



# Impact of the Paris Agreement on the coal market

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For 20+ years, governments have been negotiating how to jointly respond to climate change – **there is finally a global deal**

## 5 Key outcomes of the Paris Agreement

Sets **LONG TERM GOAL** to achieve net zero emissions

Countries **STRENGTHEN CLIMATE ACTIONS** every 5 years

**ENHANCED TRANSPARENCY** to ensure commitments are met

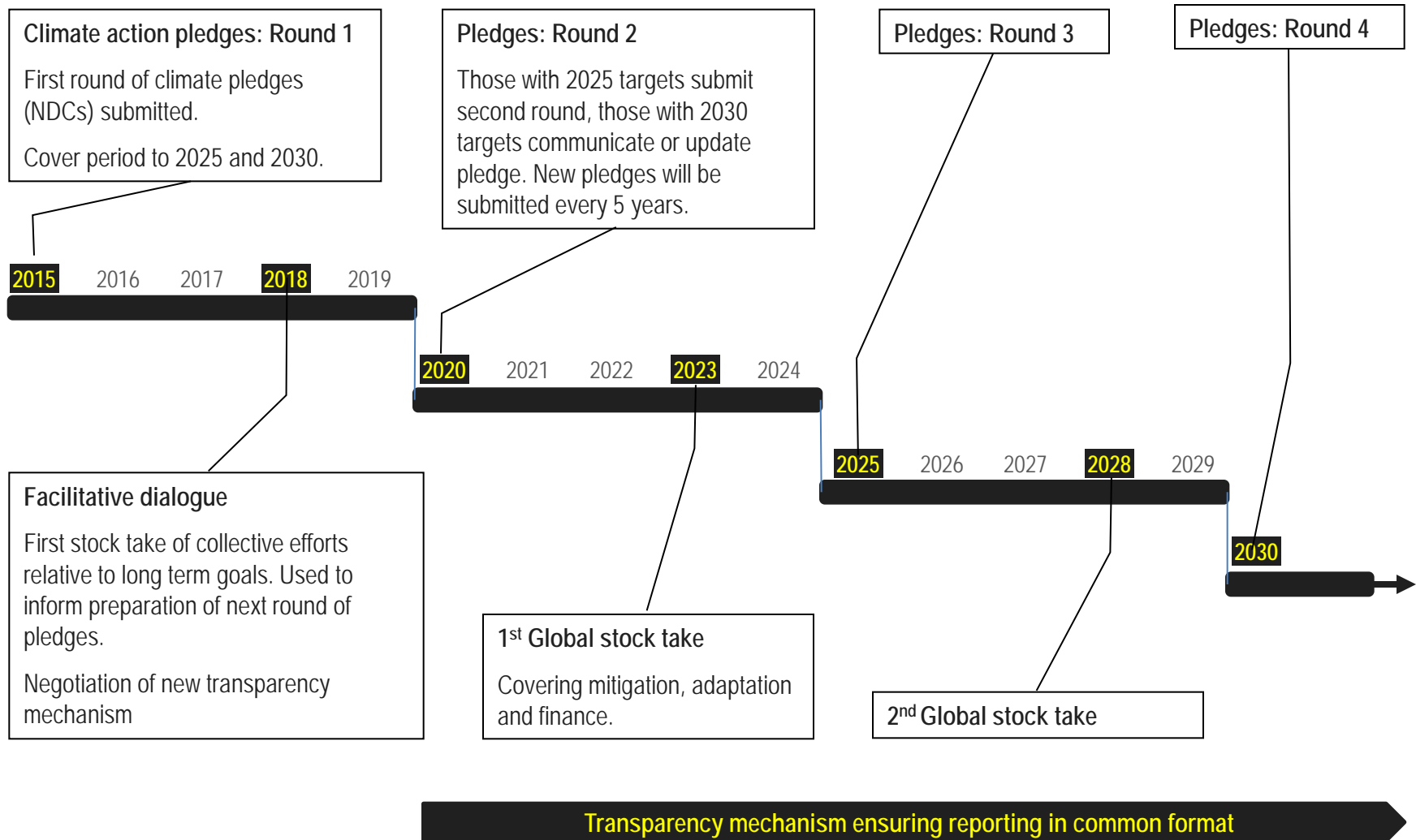
Mobilises **CLIMATE FINANCE**

Recognises **ADAPTATION** as a pillar for most vulnerable communities



- 5-Oct-16: threshold for entry into force of Paris Agreement achieved.
- 4-Nov-16: Agreement entered into force.
- 10-Dec-16: 116 of 197 parties, representing ~80% of global emissions, have ratified.

# Paris Agreement "ratchet" mechanism for advancing climate action



# Paris Agreement (Art. 6) contains very broad provisions enabling the creation of interconnected carbon markets and credit transfers

## Cooperative approaches

Parties may choose, on a voluntary basis, to **cooperate in the implementation of their NDCs**. E.g. could include carbon market clubs.

Seemingly meant to cover all specific cases of cooperation in Article 6, and others that may emerge in the future.

## ITMO

International Transfers of Mitigation Outcomes

ITMOs can be produced from **any mechanism / procedure / protocol**, i.e. with no reference to operate under the authority of the COP.

Need to observe CMA guidance on accounting.

## EMM (or SDM)

Mechanism to contribute to mitigation and support sustainable development

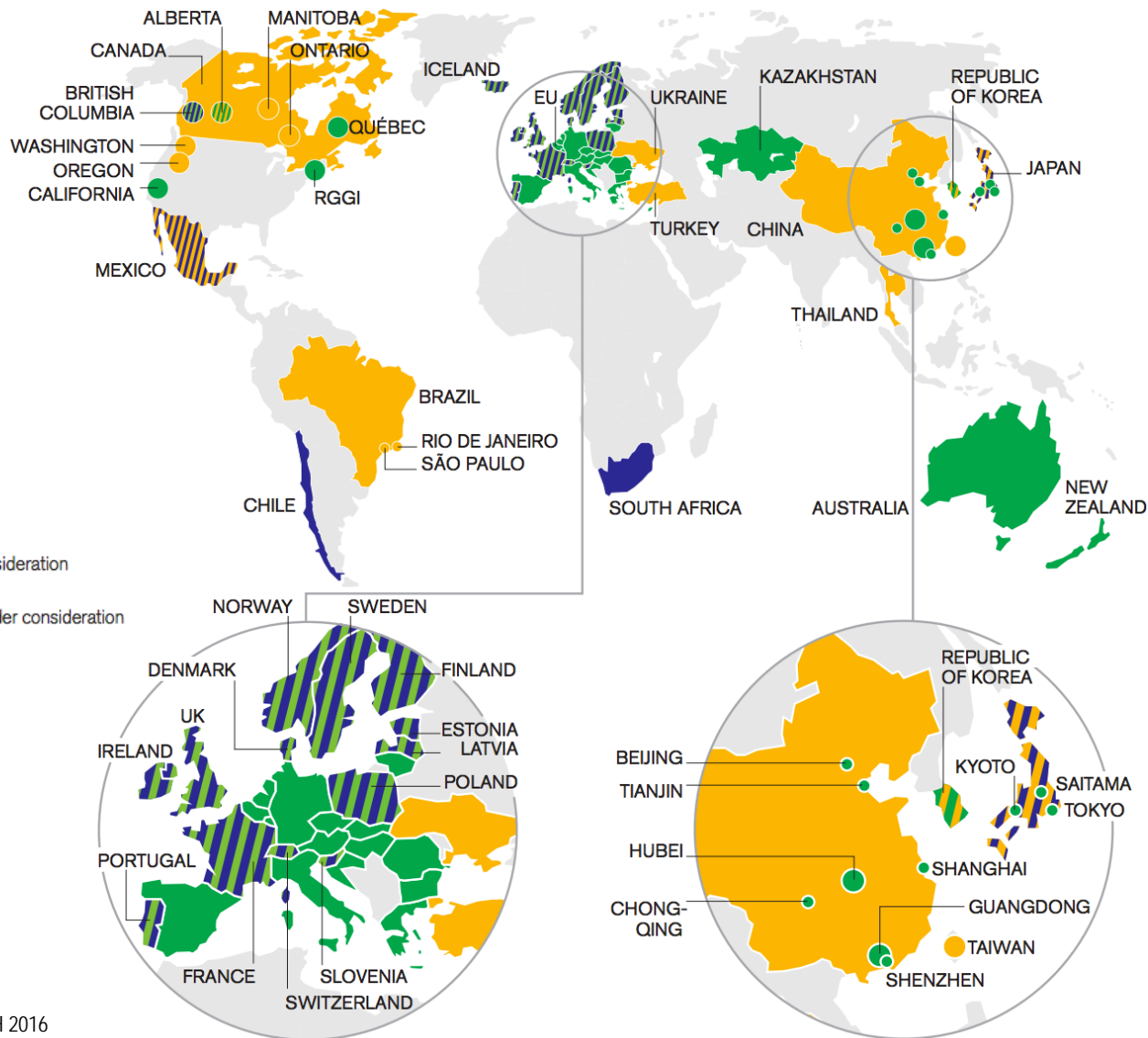
Establishes EMM to produce **emissions mitigation and support sustainable development** - will operate under the authority of the COP.

EMM can then be used to fulfil the NDC of another Party.

The number of carbon controls at the national and sub national level continues to grow, but creates a “fragmented” policy landscape...

**Existing and planned carbon controls**

- ETS implemented or scheduled for implementation
- Carbon tax implemented or scheduled for implementation
- ETS or carbon tax under consideration
- ETS and carbon tax implemented or scheduled
- ETS implemented or scheduled, tax under consideration
- Carbon tax implemented or scheduled, ETS under consideration

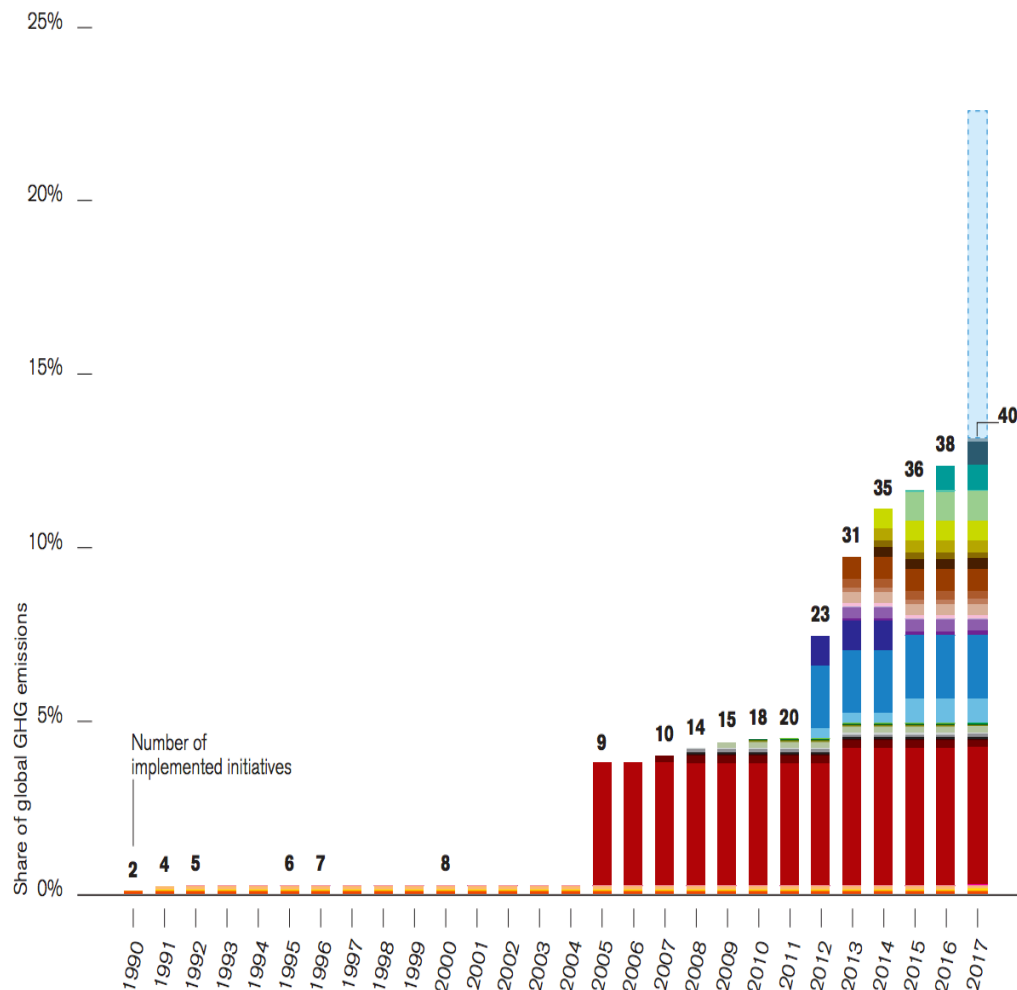


# ...that is slowly increasing the share of global emissions covered by carbon controls

## Regional, national, and subnational carbon pricing initiatives: share of global emissions covered

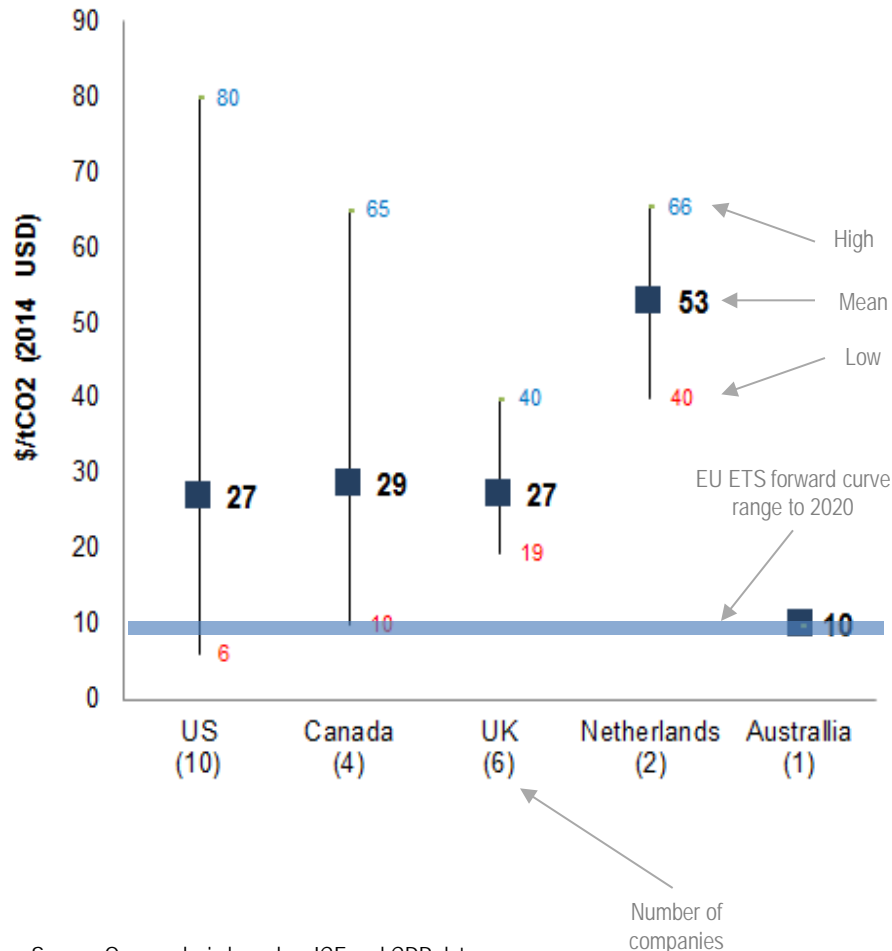
- Finland carbon tax (1990 →)
- Poland carbon tax (1990 →)
- Sweden carbon tax (1991 →)
- Norway carbon tax (1991 →)
- Denmark carbon tax (1992 →)
- Latvia carbon tax (1995 →)
- Slovenia carbon tax (1996 →)
- Estonia carbon tax (2000 →)
- EU ETS (2005 →)
- Alberta SGER (2007 →)
- Switzerland ETS (2008 →)
- New Zealand ETS (2008 →)
- BC carbon tax (2008 →)
- Switzerland carbon tax (2008 →)
- GGGI (2009 →)
- Iceland carbon tax (2010 →)
- Ireland carbon tax (2010 →)
- Tokyo CaT (2010 →)
- Saitama ETS (2011 →)
- Kyoto ETS (2011 →)
- California CaT (2012 →)
- Japan carbon tax (2012 →)
- Australia CPM (2012-2014)
- Quebec CaT (2013 →)
- Kazakhstan ETS (2013 →)
- UK carbon price floor (2013 →)
- Shenzhen Pilot ETS (2013 →)
- Shanghai Pilot ETS (2013 →)
- Beijing Pilot ETS (2013 →)
- Tianjin Pilot ETS (2013 →)
- Guangdong Pilot ETS (2013 →)
- Hubei Pilot ETS (2014 →)
- Chongqing Pilot ETS (2014 →)
- France carbon tax (2014 →)
- Mexico carbon tax (2014 →)
- Korea ETS (2015 →)
- Portugal carbon tax (2016 →)
- BC GGRCA (2016 →)
- Australia ERF (safeguard mechanism) (2016 →)
- South Africa carbon tax (2017 →)
- Chile carbon tax (2017 →)
- China national ETS (2017 →)

In 2017, UP TO 22% of global GHG emissions may be covered by carbon controls



# Corporations, including numerous coal producers, are building resilience to carbon regulatory & reputational risk with internal carbon pricing

## Internal carbon prices and ranges per region



Source: Own analysis based on ICE and CDP data

**Global corporate use of carbon pricing**  
Disclosures to investors  
September 2014

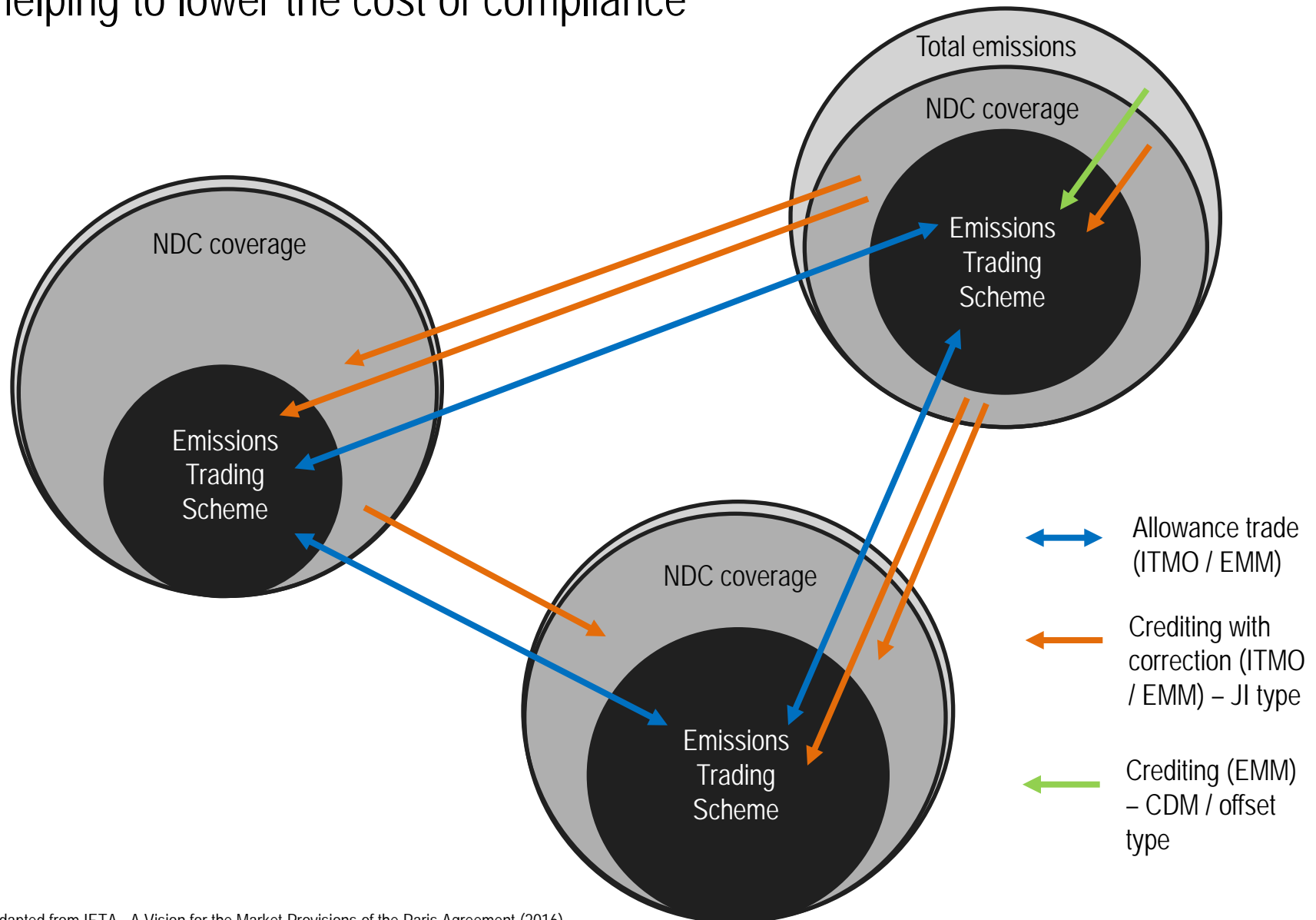
A report from CDP

**Selected coal producers / traders with an existing or planned internal carbon price:**

- Anglo American
- BHP Billiton
- Glencore plc
- Rio Tinto
- Vale

Source: CDP

The Paris Agreement contains multiple provisions that could enable trading “clubs” and other connections across jurisdictions, potentially helping to lower the cost of compliance





# In sum: possible impacts of the Paris Agreement on coal supply and demand

## Short term (next 2 years)

- Signals/signposts of regulatory change and/or industrial policy impacting contracts / terms of trade
- Changes in stakeholder / consumer perception / scrutiny
- Changes in shareholder / investor risk scrutiny and positions
- Increased attractiveness of investments in challenger technologies (solar, wind, storage) impacting finance available for coal

## Medium / Long term (next 3-10 years)

- Regulatory changes (carbon prices, standards, rules) impacting coal demand / supply
- Increased stakeholder / consumer scrutiny
- Increased shareholder / investor risk scrutiny
- Growing markets for challenger technologies impacting coal demand as economies of scale lower costs (solar, wind, storage)
- Rebound effects through technology deployment (e.g. growing transport electrification or CCS/CCU)

## Caveats:

- Still too early to call. Proverbial devil in the detail will define the extent of the agreement's strength.
- Contingent on Trump administration impact on UNFCCC, Paris Agreement and non-US responses

Thank you!

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