

## Key Takeaways

### Climate Action Teams (CAT): a model for climate cooperation 'Progress in the development of a potential crediting baseline in Chile'

New York Climate Week 2021

A '[Climate Action Teams](#)' is an innovative approach to promote economy-wide emission reductions across small teams of countries, under the umbrella of Article 6.2 of the Paris Agreement. An international team of researchers in collaboration with climate negotiators from several countries and private sector carbon trading experts are testing the potential of this approach for Chile and New Zealand. The event will show progress in the development of a crediting baseline in Chile.



**Time and date:** September 23 (4:00 to 5:30 pm EST)

**Who was invited to attend:** Public Sector; Private Sector; NGOs; Academy; Donors; Other stakeholders.

**Link to access the recorded session:** <https://www.youtube.com/watch?v=NWage3TPNWE>

### Takeaways

The dialogue convened researchers, modellers, policymakers and the private sector to discuss the potential to achieve ambitious emissions reductions through international cooperation in carbon markets, using Climate Action Teams (CAT) agreements. The potential case of a CAT agreement with Chile as host country and New Zealand as one of the partners was discussed. Researchers and



modellers showed the extent of possible emission reductions from a techno-economic perspective, policymakers discussed the rules, or enabling environment for these reductions to take place and the political limits to modelled emission reductions. Finally, the private sector shared its experience investing in low carbon technologies and phasing out coal power generation, describing persisting barriers to a low carbon energy transition.

**Suzi Kerr** (*Chief Economist, EDF*) presented the Climate Action Teams (CAT) approach in detail. She highlighted that international carbon markets can enable more ambitious emissions reductions at a lower cost than domestic actions alone. However, international carbon markets must learn from previous experience, avoiding mistakes like low integrity baselines that lead to so called “hot air” under the Kyoto Protocol. On the other hand, project-based mechanisms under the Kyoto Protocol could not ensure economy-wide emissions reductions and incurred high transaction costs by requiring the creation of a counterfactual and monitoring, reporting and verification for every single project. The proposed CAT avoids these shortcomings through high integrity baselines, as set by Host country NDCs, and mitigation units available for trading for economy wide emissions reductions beyond that ambitious baseline.

**José Miguel Valdés and Francisco Meza** (*Centro de Cambio Global, Universidad Católica de Chile*) presented the methodology and results of their emissions reductions model for Chile. The model considered three scenarios: current policies, NDC policies, and ambitious scenario, under three external conditions (green or favourable, red or unfavourable, and medium). The model shows that neither the current policies or NDC policies model, under none of the external scenarios can achieve Chile’s NDC commitments. Only the ambitious policies model would be able to go beyond the NDC commitments. Ambitious emissions reductions would mainly come from the early phase out of coal power plants in Chile, at an average cost of around 85 \$/tCO<sub>2</sub>. Accordingly, a crediting baseline set at the level of the NDC would only reward high integrity and ambitious emissions reductions. All negative, or low-cost emission reductions would be part of the NDC commitment, and Climate Teams would only reward relatively expensive emissions reductions.

**Sarah Deblock**, (*Ministry for the Environment, New Zealand*) indicated New Zealand’s needs for international emissions reductions to complement, and not replace, its domestic efforts. New Zealand is at the moment very much focused on its domestic emissions reductions efforts, but will require international mitigation to meet its NDC commitment. It is important in a Climate Team that the mitigation pledged by a Host country like Chile is achieved, and that there is some certainty about the amount of emissions reductions that will be available for partners.

Paul Young, from the Climate Change Commission of New Zealand highlighted the importance of creating a modelling community of practice between countries cooperating under a CAT agreement, to increase model transparency and exchange knowledge. He provided some feedback on the Chilean model and explain the New Zealand model developed by the CCC. Their model also found that NDC commitments were very ambitious, and could not be achieved with domestic action alone, even under the most favourable scenario (“tailwinds”). Hence the importance of having access to international mitigation units.

**Paolo Pallotti** (*Country manager and CEO Enel Chile*) described Enel’s experience in phasing out coal plans and ramping up their investment in renewable energy. However, many challenges remain for



Chile’s decarbonization. He emphasized the need for transmission infrastructure, as the highest renewable energy potential is in the South (wind) and North (sun), but most of the demand is in the center of the country. Besides, an electricity system with high penetration of intermittent renewables requires dispatchable generation to balance the system, from for example hydropower, biomass or gas, and more storage capacity. This is still not available in Chile to the level required. Finally, further electrification of end users (residential heating, transport, industry) is required. All these require heavy investments, but uncertainty with regards to climate policy undermines long term low carbon investment.

**Juan Pedro Searle (Ministry of Energy, Chile)** discussed the key constraints to full decarbonization of the Chilean energy sector, and in particular the challenges for early coal phase out as infrastructure requirements will take many years to materialize. He indicated that the Chilean society is demanding the end to coal power generation but reiterated the needs for transmission infrastructure, system balancing, and electrification of end uses.

As a conclusion, members of the CAT initiative underscored how the proposed approach could ease some of the constraints to the low carbon transition by increasing climate policy certainty, and hence the demand for emissions reductions in host countries, providing economic compensation for emissions reductions and technical and political support from partners.

## Agenda

Topic	Speaker	Time
Opening	<b>Francisco Pinto.</b> <i>Climate Action Teams</i>	5 min
Brief presentation about Climate Action Teams	<b>Suzi Kerr.</b> <i>EDF</i>	10 min
Modelling Exercise for Chile	<b>José Miguel Valdés &amp; Francisco Meza.</b> <i>Pontificia Universidad Católica de Chile</i>	15 min
Panel  Five minutes per speaker and then an open discussion about: <ul style="list-style-type: none"> <li>• Potentialities</li> <li>• Challenges</li> <li>• Risks</li> </ul>	<b>Moderator:</b>  <b>Francisco Pinto</b> <i>Climate Action Teams</i>  <b>Panelists:</b>  <b>Sarah Deblock,</b> <i>Ministry for the Environment. New Zealand</i>  <b>Paul Young,</b> <i>Climate Change Commission. New Zealand.</i>  <b>Paolo Palloti.</b> <i>Country Manager &amp; CEO. ENEL Chile. Member of CLG-Chile.</i>  <b>Juan Pedro Searle,</b> <i>Ministry of Energy. Chile</i>	35 min
Q & A	<b>Francisco Pinto</b> <i>Climate Action Teams</i>	20 min
Closing remarks and next steps.	<b>Ana Pueyo.</b> <i>Climate Action Teams</i>	5 min



## Panelists

### **Mrs. Suzi Kerr**

Suzi Kerr is the Chief Economist at Environmental Defense Fund. She was, until May 2019, a Senior Fellow, and from 1998 – 2009 Founding Director, at Motu Research in New Zealand.

She graduated from Harvard University in 1995 with a PhD in Economics. Her current research work focuses on climate change. She empirically and theoretically investigates domestic and international climate change policy with special emphasis on emissions pricing and land use in both the tropics and New Zealand. She has led and co-led several large international projects including the writing of the World Bank and ICAP handbook on Emissions Trading in Practice.

### **Mr. Francisco Javier Meza**

Francisco is Professor of the Faculty of Agriculture and Forestry at Pontifical Catholic University of Chile. He is member of the Center for Global Change, an interdisciplinary Research Center within the Catholic University and co-Director of Aquasec, water security center of excellence of the InterAmerican Institute for Global Change. He is coordinator of the science advisory council on agricultural sustainability for the Ministry of Science. He is lead author of the IPCC Special report on Land and IPCC AR6. He has supervised more than 20 graduate students within the program of Agricultural Sciences. Member of the National Academy of Agricultural Sciences of Chile. His areas of research are climate risk management, vulnerability, impacts and adaptation of climate variability and change on water resources and agricultural systems. He holds a M.Sc. in Engineering from Pontifical Catholic University of Chile and a Ph.D. in Atmospheric Sciences from Cornell University.

### **Mr. José Miguel Valdés**

He is the executive director of GreenLab-Dictuc, a consulting team - linked to the Engineering school of Pontifical Catholic University of Chile - specialized in environmental public policy matters linking the academy to both the public and private sector. His areas of research are the modeling of alternatives for the mitigation of GHG and criteria pollutants and the cost-benefit analysis of these alternatives.

### **Mrs. Sarah Deblock**

Sarah manages the ETS Markets team at the Ministry for the Environment in New Zealand. She has worked on carbon markets for over a decade. Prior to moving to New Zealand, she worked for the International Emissions Trading Association in Brussels on the EU ETS, and advised a Member of the European Parliament on environmental and climate policy.

### **Mr. Paolo Pallotti**

Since October 2018, Paolo Pallotti was appointed as General Manager of Enel Chile. Previously, he held several high-level positions in Enel Group, such as CFO of Enel Américas, CFO of Enel Italy and Head of Strategic Planning, among others.

Mr. Pallotti has also been board member and chairman in several companies located in different countries such as Italy, Bulgaria, Spain, Czech Republic, among others. From 2009 to 2013 he was professor of Business Strategy, Economics and Management at LUISS University, and also professor of the Energy Management Master's program at the LUISS Business School. Finally, it is also relevant



to mention that ENEL Chile is member of the Corporate Leaders Group for Climate Change (CLG-Chile)

#### **Mr. Paul Young**

Paul is a senior analyst at Aotearoa New Zealand's Climate Change Commission (He Pou a Rangi), an independent advisory body established in December 2019. Paul joined the Commission upon its establishment to work on its first package of advice on New Zealand's emissions budgets to 2035. Paul's work at the Commission has focused on sector mitigation pathways and economy-wide scenario analysis. Paul holds a MSc in physics from the University of Otago and has more than a decade's experience working on climate mitigation issues.

#### **Mr. Juan Pedro Searle**

Juan Pedro has a scientific background on biochemistry. He has nearly 20 years of experience on climate change related matters in Chile, most of them dedicated to multilateral negotiations under the UNFCCC. As landmarks of this process, he has participated in the design of the Kyoto Protocol, the Marrakech Accords (in particular with regards to the CDM) and in the debate that culminated in subsequent landmarks under the UNFCCC such as the Paris Agreement.

He now works in the Ministry of the Energy as Head of Climate Change. In this role, he has continued to follow-up climate change negotiations concentrating efforts on market mechanisms, including Article 6 of the Paris Agreement; in the domestic context, he has been involved in carbon pricing design and implementation in Chile, mainly through the Partnership for Market Readiness Initiative (PMR) with the World Bank, for which he is the National Focal Point. He is also part of the COP Presidency Team.

#### **Mrs. Ana Pueyo**

She is a Research Fellow at Motu Research, in New Zealand, and at the Institute of Development Studies in the UK. Dr Pueyo trained as an Economist and completed her PhD in Industrial Engineering, focusing on renewable energy technology transfer to developing countries. Ana acts as the Project Manager for the Climate Action Teams initiative. She also leads large multidisciplinary international research projects on energy for development in Africa and teaches at postgraduate level at the Institute of Development Studies. She has published her work in several international peer-reviewed journals.

#### **Mr. Francisco Pinto**

Economist with more than 15 years of experience in analyzing, designing and evaluating public policies in general and environmental/climate policies in particular in both the public sector and civil society organizations. Francisco is an Economist from the Metropolitan Technological University (UTEM), Master in Public Policy from the University of Chile and MSc in Environmental Economics and Climate Change from the London School of Economics (LSE). Currently is a technical advisor for Climate Action Teams initiative.