



# The CDM as Glue for the International Carbon Market?

Wolfgang Sterk Aki Kachi

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## Overview

- Introduction
- Comparison of offset approaches
  - Australia
  - California
  - Japan
- Possible Implications for CDM Reform

## Introduction

- Study on offset systems in Australia, California, Japan
- New offset designs can be seen as a reaction to CDM shortcomings
- Understand and address critiques and alternative instruments to inform CDM reform process
- Following mostly based on official government documents

# Comparison of offset approaches: Australia

- Emissions trading highly political and controversial issue
- Labor government supports use of international offsets including CDM in Australian ETS



- Nevertheless explicit rejection of project-by-project assessment in Carbon Farming Initiative (CFI), domestic offset scheme
- (Wild card: EU-AUS Linking)

# Comparison of offset approaches: California

- Offsets from US, Canada, Mexico
- CDM eligibility initially considered but ultimately excluded, highlighting in particular concerns about environmental integrity
- (REDD activities in Mexico and Brazil)



# Comparison of offset approaches: Japan

- CDM Critique
  - project-by-project additionality testing (deemed counterproductive)
  - Excessive uncertainty about project registration and resulting number of CERs
  - Counterfactual project-by-project approach to additionality should be replaced by a ex-ante approach based on clear eligibility criteria and quantitative parameters – "shift from judging to checking"
- JCM/BOCM



#### **Comparison of offset approaches**

	CDM	Australian CFI	Californian Offset Protocols	Japanese BOCM
Governance	Multilateral	National	State (interstate)	Decentralised/ bilateral
Eligibility of project types	Potentially all except nuclear	Agriculture, legacy waste, LULUCF	Activities not covered by ETS, currently US Forestry, Urban Forestry, Livestock, ODS	Potentially all project types
Additionality	Project by project (except PoA)	Ex-ante (legal, positive/negative list)	Ex-ante, "performance standard"	Ex-ante, positive lists, benchmarks planned

### **Standardisation**



May enhance acceptability

#### All 3 reject project-by-project





Label for Standardised Baseline CERs?

#### **Environmental integrity?**



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## **Standardisation Requires Support for Countries**









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Danger to cement distribution?

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Fragmentation May Increase Overall Transaction Costs

**CDM** 



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## **Standardisation of Monitoring and Issuance?**



### What Role for Forests?

# Inclusion vs. Exclusion













#### Thank you very much for your attention!

For further information please contact:

wolfgang.sterk@wupperinst.org

kachi@adelphi.de

Or visit our websites

www.wupperinst.org/en/cop/

www.adelphi.de