Government of the Republic of Trinidad and Tobago
MINISTRY OF PLANNING AND DEVELOPMENT

Regional Collaboration Centre – St. George's
Promoting Action Against Climate Change

MÉXICO2
Plataforma Mexicana de Carbono

Preliminary Feedback and Discussion on the Concept of Carbon Pricing

as part of the CIACA Opportunity Study on Developing Carbon Pricing Approaches in Trinidad and Tobago

25th November 2021

WELCOME

Agenda

1. Domestic context in Trinidad and Tobago
2. What is carbon pricing?
3. Cooperative action
4. Regulated Carbon Markets – initial feedback
5. Carbon taxes– initial feedback
6. Renewable Energy Certificates (RECs) Market – initial feedback

1. Domestic context in Trinidad and Tobago
Creating an enabling environment for the development of Carbon Pricing

Development priorities

Policies

Legislation

Fiscal measures

Technical capacity

3

2. What is carbon pricing?

Carbon pricing is an economic instrument that captures the external costs of greenhouse gas (GHG) emissions and ties them to their sources through a price, usually based on the carbon dioxide (CO_2) emitted.

This helps shift the burden for the damage from GHG emissions back to those who are responsible for it and who can avoid it.

2. What is carbon pricing?
Carbon pricing worldwide

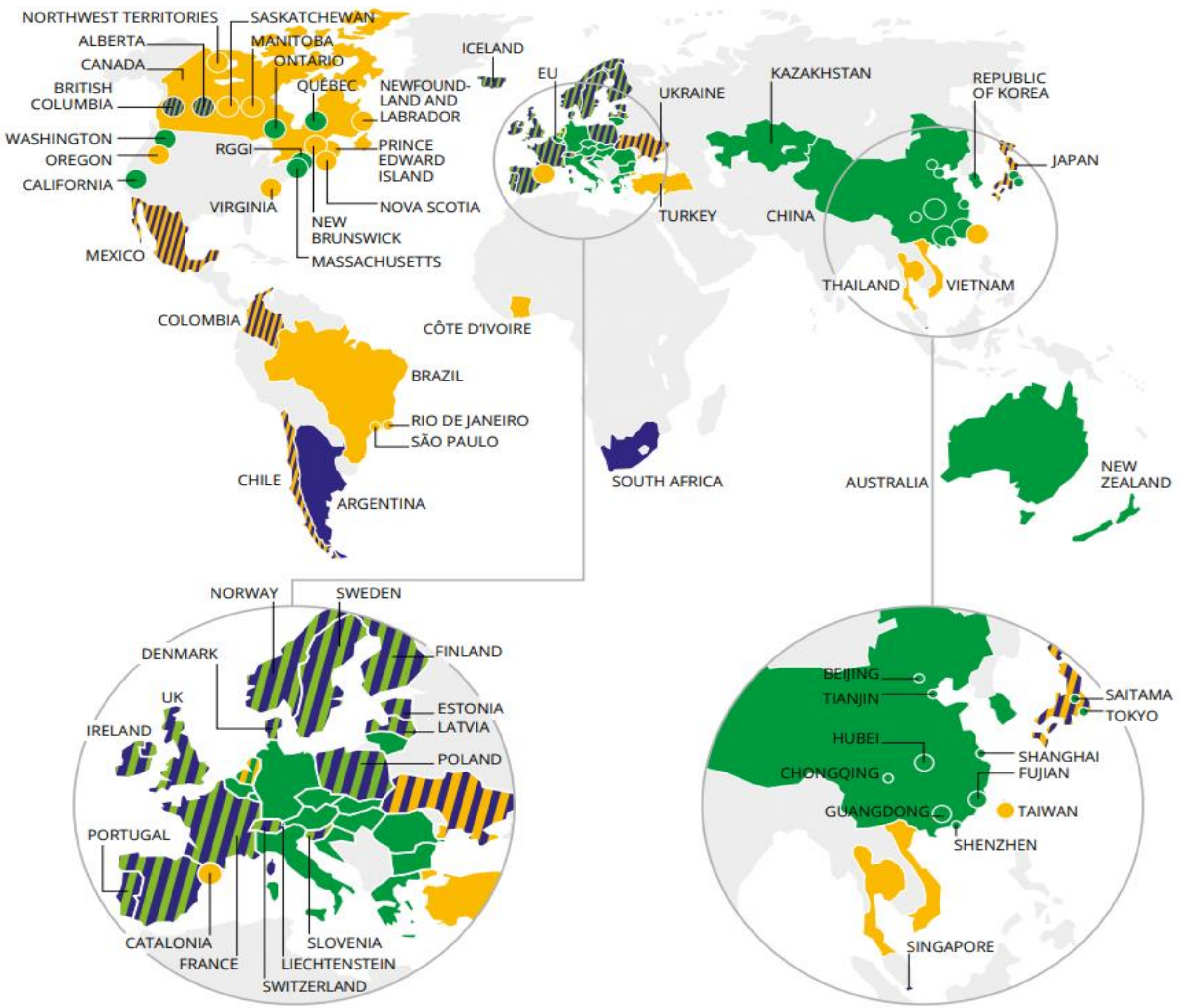
At present there are **64 Carbon Pricing initiatives being implemented.**

45 National jurisdictions are covered by carbon pricing initiatives.

35 Subnational jurisdictions are covered by carbon pricing initiatives.

Governments raised more than **USD 45 billion** from carbon pricing in 2019.

In 2021, these initiatives would cover **11.65 GtCO_2e**, representing **21.5%** of global GHG emissions



Source: World Bank, 2021

5

3. Cooperative action Paris Agreement

The Paris Agreement brings all nations into a common cause to undertake ambitious efforts to combat climate change and adapt to its effects, with enhanced support to assist developing countries to do so.

The Minister of Planning and Development has announced that Trinidad and Tobago deposited its instrument of ratification to the Paris Agreement on climate change on February 22nd, 2018, in New York at the United Nations’ Headquarters.

This commitment means that Trinidad and Tobago will have to reduce cumulative GHG emissions by 15% from **industry, power generation** and the **transport sector** by 2030 from a business as usual baseline.

3. Cooperative action Article 6

Article 6 covers the ways countries can work together to generate deeper emission reductions and produce more ambitious national climate action plans, called “Nationally Determined Contributions” (NDCs) to the Paris Agreement.

It includes cross-border compliance carbon markets, described as “ITMOs” (Internationally-Transferred Mitigation Outcomes).

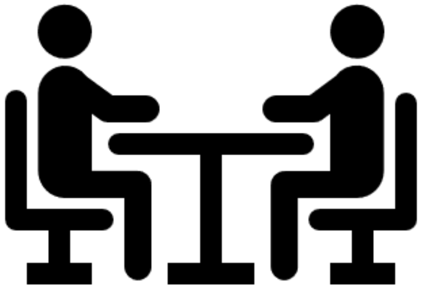
Article 6.2 covers rules for bilateral and multilateral transfers between countries.

4. Regulated carbon markets

An emissions trading system (ETS) is also known as a Regulated carbon market. It is a system where emitters can trade emission units to meet their emission targets. To comply with their emission targets at least cost, regulated entities can either implement internal abatement measures or acquire emission units in the **carbon market.**

By creating supply and demand for emissions units, an ETS establishes a **market price** for GHG emissions.

Cap-and-trade ETSs systems, apply a cap or absolute limit on the emissions within the ETS and emissions allowances are distributed, usually for free or through auctions, for the amount of emissions equivalent to the cap.



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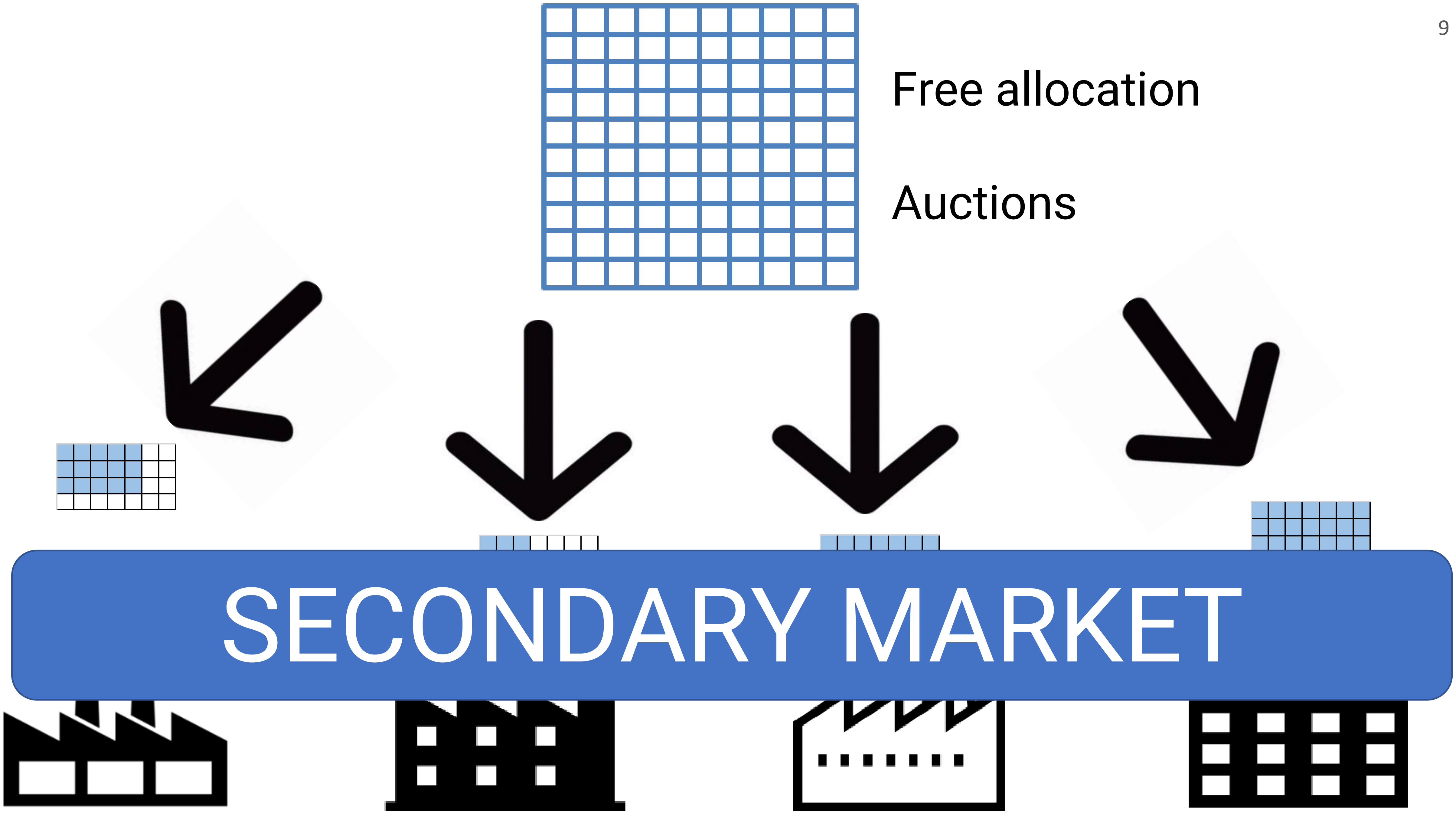

Free allocation
Auctions
SECONDARY MARKET

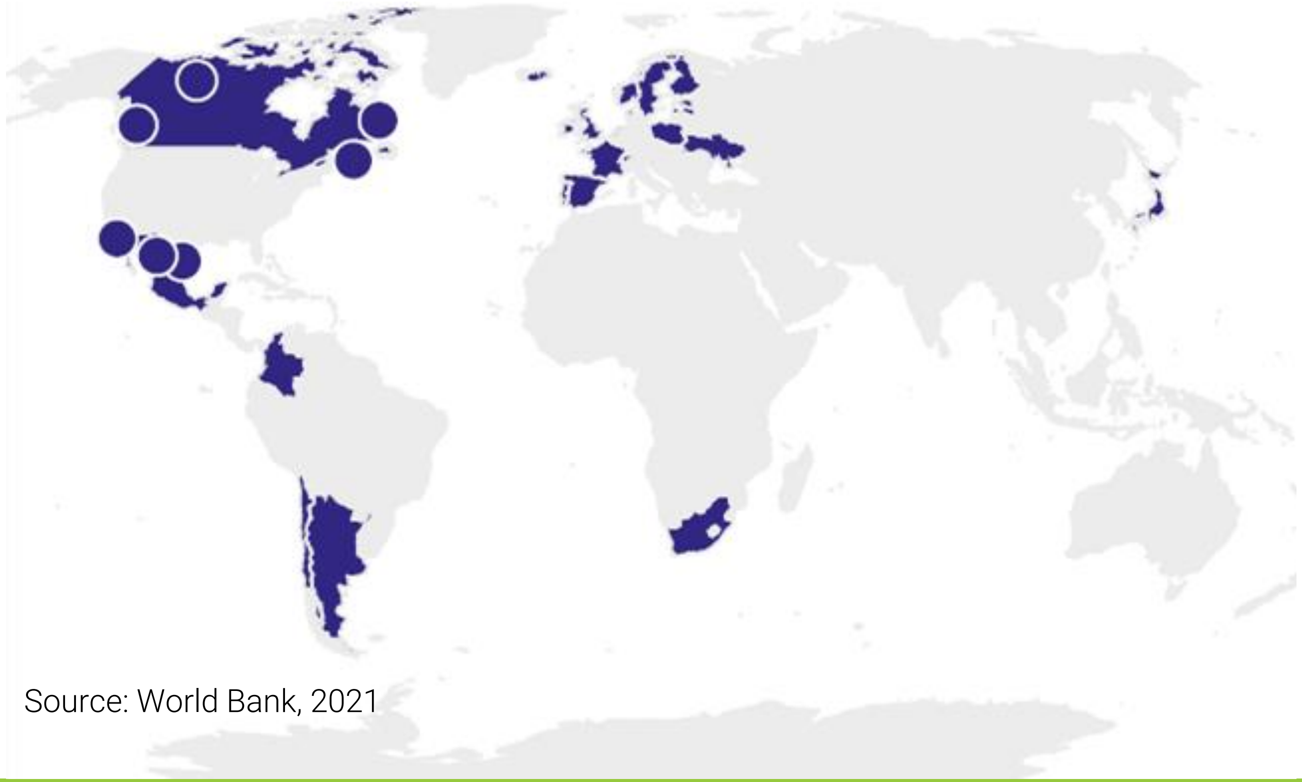
Time for initial feedback

We appreciate your time for answering a survey to know about your perception for the development of carbon pricing approaches in Trinidad and Tobago

5. Carbon taxes

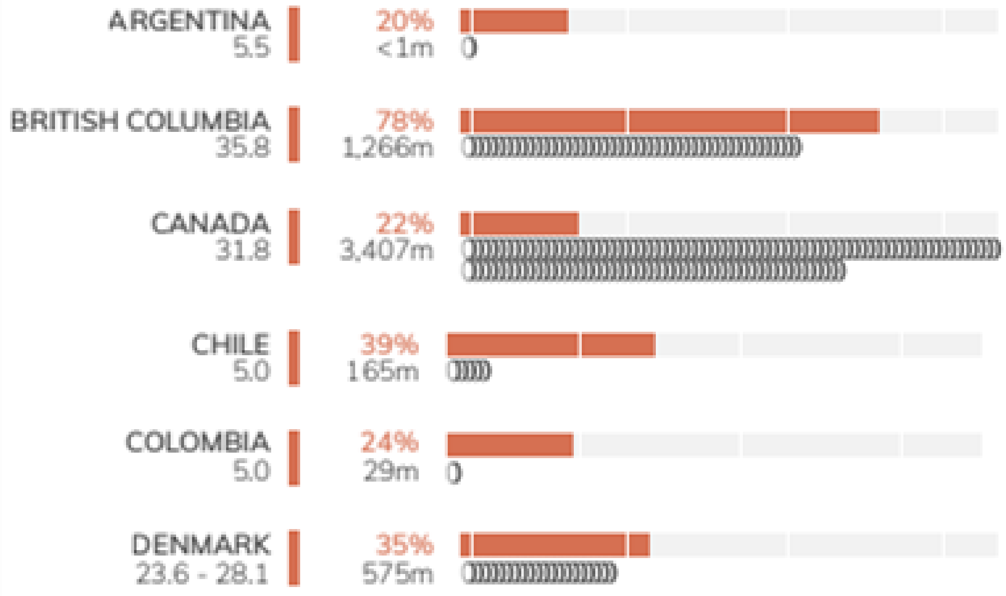
A carbon tax directly sets a price on carbon by defining an explicit tax rate on GHG emissions or—more commonly—on the carbon content of fossil fuels, i.e. a price per tCO_2e. It is different from an ETS in that the emission reduction outcome of a carbon tax is not pre-defined but the carbon price is.

Carbon tax implemented or scheduled for implementation



Source: World Bank, 2021

Carbon price, coverage and revenues generated by some carbon taxes



Source: World Bank, 2021

25,000 tCO2e
CH4
CO2e
CN

5. Carbon taxes
Offset mechanisms

An offset mechanism designates the GHG emission reductions from project- or program-based activities, which can be sold either domestically or in other countries. Offset programs issue carbon credits according to an accounting protocol and have their own registry. These credits can be used to meet compliance under an international agreement, domestic policies or corporate citizenship objectives related to GHG mitigation.

Credits issued, registered activities, average 2020 price and sectors covered by offset mechanisms

Name of the mechanism	Credits issued ($MtCO_2e$)	Registered activities	Average price (USD)	Sectors covered
American Carbon Registry	7.30	15	5.36	
Climate Action Reserve	4.61	33	2.34	
Gold Standard	34.35	59	5.27	
Verified Carbon Standard	140.37	127	1.62	
Clean Development Mechanism	74.00	15	2.02	

Source: World Bank, 2021

13

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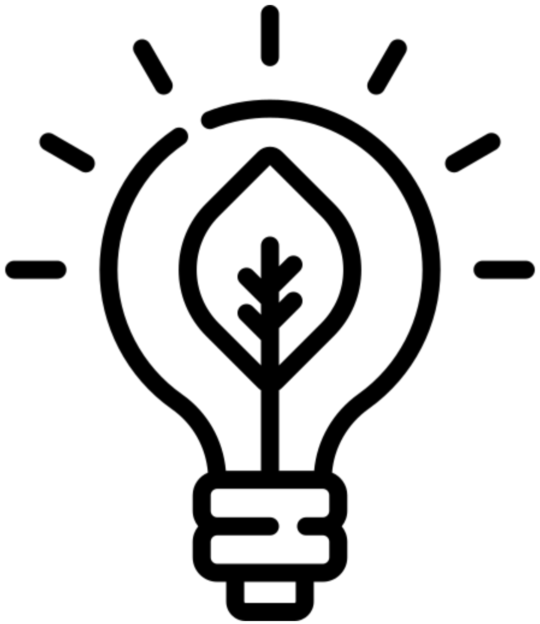
6. Renewable Energy Certificates (RECs) Market Background



- In Trinidad and Tobago approximately 10.9 million of tCO_2 emissions belong to the power sector
- According to the Ministry of Energy and Energy Affairs, the power sector accounted for 27% of the country's total emissions
- T&T's NDC commits to achieve 10% renewable energy by 2021

6. Renewable Energy Certificates (RECs) Market Concepts

- Renewable Energy Certificate: market instrument that represents the rights of ownership of environmental, social and electricity generation attributes from renewable sources
- Applicable generation installations: wind, solar, hydropower, biomass and geothermal energy

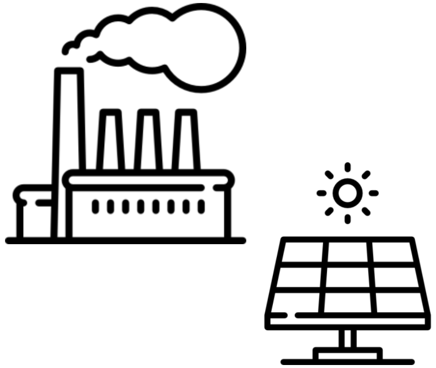
1 REC = 1 MWh with RE

6. Renewable Energy Certificates (RECs) Market Development of the Market

- Through a policy of a regulatory framework
  - Incrementality in the RE quota
  - Aligned with energy policies, NDC commitments or country's development plans
- Establishing a system that certifies a national RECs or define which international standard may be applicable
- Creating a system that regulates and tracks the market
- Promoting the ER use in companies → voluntary market

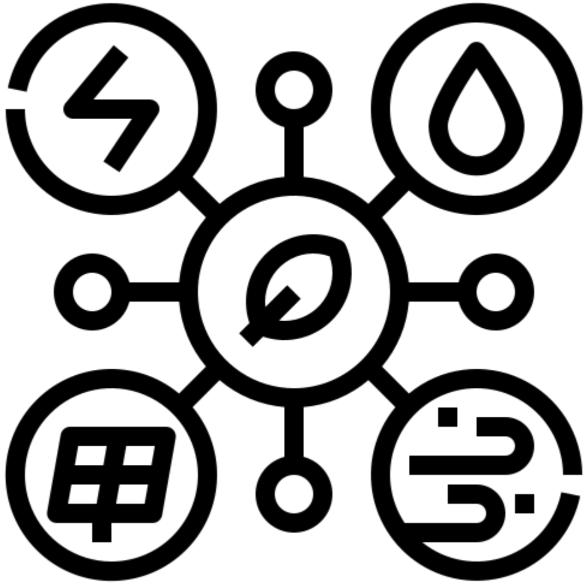
6. Renewable Energy Certificates (RECs) Market
Differences among RECs Markets and Carbon Markets

- An ETS is a mechanism that exchange allowances to promote the reduction of GHG emissions within the participating sectors 1 allowance is equal as 1 tCO_2e as a compliance unit
- RECs directly promote renewable electricity generation
  - Do not directly guarantee emission reductions in other sectors



Emission reductions generated by RE technologies can be related to the electricity generation matrix emission factor

6. Renewable Energy Certificates (RECs) Market Opportunities



- Promote NDCs compliance
- Creation of a new market and promote new investments in the country
- Promotes the regulation of RE quotas to generators, marketers and/or consumers
- Increase climate targets

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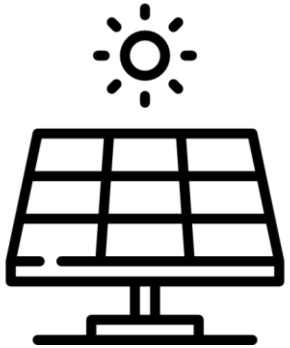
6. Renewable Energy Certificates (RECs) Market International experiences

- United States
- Mexico



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THANK YOU!