private sector focus on an economic bottom line and we believe that will help to create an enabling environment for investment while the same time ensuring the market is economically efficient.

Design issues that need to be addressed

- Supply emissions offsets from the region
- Demand for emissions offsets from the region
- Benefits of the mechanism to the region
- Governance and implementation
- The scope of the market system

There are a lot of questions you can ask about these issues.

Caribbean experience with the CDM (Clean Development Mechanism)

- Only 4 stand-alone CDM projects and 3 programs of Activities have been successfully registered in the Caribbean
- Of these only 1 has led to the issuance of offset credits
- The CDM experience demonstrates that not only will investment in renewable energy and low carbon technologies not accrue autonomously in the Caribbean without some sort of support

Positive lists of technologies and measures. What can we learn from the CDM about how to build in automatic treatment additionally for those kinds of investment.

- The CDM accounts for situations where most applications of a technology are additional by allowing countries to demonstrate that they make criteria for you to utilize a so called positive technology

## **Session 4 Article 6 of the Paris Agreement**

### **Presentation: Purpose and opportunities of Article 6 in the Paris Agreement**

Moderated discussion and oral update: the status of discussions on Article 6 of the Paris Agreement

- Current status of the discussions on article 6, next steps and expectation
- Getting ready for Article 6 in the current context: what should be done?

#### **Presenter Hugh Sealy**

By the end of this year we have to give the mandate to produce a draft text for negotiation next year. By the end of the COP this year in Germany we supposed to have the chapter and the options to develop a draft text. I am not going to talk about the mechanic about what is going to happen in article 6.2 & 6.3 etc. and how we are going to deal with double counting etc. those are technical issues we have to deal with.

We want to see a discussion about where the supply and demand will come from and what's the macro framework that we wish to set up if we are going to have a regional market. We have to relate back to the INDC and the conditional and the unconditional part of the INDCs. If we are going to use a market to achieve components of the INDC we got to make sure it is in the conditional part of the INDC, it cannot be in the unconditional part. We are going to have to split the INDCs. Where are the demands are going to come from? Will Trinidad & Tobago will be purchasing CERs (Certified Emission Reduction) from Suriname? How will it work, how will there be an external demand on all the net suppliers? Are we going to go to the US, or states in the US, EU or other states to purchase the CERs? The other major issue is transition. CARICOM needs to send a clear signal that you want see and want to want a fund ability and seamless transition of CDM & CERs host 2020.

#### **Contribution Chairwoman of Suriname:**

We need to decide what it is that we are going to do. How we are going to implement the carbon pricing which we all want. It is a reasonable thing to do but it will make all the difference for us as a region and as countries on what kind of schemes and what kind of waste we will implement.

## **Session 5 The Jamaican carbon tax**

### **Presentation: The Jamaican experience with taxation. Include potential benefits**

- National context and policy rationale
- Modalities of the Jamaican carbon tax
- Expected benefits from the Jamaican carbon tax
- Experience sharing: Considering, establishing and getting the carbon tax to work

#### **Presenter Aayon Crulckshank**

How come Jamaica incorporate the carbon tax initiative?

Jamaica is currently in an agreement with the IMF where they are running a program and some of the initiative that are taken is because of the relationship with the IMF.

In 2009 Jamaica established their national energy policy. In that policy it shows support the initiatives of the adaptation to climate change and contribute to reduce the global rate of Climate Change (CC). In 2015 Jamaica established the climate change division and it carries out the obligations under the UN and the CCCCC. We need to understand how to approach the carbon market. In Jamaica they are heavily dependent on petroleum products that produce a lot of carbon. Therefor they saw the need to impose taxes on petroleum products. Now is the very first time in Jamaica history where they influence the emission of carbon. They do have environmental levies in place but it is not hitting the heart of carbon it is just applied on the CIF goods that are coming in and - goods that are produced in the country.

In 2013 Jamaica was ranked 108 out of 209 countries in terms of CO<sub>2</sub> emissions from fossil fuel and cement production. Petroleum products is the main source of energy. The ministry of finance of Jamaica said that it is best to know how much they can intensify the investors to make a switch from petroleum products to other sources of energy, it was a very good move for the country. The 3 heavily used fuel types are HFO (residual fuel oil), gasoline and auto diesel. The IMF are monitoring the performance of Jamaica and therefor their economic conditions have been proved since. The IMF made a proposal that they give consideration to carbon tax and so they implemented it in 2017. In 2018 they will evaluate the carbon tax. The lower the emission the lower the tax rate, the higher the emission the higher the tax rate. The tax is not directly earmarked. When the tax is collected by the minister of finance it is placed in a

consolidated fund and then the government takes the money from the fund and give it the various ministries and these ministries can carry out their responsibility. The more taxes are collected the more allocations can be given to the various ministries and that's how they can carry out their functions. It is not necessarily earmarked to say that the amount you collect from the carbon tax is going to go directly in helping the environment.

**What are the advantages?** The carbon tax can inspire innovation in energy efficiency. Once Jamaica conceived the idea of implementing the carbon tax they recognized that investors started to think about using more natural gas. Once you tax certain fuel types they don't expect persons to shift away from it, they were just to compline it using the same dirty fuel and not helping the economy as much. A number of investors are interested in supplying natural gas. The import bill is critically to finance because it is really high and the majority imports are the petroleum products.

**What are the disadvantages?** The carbon tax can be considered as a consumption tax because the poor is spending more of their income on fuel products. Tax in petroleum in particular which is critical to the transportation sector and also to the electricity generation sector you can always see an increase because if the cost of the electricity increases and the productive sector needs to use electricity to produce goods than you can see how it actually translate into actual and direct prices and therefor cause some form of general increase in prices. The carbon tax could be raised in negative extremity in a short road. Energy intensive manufacture in processes, it would be unable to make that switch from using the petroleum products that are currently being used. The electricity generating sector moved into using natural gas. The IDB completed a study this year looking at the road transportation and the possibility of Jamaica moving towards using natural gas instead of gasoline and HDO to operate the system. It is actually a good switch because economic actives increase and the taxes can be collected. It is helping to stimulate the economy and having investors to come in and to use the natural gas to produce and once they produce it can be given for a lower cost.

**Concluding remarks:** The imposition of the carbon tax is expected to further reduce Jamaica's CO<sub>2</sub> emissions. With the tax they expect the emission to continue to go down. The investors are now aware to use cleaner energy sources. Jamaica is now committed to their obligation under the Paris Agreement which supports one of the objectives of the national energy policy (it is to reduce carbon emission).

## **Session 6 Sources of demand**

### **Panel discussion:**

- **What are the interest from the demand -side perspective?**
- **Which key elements should market instruments in order to promote demand?**

### **Presenter Mr. Gary Clyne**

As a private developer, we are looking for capital most of the time. Under a carbon market concept you can link or be part of a collaboration of a carbon market and also a direct participant. What we are trying to do as a part of our initiative, is to effectuate a link. If we can link in the jurisdictions where the big emitters are they can make the decision to provide capital in the form of carbon equity to work and develop new projects for the renewables and sustainable in the Caribbean. This is a part of the government and also finding the willingness with investors and the big emitters around the world. Trinidad and Tobago generate 50% of the emissions in the Caribbean. We need a pursuit capital and a startup capital to get these jobs going and a lot of these are economically viable and bankable. With these carbon markets we can get equity advance through agreement with emitters at the political systems within the overarching jurisdictions of carbon trade. We can not only combine renewables with low emissions development but we can also move to any developing country in the world through flexibility of indefinite amount of sort component projects.

## Day 2

### Session 7 Element 5 - Linkages

#### Presentation: Linking instruments

- What is linking?
- How does linking works?
- Types of linkages
- Benefits of linking
- Elements to consider in linking: Governance, MRV (measurement, reporting, and verification) and others
- Concrete examples of linking

There will be interactions between schemes.

You have the direct-, indirect- and the financial linkage. The direct linkage you have a one-way link between 2 systems. Direct linkage:

- Unilateral: a one-way link between 2 systems, whereby allowances from one system are accepted for domestic compliance obligations in the other system, but not vice-versa.
- Bilateral/ multilateral: a two (or more) - way link, whereby both (or several) systems recognize each other's allowances, which can thus flow in either direction. Allowances from a system with a lower price will flow to system's with higher prices until prices converge

#### Indirect linkage:

- Two systems have direct link with a common third system. Neither accepts the other's allowances but they impact each other through trading with the common third system. Will become more likely as bilateral links between international systems increase.

#### Financial linkage:

- Trading contracts between counterparties (e.g. with opposite positions)
- Facilitated via a third party (e.g. banks are indeed a Central Bank of Carbon)

## **Pros and Cons linking**

- ◆ Benefits:
  - Liquidity, Price discovery, lower volatility, trade flows, moves toward global harmonization
- ◆ Downside
  - Loss of sovereignty and some control, Equivalence between systems, industrial competitiveness, Other political factors

## **EU, ETS & Norway**

- ◆ EU/ ETS allows linkage with schemes that are mandatory and have absolute emissions caps
- ◆ Expanded to three EEA-EFTA states- Norway, Iceland and Liechtenstein in October 2007
- ◆ Linkage was anticipated
  - Same trading and compliance
  - Borrowing & banking possible
  - Compliance enforcement (fine plus make good)

## **Regional Greenhouse Gas Initiative (RGGI)**

We are going to legislate in a similar way. The legislative run the registration of that scheme.

### **Considerations for linkage**

- ◆ Rationale for linking is clear: cost savings, liquidity and drive to lowest -cost abatement first
- ◆ But: where will the abatement take place? Could reduce local co-benefits
- ◆ Signals serious and long term commitment via institutional lock in encouraging investment
- ◆ But: impacts on capital flow and energy prices should be considered

### **Moderated discussion**

- What can be learned from efforts on linking in other regions?
- Is there a potential for linking in the region?
- Which are the pros and cons for linking regionally?
- What does linking in the region entail?
- Which are the different approaches?

**Breakout groups:** Participants to contribute from the position and interest of their countries

- Group 1: different models for linking in the region
- Group 2: benefits for linking in the region
- Group 3: challenges and risks for linking in the region and possible solutions

### **Group 1 Different models for linking in the region**

Scale for carbon process flexibility	- better access to other systems/ international market - Cheaper to set system/ rules jointly
Facilitate process by establishing monitoring rules feasibility study	- better integrity/ transparency/ verification than national system - better pooling of credits - better marketing of credits/ system - better sharing of best practice
Possibility expand programs to reach sufficient scale	- collect data based on model (MRV) - better reporting BUR/ NC - show economy - wide application - can help achieving conditional part of INDC's - show co- benefits under SDG - start simple initially

### **Group 2 Benefits for linking in the region**

- Direct - unilateral, multilateral
- Indirect - linkage through a third party
- Financial

Purposes

- Political buy in
- Stimulate investment
- Generate financing
- Reduce greenhouse gas emissions

Other (which countries)

- Who participates in market
- Sectors - energy/ transport
  - economy wide

**Group 3 Challenges and risks for linking in the region and possible solutions (Chairwoman group 3)**

Challenges risks	Solutions
• We need to decide how to collaborate	- Regional INDC/some level on an INDC of collaboration
• Beamers to linking with established markets	- Transformative projects EU/ ETS initiatives
• Internal consensus	- e.g. different stages of economic development
• Confidence	- can we assure transparency - Risks to the established
• Absence of baseline data/ information	- system
• Beg thy neighbor policy	- Opportunities
• Capacity in limitations	- Risk- there is an opportunity
• Scale - Risks	- Opportunity - Link to the already
• Aggregate the INDC i.e. methodology	- established models

## **Session 8 Governance**

**Panelist Alexa Kleysteuber (California EPA)**

**Panelist Adrian Rimmer (CMIA)**

### **1. Panel discussion on governance**

- **Introduction speech on governance and linked instruments**
- **Which elements need to be considered in governance?**
- **Which governance for decentralized model?**
- **Which governance is needed for more integrated models?**

By 2030 the greenhouse gas emissions needs to be reduced with 40 %. California and Quebec were the first 2 jurisdictions to implement programs. States and provinces collaborated to explore linked carbon trading system.

Developed design principles for a tightly linked market in 2008.

- Monitoring
- Offsets
- Cap-setting
- Trading rules

Each program developed through jurisdictions own public process.

Government must certify that

- Linking program has same level of ambition as California program
- California retains the right to enforce own regulations
- Linking jurisdiction must be able to enforce their regulations
- Linkage does not impose significant liability on California

Government has made findings for Quebec 2013 and Ontario in 2017.

SB 1018== 2012 established requirements for California linkages.

### **WCI (Western Climate Initiative) linkage always envisioned as tight linkage**

Critical for some elements to be identical for the programs.

Some elements must achieve the same outcome e.g. enforcement, Monitoring, reporting and verification procedure. Some elements must be different e.g. distributions of allowances to covered entities, use of proceeds from joint auctions.

## **Linkage needs**

Established a nonprofit entity - WCI, Inc. - to provide joint market services

- Tracking system for allowances
- Auction platform
- Market monitoring

WCI, Inc. board includes members from each linked jurisdiction

## **Governance**

- Linkage agreement
- policies and procedures for joint activities

## **Considering future linkages**

- Open to other types of linkages
  - One way linkage permitted in current regulation with California concurrence
- Extensive process to gain mutual understanding of market and climate program
- Linkages must meet SB (Senate Bill) 1018 statutory requirements

**Breakout groups: Participants to contribute individually from the position and interest of their countries and learnings**

- **Group1: A single carbon market at the regional level**
- **Group2: Coordinated development of national instruments**
- **Group 3: Developing national schemes first-linking in the future**

**Elements to consider:**(i) type of instrument; (ii) governance; (iv) MRV; (v) types of mitigation outcomes/units; (vi) comparability; (vii) effort/time invested and transaction cost; (viii) attractiveness for investors; (ix) usefulness for achieving the Paris Agreement; (x) compatibility with the national context; (xi) others

## **Session 9 Next steps**

**Presenter Carlos Fuller (CCCCC)**

**Presenter Vintura Silva (UNFCCC- RCC, Regional Collaboration Centre St. George's)**

**1. Stock taking of the discussion and introduction of possible next phases**

**2. Plenary discussion to gather Parties' views:**

- **Which are the priorities/objectives for the region?**
- **What needs to happen for the region/ countries to achieve these objectives**
- **Which concrete steps should be taken?**
- **Which are possible gaps or obstacles and how can they be addressed?**

**3. Results**

- **Discussion and comments on findings**

**Contribution chairwoman of Suriname:**

**Regarding Suriname** there must be an awareness and insight among policy makers and parliamentarians and also the business committee. By the end of October we have a climate workshop where i will include the issue of carbon trading to give people basic understanding because it is not available in our country. We have to conclude that internationally not everybody is sure of how the things should be working.

**Regarding ParlAmericas** we discussed the same things and we will advise our network for climate change in the same way. Our follow up activities for the rest of this year we will include some basic information for parliaments on the whole issue of the mechanism, the tools that we have to use, carbon pricing and the way we should use it if we do it.

**The sectors in Suriname** that are emitters specifically are transportation system and the lack of it. Suriname has a lot of cars because our public transportation is not functioning. Nearly the half of our energy is renewable

hydro. There is room for improvement in our electricity sector (HFO), that is also mentioned in our INDC.

We have taken steps in our legislation. In 2016 we approved of a law for the private sector to invest in renewable energy and at this moment investors are in Suriname to start a plant. We have to do that because in the end we don't want to end up with our energy sector totally in foreigners hands.

The third thing we might be doing in carbon emission is keeping the forest standing. At this time Suriname has the highest percentage coverage in the world (94%). The deforestation rate is very low but it is accelerating because in fact Suriname is a mining economy. We have a lot of gold, bauxite and some oil but at this time after the crash of 2015 of the oil price we live from gold. The forest is actually competing with the gold. Now we are in a crisis and the government is looking in renewing the bauxite industry. That means that we are going to have to give up one of our mountains. We have a system that never really led to deforestation. These are the sectors we have and where we can do something about it to curb emission and lower it.

### **What are our other issues?**

We have to contribute to mitigation and the sectors I've mentioned or the sectors we have to work with. How would you go about it by for example introducing carbon pricing nationally, could you introduce a tax? We have a fuel tax for about 15 years and every time it increased we had massive demonstration. At this moment we have a real crisis on our hands not only for the macro economy but also for the population. The population is facing an inflation. Carbon tax is not something we are able to do at this time.

To introduce a carbon tax or any other carbon pricing you need alternatives. If you would introduce higher prices of certain type of fuel in my country the population needs another alternative they can turn to. The alternatives could be for example improving of our public transportation or deconcentrate/decentralize our government offices. If you put a tax on the fuel, the only effect will be that you are forcing higher cost of living on the people and on production of businesses because they have no other alternatives for example they can't take the bus if they do so the system would crash. This is one of the problem we face. The conclusion is that in order to be able to curb emission from transportation and fuel with taxes you would have to have a government investment first for example in the public transport to give people different opportunities. This is one of the problems we have because if you choose for

government investments than you can get a loan from the CDB but then again it is just a loan. You could start to move towards in organizing your special ordering batter of the city because most people travel distances just to go to work.

### **Where will the money come from?**

To start reducing emission, in a country like Suriname, while we are a net carbon sink, we should have money to start investing first and then we can start directing our population to a direction where they can reduce emission. The first thing we are starting to do is the transition to solar because we have an interior where people don't have electricity apart from diesel generators and now we are working towards investment in solar. Investments are necessary and that's why you see the expansion of the gold mine where the government also participates in. If they find more gold these mines will expand further. There is no money in leaving the forest standing. We are net carbon sink but still we face big damages 10 years now.

In 2007 we faced our first flood and after that roofs from houses are flying away and other issues. We never had a problem in this area so we can say that we have a climate change issue. While we are absorbing the carbon of the emitters we pay the price for the climate change. This is a real problem for our country. Should we go take out more loans to try to further lower our emissions. We will not be able to do so. What needs to happen is that we must start taking into account the whole natural environment and the services it delivers.

Paying for carbon is something that is necessary within the schemes of things, we have a capitalistic world economy. If you emit carbon as a country, not as a business, you need to pay, because somewhere someone is feeling the hurt and the damage, absorbing the carbon or the sea and we all pay that price. If you produce carbon you need to pay.

In England and other countries for example you make a plan and by 2050 you will reduce your emissions by half but you're still emitting. If these countries don't pay we cannot get money to leave the forest intact because we need a world wide fund, a worldwide mechanism that if you emit you pay, if you absorb you get money. Then you have the money to start investing in your own reduction of emission. You have countries in the Caribbean that are emitters and these countries already faces the damage of the climate change. I would like to see a fund where you put some money if you emit and get some money

if you absorb and also get reimbursement for damage or if you already are facing the damage of the climate change. If we can see that hurricanes, storms and all kinds of strange weather that we scientifically tribute to the climate change is ruining countries, they need and have the right to get support from a climate fund. We must not only talk about carbon pricing on a national level but also on a worldwide level. You can still have the carbon pricing to try to reduce your emissions nationally or regionally. This is our concern in Suriname, we are facing the damage and it has an impact on our GDP. Right now we are not able to put any carbon tax for companies. We will reduce emissions to introduction of renewables. If there is no mechanism for us to keep the forest standing, the deforestation will accelerate. The gold and the bauxite are competing. This is the problem we have to put on the world stage when we discuss Article 4 and 6 for carbon pricing mechanism not only nationally or for companies but for countries. That would be fare and this will lead to a faster reduction in emission because in countries, for example Suriname, Guyana and Brazil, you would have incentives for people to keep their forest but maybe to expand it as well.

#### **Quote ParlAmericas**

"carbon market instruments should follow sound policies that assure countries put forward a purpose for opening carbon trading, this presents a great opportunity for the region to finance achievement of INDC and adaptation needs by securing additional resources from the international carbon trading mechanisms, but also poses a serious risk that our countries will be led by the private sector interests and speculation. There must be a coherent and coordinated incremental approach that builds on a combination of policies, and foremost, that assuring there is an informed decision making process in national parliaments"