



sustainable energy for everyone

# The potential for Domestic Offsetting in Europe

**CEPS meeting**

**Brussels, 16 November 2015**

16/11/2015

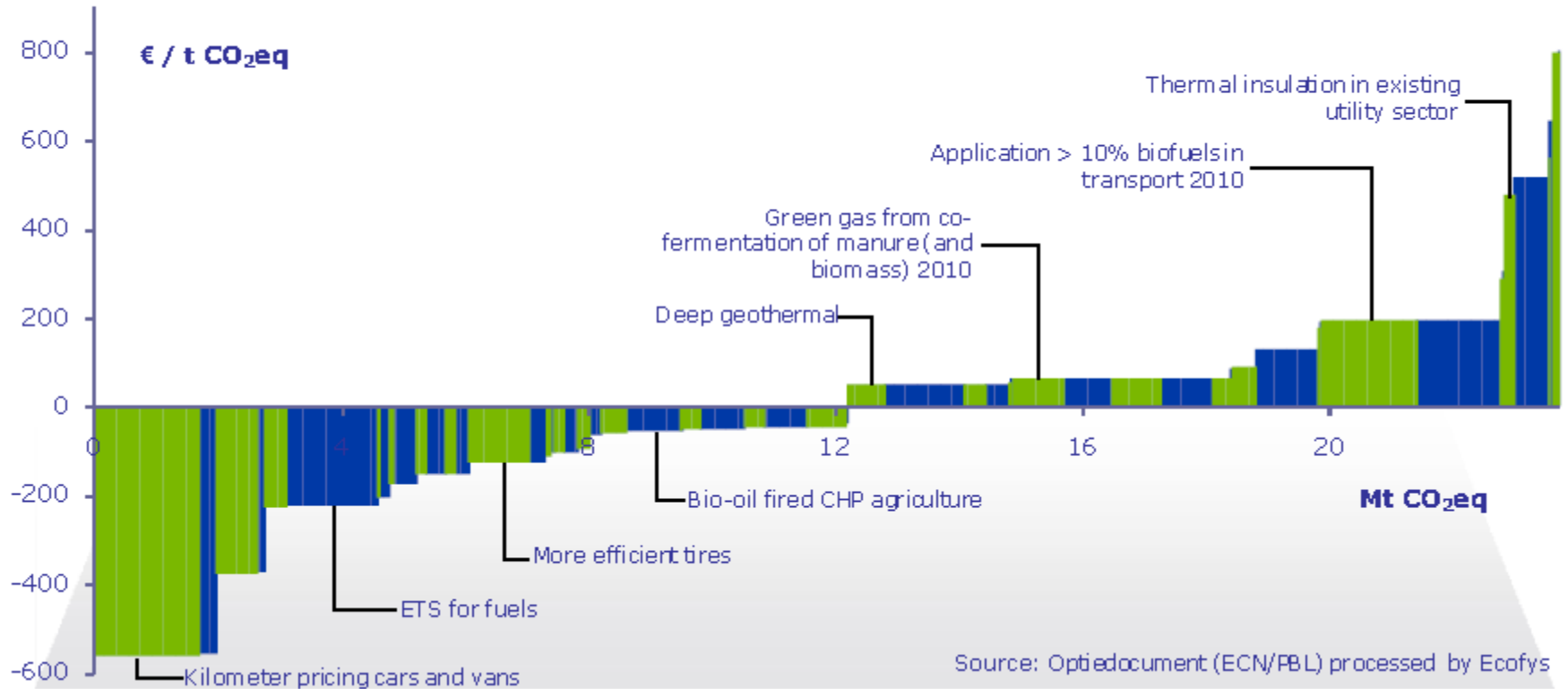
Bram Borkent

# Why would it matter? More than pure economics

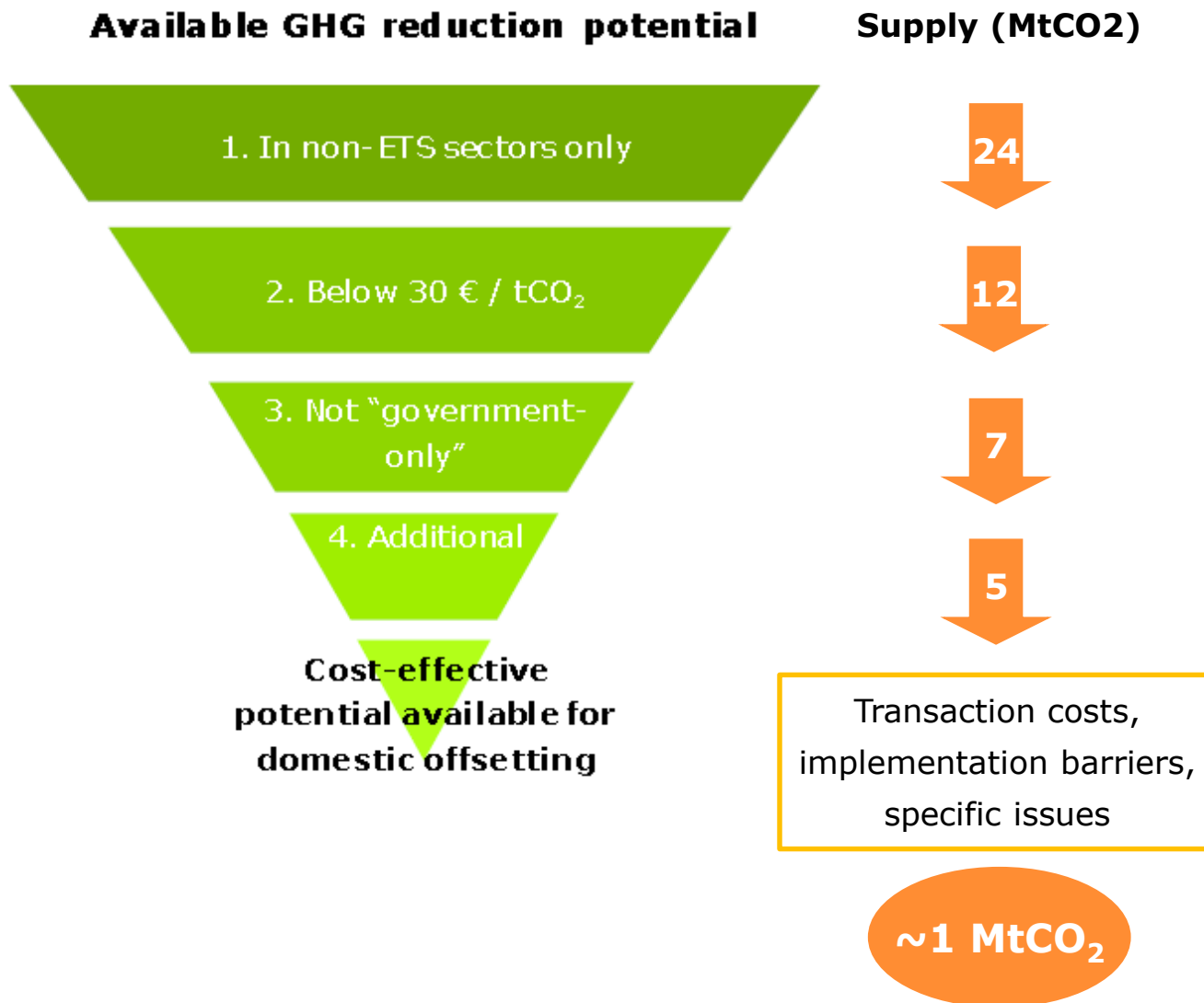
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- Carbon price incentive for emission reductions in non-ETS sectors (?)
- Flexibility for regulated sectors (e.g. ETS) (?)
- Attracts domestic investments, innovation, safeguarding jobs
- “Search engine”
- Combination of values (local, social, biodiversity) creates market value

# Cost-effective? An example from The Netherlands



# NL: >90% of cost-effective reduction potential not suitable for Domestic Offsetting



# From political perspective views are mixed

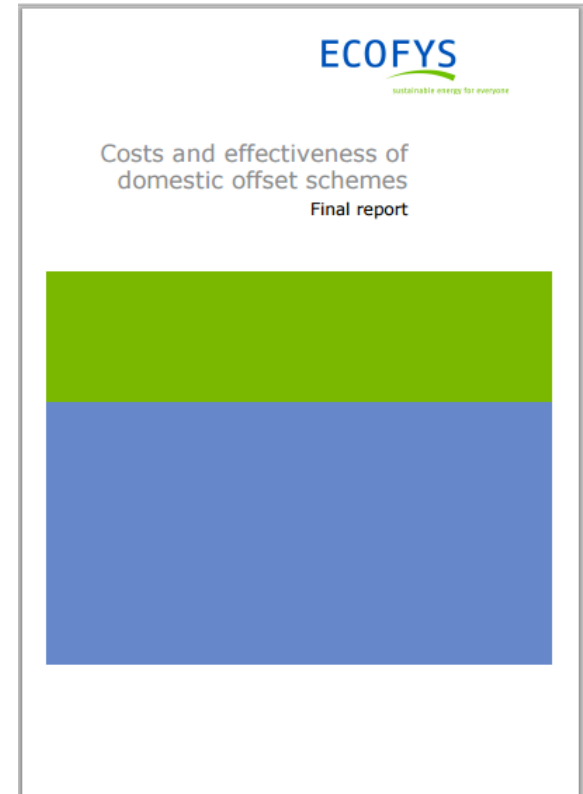
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- > Market seems too small to set up institutionalized government body
- > But also: need for harmonized approaches and definitions in local initiatives
  - “offset wild west” can harm trust in carbon markets
  - Additionality
  - Double counting

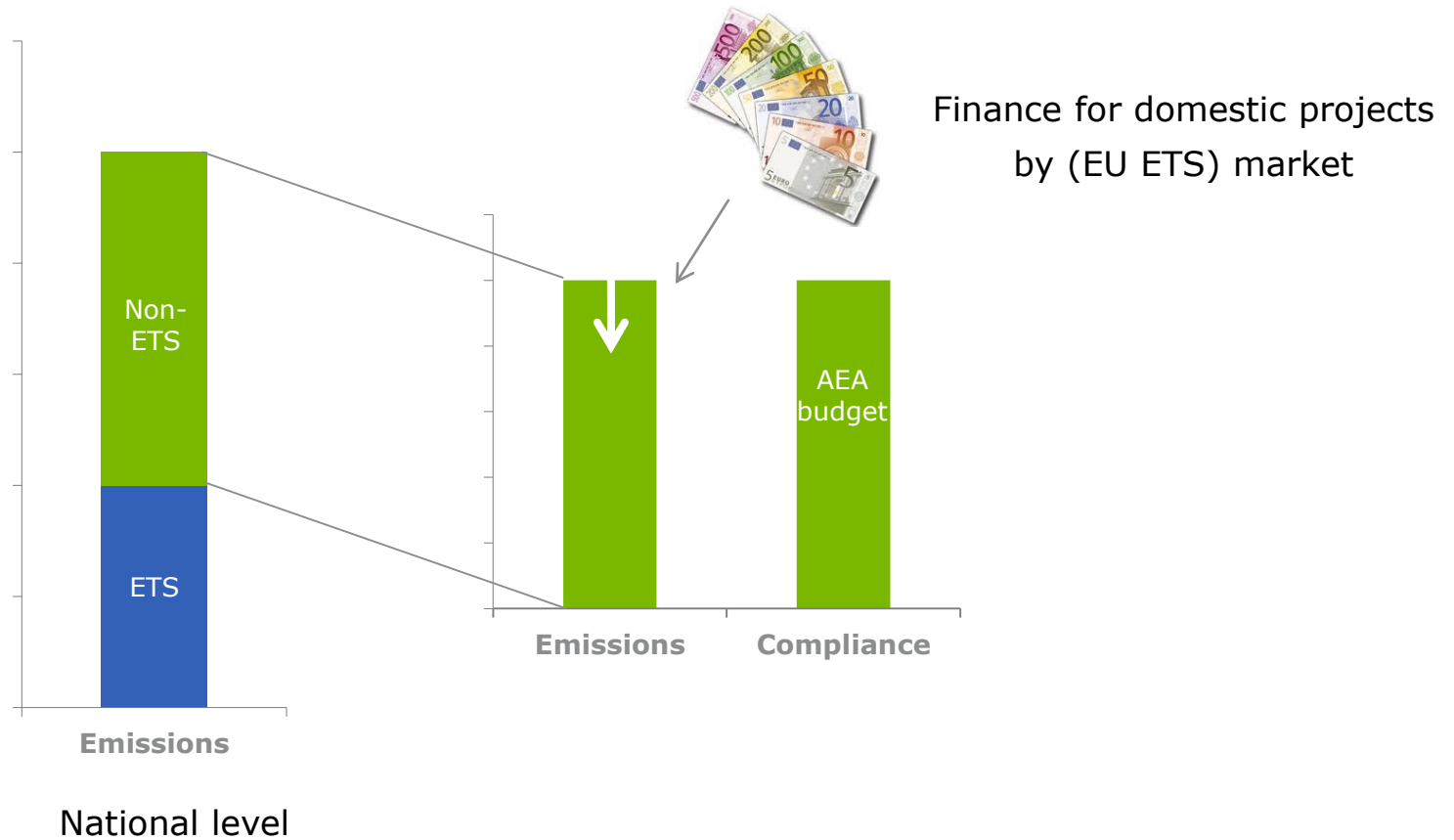
# How can you design domestic offsetting cost efficiently?

Three basic options :

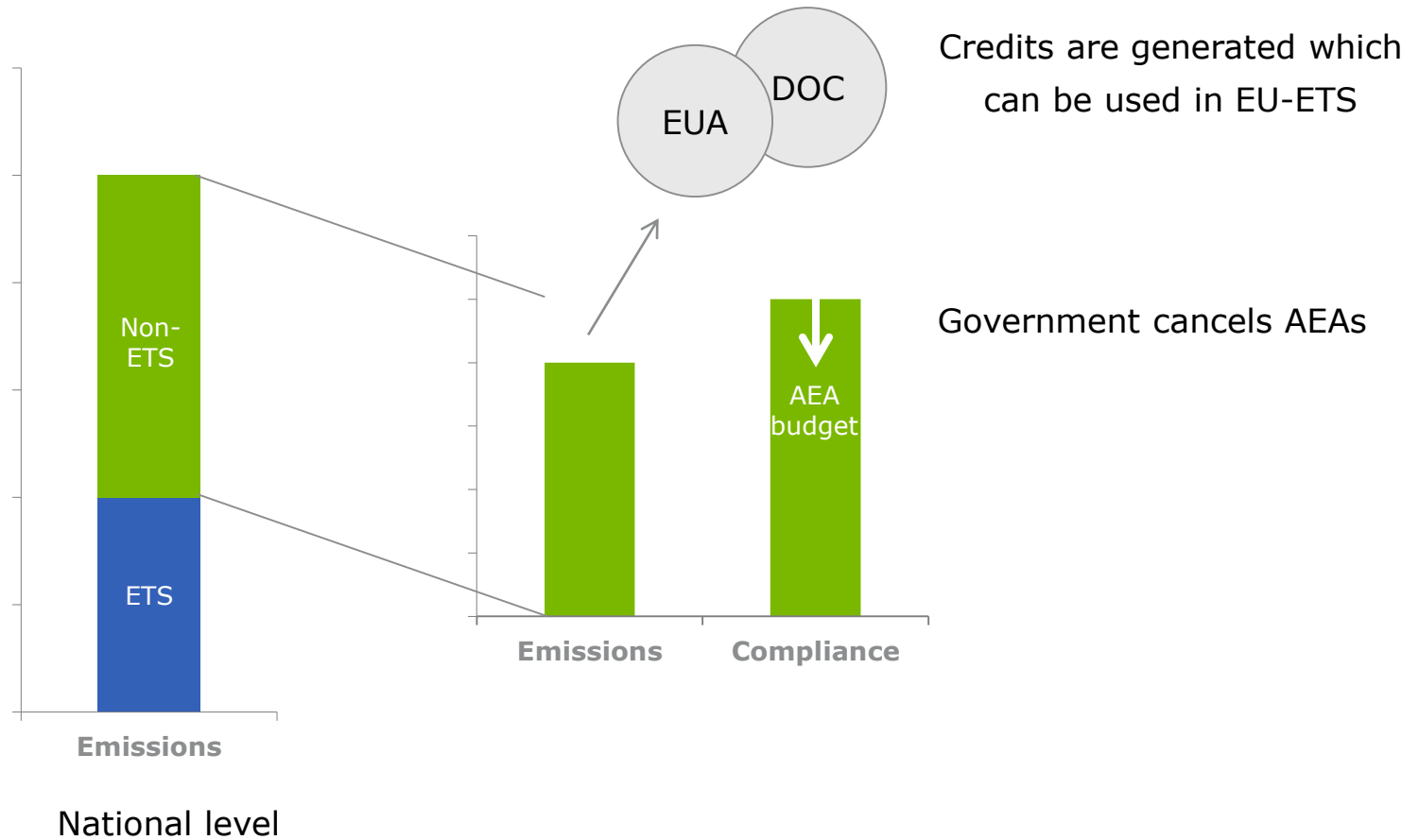
- a. Coupling with the EU ETS (“Article 24a”)
- b. Government buyer option
- c. Adoption of a voluntary framework**



# Option a: "Article 24a"

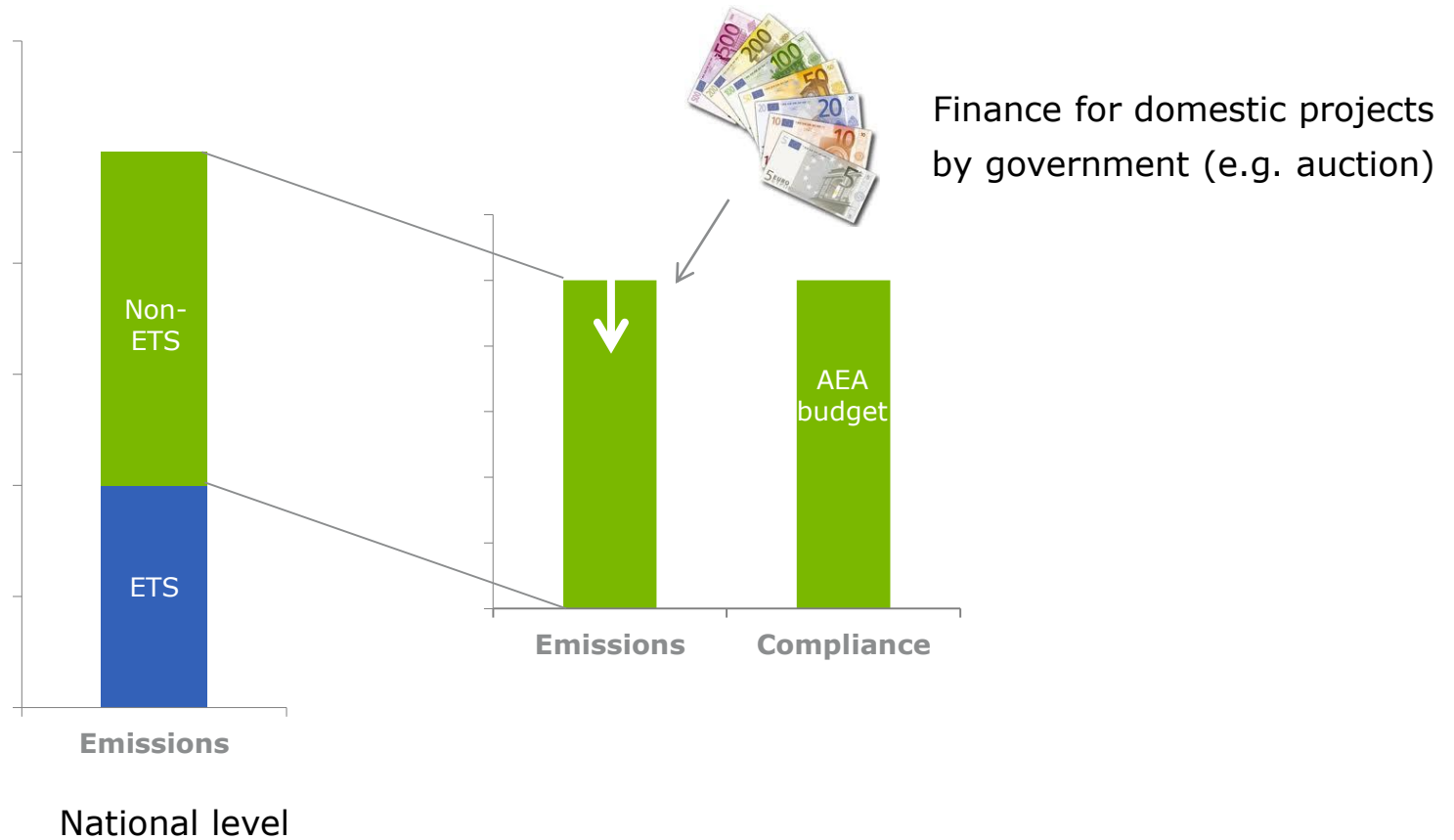


# Option a: "Article 24a"

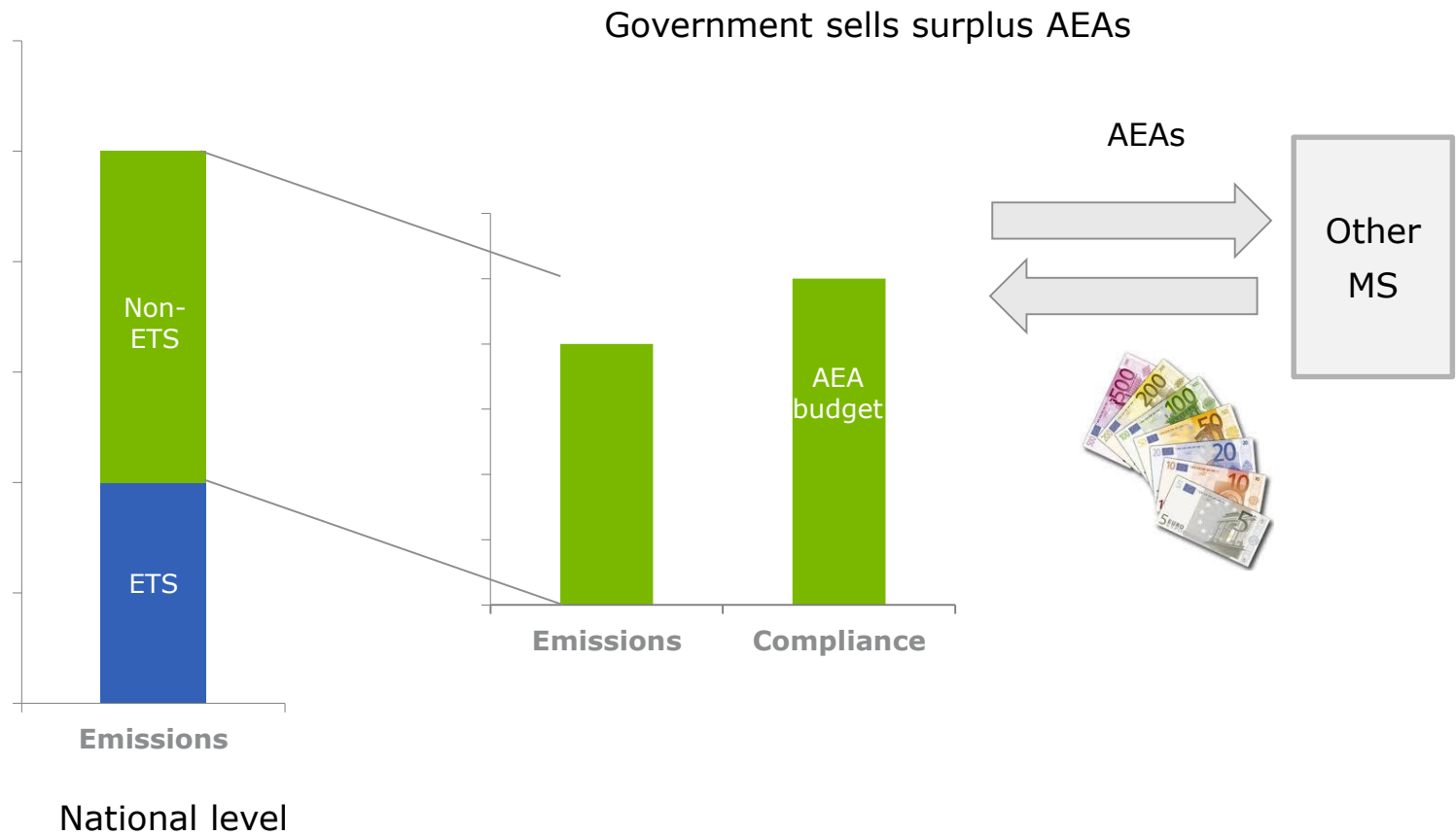




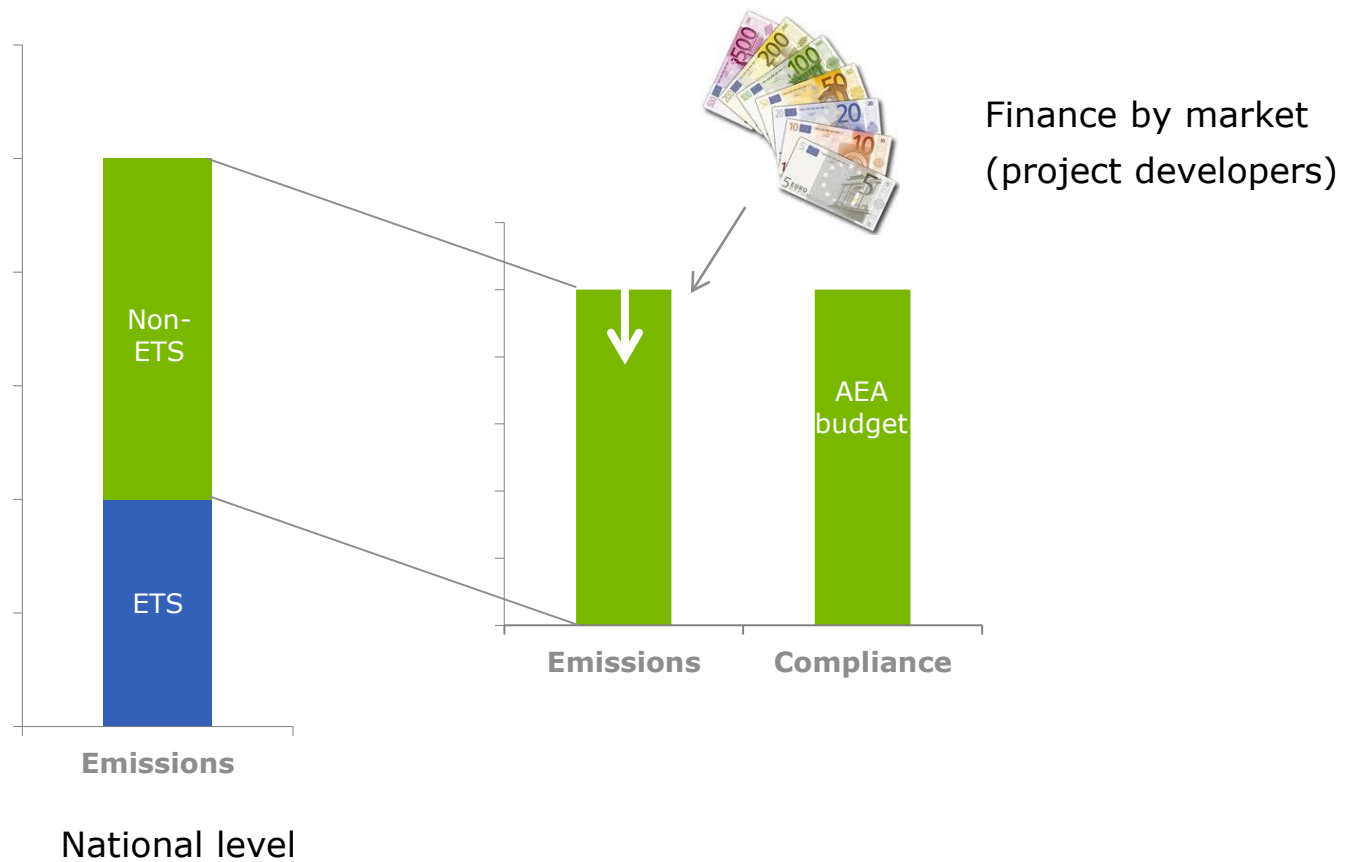
# Option b: Government buyer option



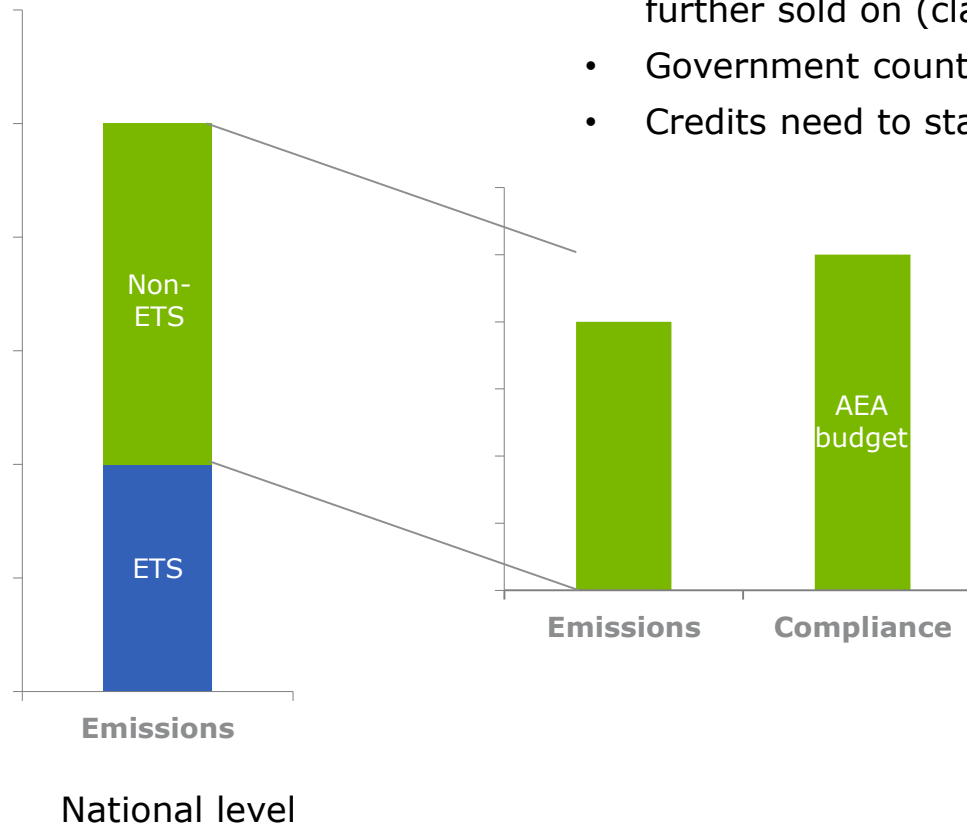
# Option b: Government buyer option



# Option c: Adoption of the voluntary market



















# Option c: Adoption of the voluntary market



- Market receives voluntary credits which can be further sold on (claimed)
- Government counts & buyer claims reductions
- Credits need to stay in the country of origin

# Evaluation of pros and cons: the voluntary market option preferred

	"Article 24a"	Government buyer	Voluntary market
Demand			
Administrative costs			
Independent			
Global net mitigation			 
Increases flexibility			

# Towards a Dutch national voluntary carbon market: will it pave the way?

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- > Little reasons to pursue an EU-wide domestic offsetting system now; national voluntary markets can do the job
- > Local projects enhances visibility, local ownership, awareness
- > Dutch voluntary carbon market still small, but there is interest in making it more robust and relevant
  - Government and market participants aim for a “Green Deal”
  - Innovative financial instrument would not harm in non-ETS
- > Lot of work to do: transparency, credibility of offsets, finding lean and mean system

# Thank you for your attention!



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