



Methane to Markets Partnership

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2009

The international response to climate change
and the carbon market: a Mexican perspective

Enrique Lendo Fuentes

Unidad Coordinadora de Asuntos Internacionales

Unidad Coordinadora de
Asuntos Internacionales

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Climate change in Mexico

- Climate Change is a top priority in the national agenda and has been mainstreamed in the National Development Plan 2007-2012 (NDP).



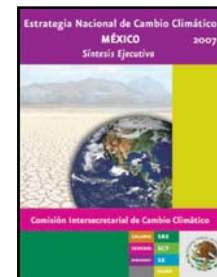
The NDP sets two clear objectives on climate change:

- To reduce greenhouse gas emissions**
- To foster measures for adaptation to climate change**

In the framework of sustainable development climate change objectives are pursued along with social and economic goals.

Sectoral Environment and Natural Resources Programme 2007-2012

- To coordinate the implementation of the National Strategy of Climate Change and foster measures for adaptation and mitigation of climate change.



Identified the potential scope of cc measures.

Special Climate Change Program 2007-2012

Specifies the concrete actions and budget that the Federal Government plans to implement during the current administration.



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Climate change in Mexico

- The Special Climate Change Program addresses climate change without compromising economic development.
- The Special Climate Change Program, currently in its final stage of completion, will set out a wide range of mitigation options.
- The initiatives Mexico proposes to implement with regard to mitigation and adaptation will have multiple co-benefits.
- PECC Strengths
 - Unique binding instrument of cross-cutting national policy.
 - Contains concrete mitigation and adaptation goals.
 - Consolidates and enhances the country decoupling of emission growth vs economic growth.
 - Integrates win-win actions related to the five axis of action of the National Development Plan

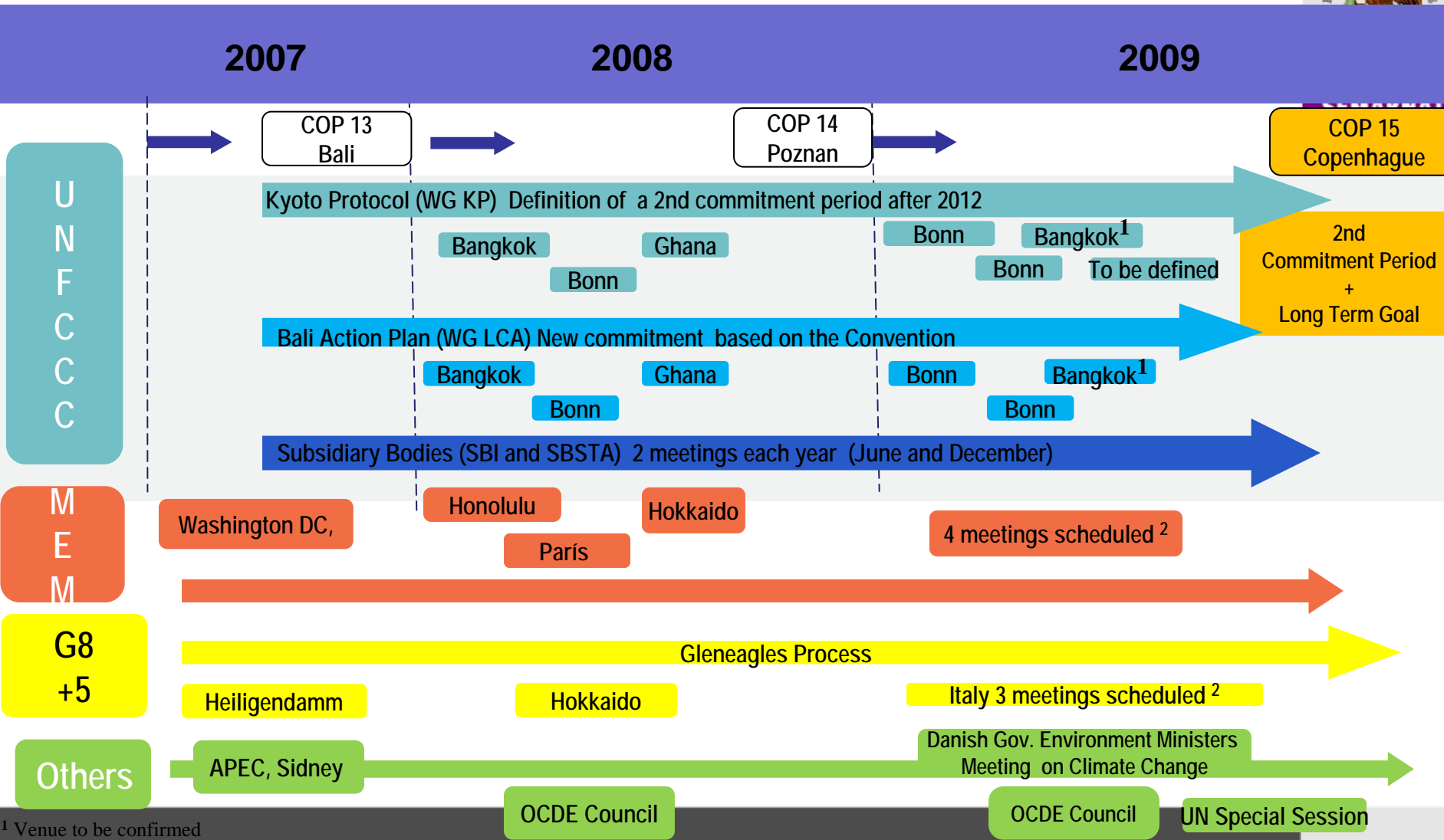


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International Climate Change Agenda



¹ Venue to be confirmed
² Venues and dates to be confirmed

Timeline of International negotiations on climate change

2008

CMNUCC

2009

COP 14
Poznan

COP 15
Copenhagen

The Chair of the AWG LCA will present negotiating text

Ad Hoc Working Group on Long Term
Cooperative Action

2° Commitment Period
+
Long Term Goal

Bonn
March 29 - April 8

Bonn
June 1-12

September/October

December 7 -18

Ad Hoc Working Group Kyoto Protocol

* Definition of commitments for the second
commitment period 2012- ?

Subsidiary Bodies

Bonn
June 1 - 12

December 7 - 18

The Mexican position in international negotiations

- Mexico is also an active player in international negotiations on climate change. Some central elements of the Mexican position are:



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The World Climate Change Fund (Green Fund)

FUND RAISING



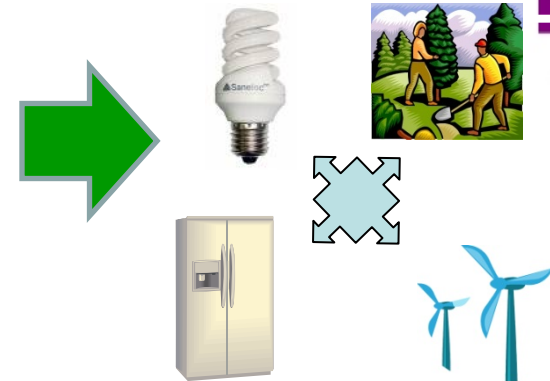
- Contributions as a factor of: emissions, population and GDP
- Common but differentiated responsibilities
- Scaleable, initially 10 billion USD at least

ADMINISTRATION



- Administration by an existing multilateral institution, without additional bureaucracies.
- Speedy project assessment
- Robust mechanisms for measurement, reporting and verification.

RESOURCE ALLOCATION



- Developing countries would have access to amounts larger than their own contributions.
- To integrate projects from a "Green Agenda", and expand the scale of projects from the "Grey Agenda".

Climate change financing and the carbon market

- The Green Fund considers public funding as its main source of financing.
- Nevertheless, the Green Fund proposal recognizes the importance of the private sector in mobilizing resources for addressing climate change.
- The carbon market is a crucial element of the international responses to climate change, provided that:
 - Promotes private sector involvement in mitigation actions
 - Mobilizes private investment.
 - Enables the achievement of cost effective emissions reductions.
 - Serves as a tool to facilitate compliance of Annex I commitments.
 - Promotes sustainable development projects in non Annex I countries.
 - Contributes to technology transfer.



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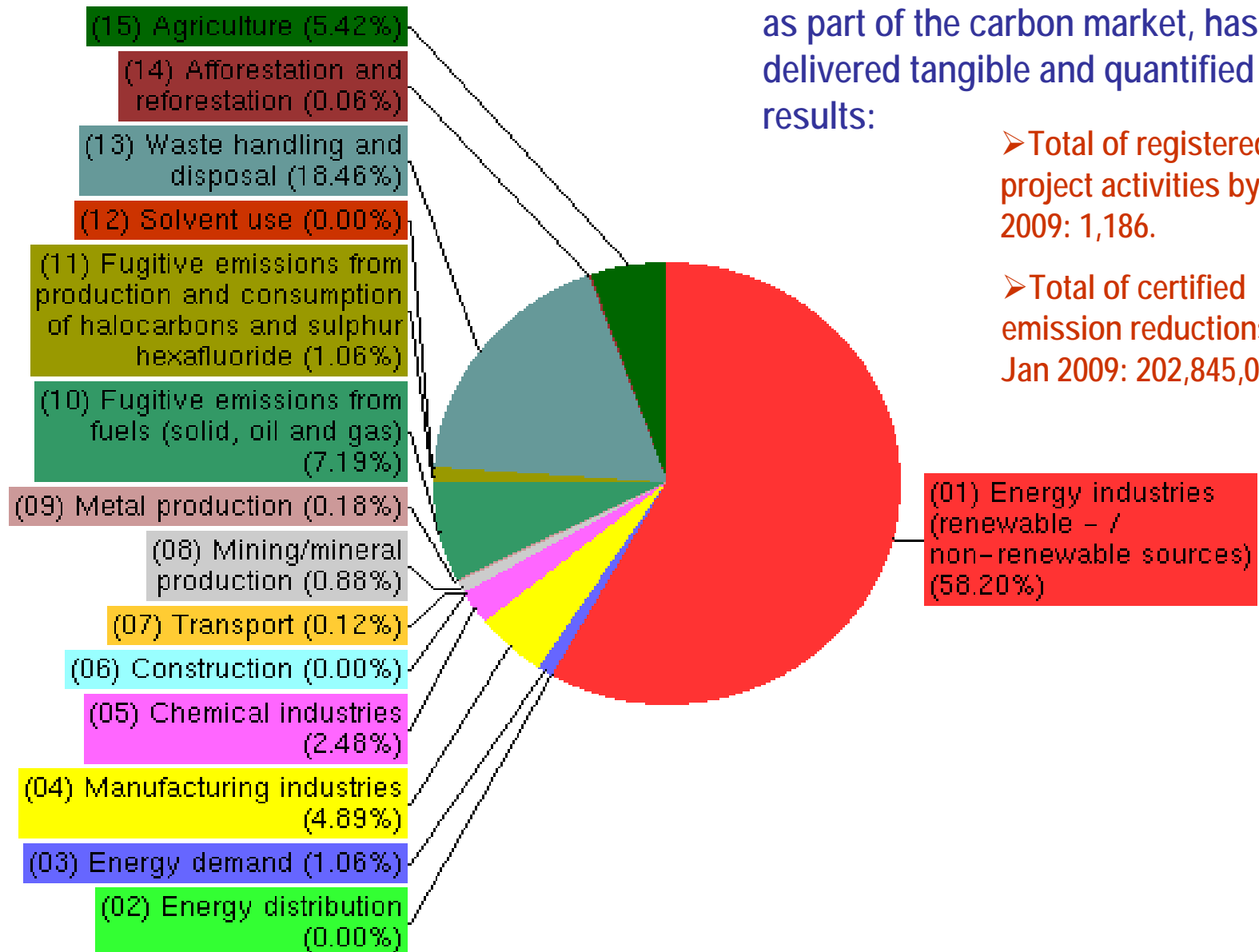
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The Clean Development Mechanism

The Clean Development Mechanism, as part of the carbon market, has delivered tangible and quantified results:

- Total of registered project activities by Jan 2009: 1,186.
- Total of certified emission reductions by Jan 2009: 202,845,016



The carbon markets and methane recovery and use projects

- **Clean Development Mechanism.** 18.46% of CDM projects are in the category of waste handling and disposal; 5.4 in agriculture and 7.19 in fugitive emissions. All these categories reduce methane.
- **European Union Trading Scheme (ETS).** The EU Emission Trading Scheme (EU ETS), designed for the compliance of the EU Kyoto commitments, continued to dominate the global carbon market in 2007.
- **Voluntary markets.** Consideration of additionality and permanence of reductions has led buyers towards well understood project types like methane capture and destruction from landfill gas and agricultural waste.
- **North American Markets.** State initiatives within the US and Canada have set regional cap and trade schemes. It is unclear to what extent these schemes would be open to the global carbon market but they are a promising possibility.

There are increasing opportunities within and outside Kyoto, to link methane recovery and use projects to carbon market schemes.



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The future of the carbon market

- In the context of the international negotiations, the carbon market within Kyoto is at a crossroads.
 - The first commitment period of the Kyoto Protocol ends in 2012.
 - Uncertainty over the shape of the post-2012 international climate policy regime slows CDM projects after 2010.
- Current negotiations are dealing with the following aspects:
 - Scale of future commitments of Annex I
 - Commitment period duration.
 - Baseline determination.
 - Improvement of the flexibility mechanisms
 - Definitions and modalities for land use, land use change and forestry during the second commitment period.
 - Coverage of greenhouse gases
 - Sectoral approaches.
- Negotiations over 2009 will determine the scope and form of the future carbon market, and will be paramount in framing the global market potential for addressing climate change in the years to come.



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Final remarks

- Mexico is working towards an inclusive, cost-effective, long term and sustainable outcome of the Bali Action Plan, resulting from COP15 in Copenhagen.
- The provision of financial resources has been identified as a key issue. In this aspect, Mexico proposes the Green Fund with an equitable and predictable multilateral governance scheme.
- Financing from private sources will be paramount in addressing climate rchange. The carbon market has the potential to unleash a significant amount of necessary resources.
- Methane is significant greenhouse has and therefore projects to reduce it are participating in the current carbon market.
- Voluntary markets and cap and trade initiatives have potential for integrating methane recovery and use projects.
- The shape and form of the post-2012 market, currently under negotiation, will determine the potential of diverse projects . The M2M Partnership has good chances an to be linked to market schemes.



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