

UNFCCC Side Event, Policy Design for a Climate Friendly Materials Sector

Project based carbon contracts for industrial deep decarbonisation

Karsten Neuhoff and Jörn Richstein

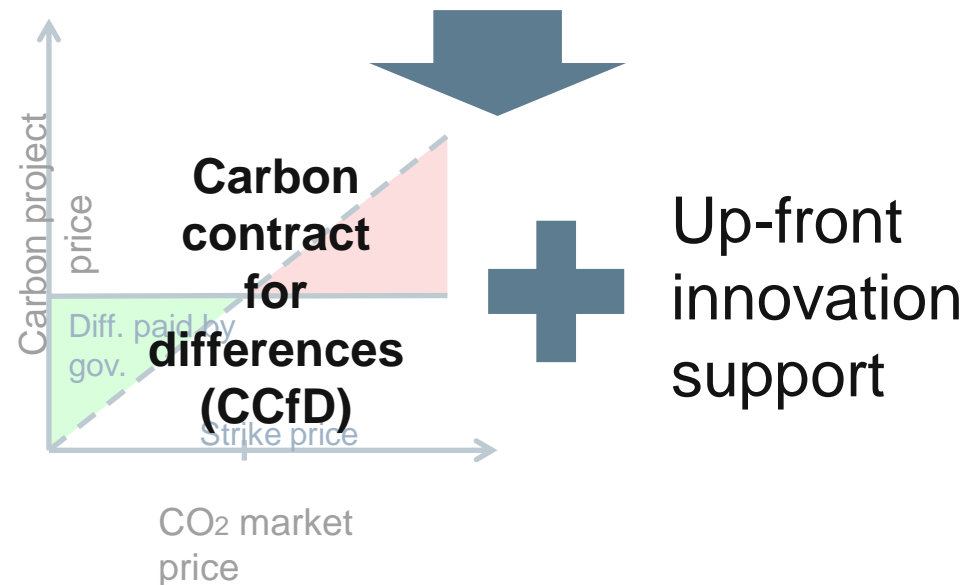
Bonn, 7th November 2017

Why

- Innovation funds are often limited in size when leaving the pilot phase and entering the demonstration phase
- Financing of increasing scale pilot projects, and commercial climate friendly projects is challenging

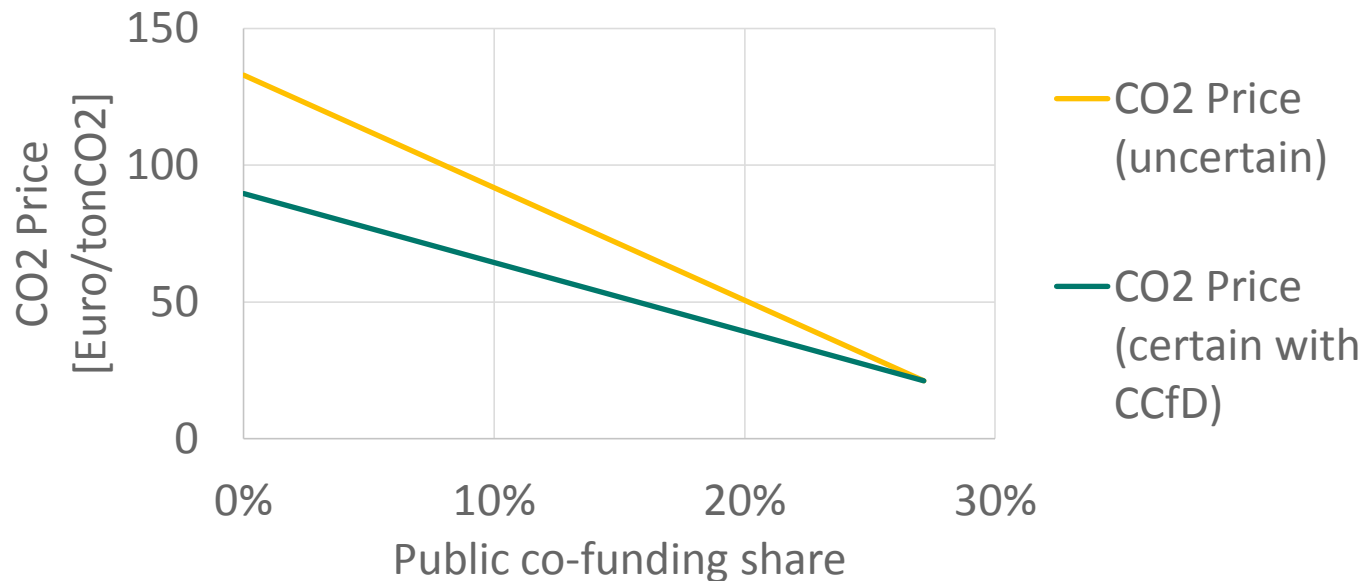
Criteria

- Lower capital costs and public funding requirements
- Incentivize success ($\text{CO}_2 \searrow$)



- Linked to a investment project with deep emission reductions compatible with long-term climate objectives.
 - new production process, practice or substitute material
- Applies to the emission reductions achieved with the climate friendly investment
- Pays difference between the yearly average emissions allowance auction prices and the strike price
- Counter parties are national governments

- Allows government commitments to carbon price levels
- Creates carbon price certainty to reduce financing costs



- Reduces total and up-front public support requirement
- Clear incentives for performance

Vielen Dank für Ihre Aufmerksamkeit.



**DIW Berlin — Deutsches Institut
für Wirtschaftsforschung e.V.**
Mohrenstraße 58, 10117 Berlin
www.diw.de

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