



**Government of India & UK Meeting on  
“Potential of Mandatory and Voluntary Energy Efficiency  
and Trading: Lessons learned from the UK and  
international experience”  
New Delhi 17 February 2010**

# **Lessons learned from UK / international experience on schemes relevant to PAT**

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**IETA**  
INTERNATIONAL EMISSIONS  
TRADING ASSOCIATION



# Who are IETA ?

- Only cross-sectoral, private sector international organisation promoting emissions trading to secure environmental goals
- Founded in 1999
- Membership: ~170 companies
  - 50% emitters
  - 50% project developers, intermediaries, financial institutions, brokers, verifiers, legal firms
  - 60% EU, 30% US/Canada, 10% Asia
- Swiss non-profit
- Offices: Geneva, Brussels, Washington, Toronto
- Role in Australia, Japan



# CCAs – Some Personal Reflections

- « Climate Change » was spin
- Information asymmetry: negotiating from weakness
- Balkanisation of sectors and processes
- Benchmarks are fine – but who chooses?
- Sector associations bearing the weight
- The pros and cons of reviews
- Far more successful than expected
- Hard to get the trading mindset – particularly where banking is available



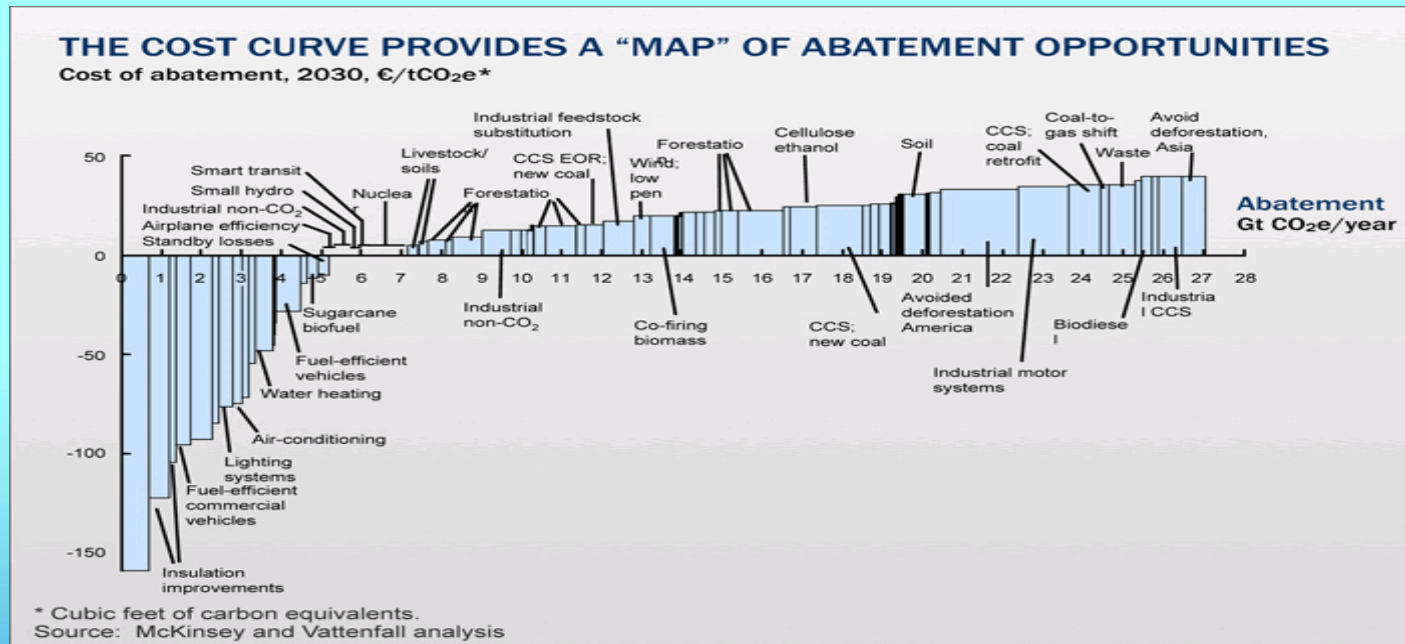
# UK Government Storm Troops



- Not-for-profit, channelling Government support funds, major Government Board representation
- £1.4bn direct cost savings, £1bn of third party investment
- Tailored services for small, medium, and large businesses, public sector and membership organisations
  
- 0% loans to businesses and equipment manufacturers
- building design advice
- « Carbon » saving advice
- Carbon surveys
- Energy management
- Enhanced capital allowances
- Materials to help convince
- venture capital



# The Problem with Energy Efficiency



- MACCs not a true description: transaction costs lost
- Fundamentally contradicts the point of trading
- Board and management attention
- Too small a proportion of costs
- Capital rationing
- Too easy to pass costs on



# White Certificate schemes....

Country	Obligated Company	Eligible Customers	Target set by	Administrator	Nature of saving target	Current size of target	Discount rate	Cost estimate €/m pa	Penalty if miss target?	Trading
Belgium Flanders	Elect. distributors	Residential, non energy-intensive industry and service	Flemish Govt	Flemish Govt	Annual delivered energy	0.58TWh annual	n/a	25.8	€10/MWh missed + fine not eligible for taiff	no
Brazil	Elect. Distributors/suppliers (not split)	All except transport	Govt	Regulator (ANEEL)	Annual money expenditure	0.5% of electricity revenue	n/a	120		no
Denmark	Elect, gas, oil & heat distributors	All except transport and EU-ETS	Govt	Danish Energy Authority	Annual delivered energy	0.82 TWh annual	n/a	25	Linked to size of under-performance	Only between distributors
France	All suppliers of energy	All (incl transport) except EU-ETS	Govt	Govt	Lifetime delivered energy	54 TWh over 3 years	4%	180	€20/MWh missed	yes
Italy	Elect and gas distributors	All incl transport	Govt	Regulator (AEEG)	Cumulative primary energy	24.7 TWh/yr in 2009	0%	196	Related to non-compliance	yes
UK	Elect and gas suppliers	Residential only	Govt	Regulator (OFGEM)	Lifetime delivered CO2	185MtC O2 in 3 yrs to 2011	0%	900	Related to size of miss	Only between suppliers



# ...shading into US energy resource standards

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
UK	EBCP			EBC1			EBC2			CERT				Savings obligations, as yet undefined, to be continued to 2020													
New South Wales																											
Flanders														1% savings per annum to 2008 Post 2008 savings obligations under development													
Italy														Post 2009 savings obligations under development													
France																											
Denmark																											
Connecticut														Target set for 2010													
Hawaii														Target set for 2020													
Illinois														Target set for 2008 & 2015													
Minnesota														Minimum annual savings target													
North Carolina														Target set for 2012 & 2021													
New Jersey														Target set for 2020, trading allowed													
Nevada														Measures for 3rd party implementors, trading option													
New York														Target set for 2015													
Pennsylvania														Target set for 2020													
Texas														Target set w/ 10% of load growth						Target set w/ 20% of load growth							
Virginia														Target set for 2022													
Vermont														Target set for energy savings													
Washington														Target set for 2020, trading allowed													



# White Certificate Schemes – Why so little trading?

- Transaction costs, including trading infrastructure and MRV (easier if « deemed savings »)
- Compliance incentives (lower if baseline-and-credit)
- Trusted and transparent institutions
- Dominant players with market power
- Deregulated tariffs enable simple cost-recovery
- Too much low-hanging fruit – so far
- Policy not being achieved if improvements are far away
- Benefits to own customers are a sales tool





# How to make the most of trading

- Be prepared to be surprised
- Be prepared for rough justice
- Be prepared to make a place for enthusiasts
- Be prepared for it to take some time
- Be prepared .... by having a good run of data
- Try to avoid confusion with other policies
- But use familiar concepts and data if they are there



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MAKING MARKETS WORK FOR THE ENVIRONMENT