The Norwegian Carbon Credit Procurement Program

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Norway – Pledge and Market Mechanisms

• **Norway** has for more than two decades supported the development of carbon markets

• **Kyoto 1** (2008-2012)
  – Credits procured for over-achievement of pledge
    • 23 million credits procured

• **Kyoto 2** (2013-2020)
  – Ambitious 2020-pledge: 30 per cent lower than 1990 emissions
  – Measures at home and procurement of offsets (CER)

• **New Agreement, post 2020 - Norway's INDC**
  – Pledged "at least" 40 per cent reduction compared to 1990
  Use of flexible mechanisms and/or joint implementation with EU is assumed

• **Carbon Neutral by 2050**
Kyoto 2 Procurement program

"Make a difference"
- Identify projects in need of carbon revenues to continue operations or to start/restart operations
- Already generated CERs are not eligible

Procurement alternatives
- CERs from vulnerable projects
- CERs from new projects (not commissioned)

Eligibility
- All CDM project types are eligible, except HFC 23, N₂O, adipic acid and coal fired power plants without CCS
- All regions are eligible. Special focus on regions underrepresented in our portfolio
Kyoto 2 Procurement Program (cont.)

**Pricing**
- No firm price cap
- But will use results from three tenders as benchmarks;
  - vulnerable projects from non-LDC at around €2
  - new and vulnerable projects from LDC at less than €4
- Pricing will vary according to project type, project size and project location

**Norway – currently the largest active buyer of CDM credits**

Invitation at

[www.carbonneutralnorway.no](http://www.carbonneutralnorway.no)
Vulnerable projects

- **Target**: Registered and commissioned CDM projects

- **Objective**: Prevent reversal of emission reduction activities
  - Procure credits from existing projects whose survival or continued emissions reduction activity depend on a higher carbon price than achievable under current market conditions
  - Projects must present proof that they face an imminent threat of closure in absence of carbon finance – or that they may already have shut down for same reason

- **Eligible**: Registered CDM-projects with no revenue-generating Emissions Reduction Purchase Agreement (ERPA)

- **Vintage**: CERs from emissions reductions through 2020
Vulnerable projects (continued)

Programs:

- **Direct procurement by the Norwegian Ministry of Climate and Environment**
  - 20+ million CERs to be procured

- **Completed program**
  - Norwegian Carbon Procurement Facility (**NorCap**)
    - Managed by the Nordic Environment Finance Corporation (NEFCO) on behalf of the Norwegian Ministry of Climate and Environment
    - Target volume: 30 million CERs
New projects

- **Target**: New, and not yet commissioned CDM projects

- **Vintage**: CERs from emissions reductions generated through 2020

- **Programs**:
  - Direct procurement by the Ministry of Climate and Environment
  - Procurement through funds
    - Carbon Partnership Facility (World Bank)
      - Norway a major investor
  - **Piloting** scaled up crediting mechanisms
  - NEFCO – traditional CDM projects including PoAs
NorCaP – Two Calls for Proposals

**Very successful**
- 402 complete proposals
- 318 million CERs offered
- 47 projects from PoAs
- 40 host countries
- Price range: 0.75-20 euro per CER (3.5 euro average)
- Second call included a separate LDC tranche
  - Price cap of 4 euro
- Total contracted volume (August 2015)
  - about 26 million CERs
- Average price: approx. € 2/CER
NorCaP – Result by host country
Contracted volume: 26 m CERs (to date)

- Brazil: 14,831,985
- South Africa*: 1,090,000
- Chile: 5,391,000
- Colombia: 1,700,000
- Mexico: 3,449,686

* Note: South Africa data is preliminary.
NorCaP – Result by project type

Contracted volume: 26 m CERs (to date)

- Industrial processes - N2O (nitric acid)
- Waste- Landfill Gas (no energy)
- Industrial processes - SF6

Norway – Carbon Credit Procurement Program
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Norwegian Ministry of Climate and Environment
Contact us

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