

CARBON LEAKAGE AND COMPETITIVENESS

EU-Turkey Climate Policy Dialogue:

6th of October

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European Bank
for Reconstruction and Development

GROWING MOMENTUM ON CLIMATE ACTION



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EU's proposal for a **carbon border mechanisms** puts pressure on other countries to put in place industrial and energy sector decarbonisation policies



Increased demand from airlines – linked not only to anticipated CORSIA demand but also from airlines making additional voluntary commitments



The **pressure to act on climate change builds**, and companies, in particular in the 'hard to abate' sectors, must adequately prepare for **carbon transitional risks**



The number of corporations and governments pledging to deliver **net-zero emissions by 2050** has more than doubled in the past year.



COVID-19 has been a wake up call for climate action - Scaling carbon markets is critical to help raise the trillions necessary for a **green, just recovery**



Mark Carney's **Task Force on Scaling the Voluntary Carbon Market** is galvanizing further industry level collaboration, aiming for increased integrity and liquidity in voluntary markets



The EU Green New Deal and its **Fit-for-55** package including a planned **EU ETS overhaul** builds massive momentum for climate action



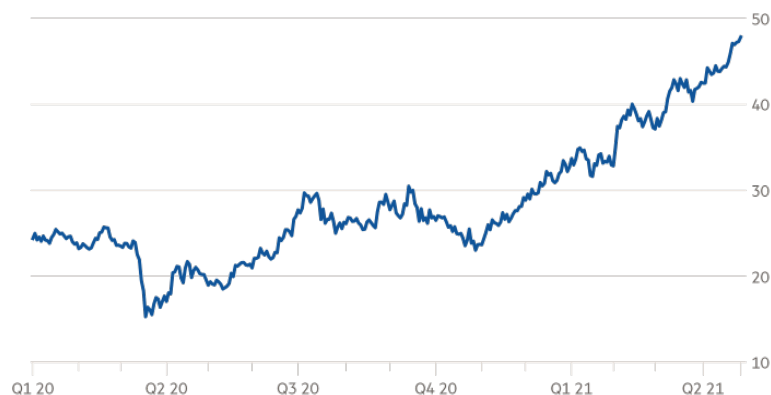
Markets can help countries raise green ambition by **lowering cost of hitting mitigation targets** when formulating new or updated NDCs

COMPANIES HAVE TO MAKE STRATEGIC CHOICES TO MANAGE THE TRANSITIONAL RISKS



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EU ETS Carbon prices at all time high (€ per tonne)



Global investors pressure Asian utilities to cut emissions

EU Says Carbon Price Has to Be 'Much Higher' to Hit Climate Goal

EU industry calls for urgent carbon border tax as prices soar

G7 agree on 'historic steps' to make climate reporting mandatory

'Climate litigation risk' hits as court orders Shell to slash emissions

LEAK: EU's carbon border tariff to target steel, cement, power

POLICY DIALOGUE IN TURKEY

ASSESSMENT OF CBAM ECONOMIC IMPLICATIONS



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1. National policy development

- Introduction of a carbon price instrument
- Implications of aligning with the EU's environmental objectives

2. Investment opportunities

- What are investment opportunities to deploy capital to take advantage of the new energy/trade landscape?
- How to stimulate regional and global abatement cooperation to increase access to international climate finance?
- What are other influencing factors, such as access to capital markets (due to taxonomy, TCFD implications)?

3. Recycling of carbon markets revenues

- How can revenues from carbon market activities offset the risk and support Turkish companies in managing the transition?
- How can carbon market revenues be recycled?

Turkish exporters could face steep extra costs under new EU carbon rules

By Vanora Bennett

29 Jul 2021

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- EBRD commissions study on impact of EU's new carbon rules on Turkish exporters
- Businesses could be paying extra charges of €777 million under new rules
- Costs would decrease to €399 million if only direct emissions are considered.

Turkish exporters of energy-intensive products such as cement, steel and aluminium could face steep additional costs when legislative proposals tabled by the European Commission (EC) under the European Green New Deal come into effect.

A study by the European Bank for Reconstruction and Development (EBRD) found that businesses could be paying extra charges of €777 million, but that these would decrease to €399 million if only direct emissions are considered.

In collaboration with:



REPUBLIC OF TURKEY
MINISTRY OF ENVIRONMENT
AND URBANISATION

ERCST

European Roundtable on
Climate Change and
Sustainable Transition



KEY INGREDIENTS TO ENSURE CBAM DRIVES LOW CARBON DEVELOPMENT IN TURKEY



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1. Establish a firm declining carbon budget for the ETS and CBAM exposed sectors
2. CBAM proceeds to be used for international climate finance if they fall on the EU side
3. Bonus-Malus arrangement to reward exporting companies that outperform EU benchmarks (e.g. tax credits)



CARBON MARKETS A KEY DRIVER IN EBRD's GREEN ECONOMIC TRANSITION 2021-2025



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Climate Markets

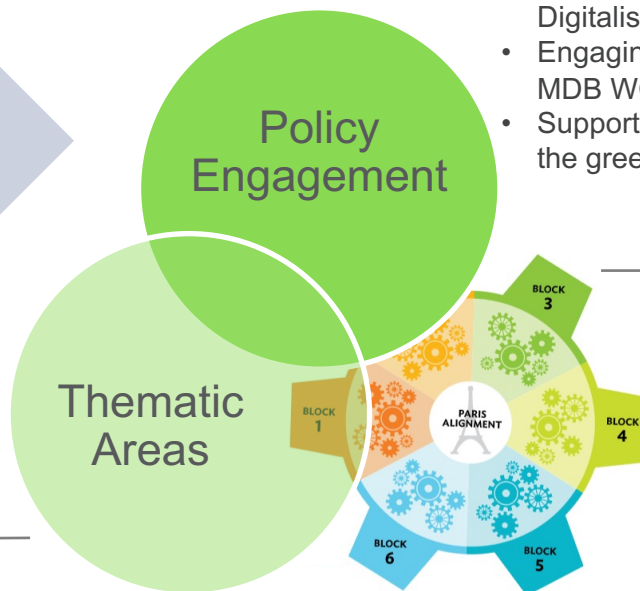
- Meet emission reduction targets cost efficiently
- Enabling risk management to foster uptake of ambitious NDCs
- Encourage international co-operation
- Facilitate robust MRV and accounting
- Sustainable mobilisation of private sector investments by carbon revenues

- Support countries integrating carbon markets in NDCs and LTSS
- Capacity building for GHG accounting, Digitalised-MRV
- Engaging in policy dialogue– UNFCCC, J-MDB WG, IETA, ICAP
- Support recycling of auctioning proceeds for the green and just transition

Thematic Areas

- Green Financial Systems
- Industrial Decarbonisation
- Sustainable Food Systems
- Energy Systems Integration
- Cities and Environmental Infrastructure
- Sustainable Connectivity
- Green Buildings
- Natural Capital

Policy Engagement



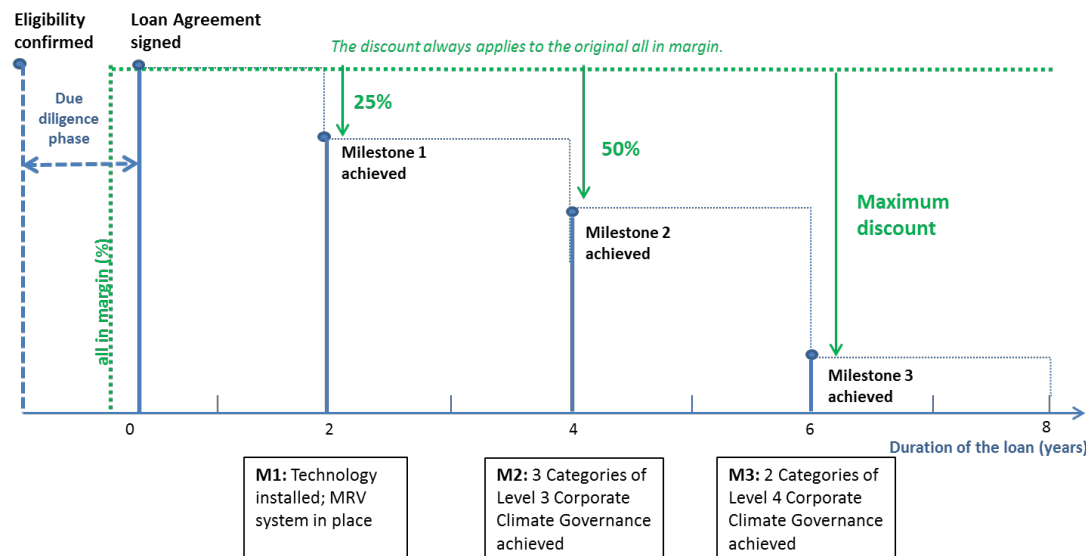
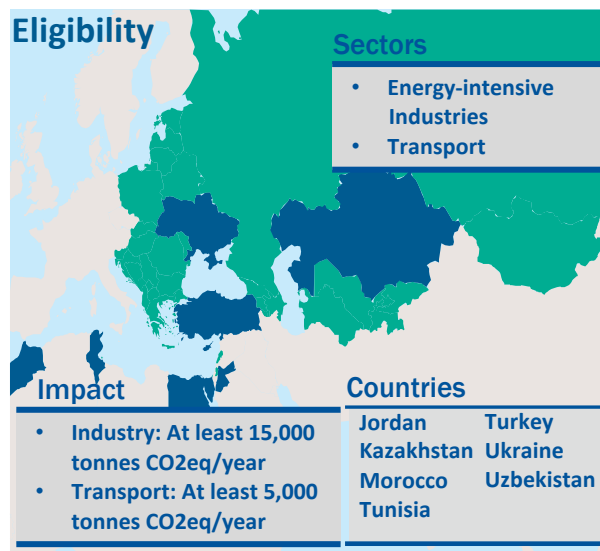
Together with the MDBs, EBRD is developing a Paris Alignment approach based on 6 building blocks:

1. Alignment with mitigation goals
2. Adaptation and climate resilient operations:
3. Accelerated contribution to the transition through climate finance
4. Engagement and policy development support
5. Reporting
6. Align internal activities

EBRD GREEN BUSINESS TOOLS - HIGH IMPACT PROGRAMME FOR THE CORPORATE SECTOR



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FUNDING STRUCTURE

• EBRD:	USD 101 million
• CTF	USD 53 million*
• Co-financing:	USD 180 million

• TOTAL:	USD 334 million
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* Including USD 1.96 million for TC support

PROGRAMME IMPACT

- 10 high impact investments with 10 low-carbon corporate strategies adopted
- 300,000 tonnes CO₂eq/year saved
- 3 Industry-level Roadmaps

THE INTEREST RATE DISCOUNTS apply to the CTF funded tranche of the loan and are technology and governance milestone based.

EBRD offers:

- **TA for technology audits** and **climate corporate governance**, development of low-carbon corporate strategies
- Promote **uptake of High Impact technologies** through novel climate outcome linked loan model
- Complementary **Policy dialogue** for low-carbon industry level roadmaps & knowledge sharing

Carbon Market Incentive

- ✓ Accelerated discount if clients both buy and cancel carbon credits to cover GHGe during construction period
- ✓ Client must provide a formal certificate of retirement from registry/authority
- ✓ Helps corporates in anticipating carbon pricing mechanisms

FUTURE OUTLOOK AND GREEN TRANSITION IN TURKEY

- As EU's 6th largest trading partner, **Turkey to make strategic policy choices to manage the impact of CBAM**
- Lack of clarity on the climate ambition could start to affect financiers appetite that are subject to TCFD, Paris Alignment and similar developments. Welcoming recent announcements from Ankara on net-zero and PA
- Turkey is one of the most **active suppliers of credits** to the VCM and well **positioned to connect carbon projects to CORSIA**
- An equivalent carbon pricing scheme can guide **new investment opportunities** in emission reductions and removals in a post-2020 market
- However, for it to work, carbon pricing instruments must be **sufficiently ambitious** (USD 40-80/tCO₂e),
- An **effective and robust MRV system** is essential for the functioning of a national ETS



THANK YOU



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