Domestic Offsetting Projects in Belgium

Federal Ministry of Environment, Nature Conservation, Building and Nuclear Safety, Berlin

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The Gold Standard

SuMa Consulting
Belgium has 4 Ministers for the Environment

- 3 Regions (Wallonia, Flanders and Brussels) + federal level (but with very limited prerogatives)
- Each region is responsible for its climate policy to reach the national and EU targets for non EU ETS sectors
- Domestic offsetting mechanisms are being discussed at regional level as a cost-effective way to decrease CO₂ emissions

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Wallonia conducted an exploratory study in 2012 with the support of CO2logic, CDC Climat and PWC.

**Context**
- Will to reduce CO$_2$ emissions in non EU ETS sectors (+/- 50% of total emissions)
- Will to introduce market-based instruments into the regional climate change strategy
- Will to send a price signal on GHG emissions in sectors with fastest growing emissions (incl. transport, housing and cooling)

**Objectives**
- Identify potential projects (conceptual part)
- Identify methodologies for most promising projects
The exploratory study screened 35 measures in 4 sectors using 4 assessment criteria

- **Reduction potential**: tCO₂ reduced per year
- **Additionality**: Existence of regulation or constraints, Is the project already planned?
- **Methodological aspects**: Existence of a methodology, Is the methodology easy to develop?
- **Carbon finance**: Contribution of carbon finance at a price of €20/tCO₂ (as a % of the total financing needs)

First selection of 6 measures:
- Efficient shower heads
- Eco-driving
- Biomethanation
- Myscanthus plantation
- Short rotation coppice plantation
- HFC gases destruction
3 measures offer both great reduction potential and easy implementation

<table>
<thead>
<tr>
<th>Measure</th>
<th>Potential</th>
<th>Ease of implementation and associated costs</th>
<th>Most suitable demand side system</th>
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</thead>
<tbody>
<tr>
<td>Shower heads</td>
<td>25,000 tCO₂/year for 100,000 units</td>
<td>Easy to monitor and low purchase price</td>
<td>Purchase by government/ Voluntary market</td>
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<tr>
<td>Eco-driving lessons for professional drivers</td>
<td>120,000 tCO₂/year</td>
<td>Training costs may be partially reimbursed by carbon credits</td>
<td>Purchase by government</td>
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<tr>
<td>Biomethanation of porcine and bovine farms’ effluents</td>
<td>53,000 tCO₂e (CH₄) and 240,000 tCO₂ (fuel oil replacement) by using effluents of 50% or the Walloon livestock</td>
<td>Strong demand from livestock farmers</td>
<td>Purchase by government</td>
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Together these 3 measures generate 0.5 MtCO₂e of yearly savings for a limited initial invest. of €9 mio

- Training for 2,000 professional drivers
- Investment of €870,000
- Paybacktime <1 year
- A 25% subsidy would be enough for this measure to be rapidly adopted by the market
- Huge co-benefits in road safety

- €3 mio. to equip 90,000 social homes
- Huge economical co-benefits for tenants (annual savings comprised between €110 and €220)
- €5 mio. subsidies to decrease payback time to an acceptable level
- Co-benefits in waste management

1% of Walloon emissions can be avoided with just 3 projects

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Government purchase and voluntary frameworks are the two best systems to create demand rapidly.

<table>
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<tr>
<th>Article 24a</th>
<th>Government purchases options</th>
<th>Voluntary frameworks</th>
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<tr>
<td>• Cost-effective solution for ETS installations</td>
<td>• Easily adaptable to the Walloon region needs and targeting desirable sectors &lt;br&gt; • Could be financed through AEA sales</td>
<td>• Easy to implement &lt;br&gt; • Existing methodologies or under development methodologies: CDM, Gold Standard, VCS. &lt;br&gt; • Credits can be sold both nationally or internationally.</td>
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<td>• Framework not yet established by the European Commission &lt;br&gt; • It doesn’t depend on the Walloon Region &lt;br&gt; • Risk of competition between countries with lower reduction cost</td>
<td>• High implementation cost (calculation methodologies development, templates, etc;)</td>
<td>• Restriction in Gold Standard projects’ eligibility &lt;br&gt; • AAU cancellation still needs to be ensured by the competent authority</td>
</tr>
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</table>
Flanders also started with an exploratory study

a) Exploratory study 2011

b) Funding of local climate actions plan
2011 study recommended to implement a pilot scheme

Context
- Implementation of revised EU ETS directive
- Policy relevance of article 24a EU ETS directive

Key aspects
- Risk and risk response options
- Cost-benefit analysis (direct costs & benefits from a public authority perspective)
- DOP potential (targeted towards can costs be covered by potential)
- Biomethane for heating purposes
- Biomethane for transport
- Electric vehicles infrastructure

Recommendation
- It is relevant to pilot a DOP scheme to assess DOP potential in practice
Funding of local climate change action plans as the way forward (1/2)
Funding of local climate change action plans as the way forward (2/2)

3. Article 24a EU ETS Directive
   Requires adoption of implementing provisions by EU

2. Art 24a precursor scheme
   CERs/cash/guarantee/conditional benefit

2. DOPs as a compliance alternative
   e.g. 1) Energy covenant with industry or
   2) Climate neutral organisation of Antwerp Province

1. Voluntary compensation
   Stand-alone/add-on solution e.g. domestic greening

Starting today  As from <1 year  By 2020?
Thank you for your attention!

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