Session IV: CDM in the post-2012 Carbon market

7th CDM Roundtable, 20 April 2013, Bonn

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Introduction
IEA 2011 World Energy Outlook

- Current Policy Scenario leads to a temperature rise of > 6°C scenario;
- New Policies Scenario (Cancun pledges, fully implemented), leads to a +3.5°C scenario;
- 450 (ppm) Scenario (2°C) requires additional investments of $11.6 trillion;
- Most emission reductions and investments are required in non-OECD:
  - Non-OECD accounts for 90% of population and energy demand growth;
- Cost is time dependent and increasing:
  - Each US$ investment delay will cost 4.5 US$ investment in 2020;
  - Urgent action is needed to avoid technological lock in.
Introduction

Perspective and objectives of emerging countries:

- Energy Security & unconstrained economic growth
- Social & Environmental Costs & Benefits
- Minimum Short Term Cost

OECD perspective:

- Mitigation requires gradual reform of infrastructure
- Mitigation cost to be contained by substituting depreciated assets with new technologies
- Mitigation potential is not significant compared to emission growth of non OECD countries
Introduction
The necessity of a global Carbon market

Perspective and objectives of emerging countries:

Energy Security & unconstraint economic growth
Social & Environmental Costs & Benefits
Global Climate Compliance
Minimum LT - Cost
Carbon Markets

OECD perspective:
- Mitigation requires gradual reform of infrastructure
- Mitigation cost to be contained by substituting depreciated assets with new technologies
- Mitigation Potential is not significant compared to emission grow of non OECD countries

- OECD needs time for smooth transition and asset rotation
- Non OECD needs immediate incentives for clean growth
The role of the Global Carbon Market

Reduce cost of GHG mitigation (for Annex I countries)

Finance sustainable development (for developing countries)
Global Carbon Markets: common building blocks

**Essential to all approaches**

- MRV Standards
- Baseline methodologies
- Governance structure

**Essential to market-based approaches**

- Independent verification (DOEs)
- Registries & ITL
- Net Mitigation Share (NMS)
The (evolving) Global Carbon Market Architecture

- EU ETS
- Other ETS
- JI
- Annex I cap
- Developing country or sector caps
- NMM (allowance)
- NMM (credit)
- Framework Various Approaches
  - Non-market approach
  - Other approach
  - Merged NAMA/POA
  - NAMA
  - POA
  - Reformed CDM

% of GHG emissions vs. Time
The evolving global Carbon market
NMM and FVA built on existing & emerging policies

Value GHG Reduction
➢ A Market Mechanism is best suited to identify “least cost options” and assure their profitability
➢ A (reformed) CDM, NMM, and ETS can all play these roles as long as there is demand

Provide Funding in Least and Less DC’s
➢ MDBs & GCF have capability to finance clean growth & attract Private Sector
➢ CDM adds credibility and assures profitability

MRV
➢ CDM offers well established principles for MRV, bottom up baseline setting and Methodologies for ER measurement
➢ Unparalleled DOE and PD capability is (still) available

Domestic Efforts in advanced DCs
➢ Advanced DC’s & private sector finance NAMA policies
➢ Top down baseline & policies are basis for sector wide programs
➢ CDM can help NAMA finance or first step towards NMMs
Host country mitigation policies and actions

- PD Forum proposed a Net Mitigation Share (Host Country Mitigation SOP) as a common building block for less developed countries
  - Both FVA and NMM require net mitigation
  - This should be quantified, not an undefined demand
  - Not all countries have capacity to build an ETS

- Many advanced host countries already have mitigation policies and actions in place.
  - This must be considered in NAMA and E-policy acknowledgment
## Examples of GHG mitigation / renewable energy promotion policies in the CDM

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<tr>
<th>Country</th>
<th>Policy Highlights</th>
<th>Registered Project No</th>
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| Brazil      | a) Brazilian Development Bank (BNDES) offers reduced interest rates.  
b) Reduced transmission fee (50%) for small scale renewable energies (< 30 MW, in addition to a)                                                                 | a: 7017; 7021; 7023; 7026;7027  
b: 6208; 6571; 7012; **8253***; ... |
| Chile       | ▪ Renewable Energy Target increasing to 10% by 2024 and trading of Renewable Energy Certificates to flexibilize the policy                                                                                          | 4449; 5726                                                  |
| Peru        | ▪ PPA auctions and premium prices for non conventional renewable energies  
▪ Large HPP compete in auctions with 15% premium                                                                                                           | 6874; 6814                                                  |
| South Africa| ▪ Demand Side Management Funding  
▪ Feed-in tariff for renewable energies                                                                                                                                                                        | 7536                                                        |
| India       | ▪ Renewable Energy Certificate Scheme                                                                                                                                                                               | 4209; **6621***                                             |

Registered project activities identified national investment incentives and eliminated them from the additionality discussion, in line with EB 22

Note: *Projects which have been registered after E-related review*
Conclusions

- Priority is cost effective GHG mitigation in all regions and sectors:
  - GHG mitigation in OECD is conditioned by rate of asset substitution and emissions in OECD alone are an increasingly small share of global emissions.
  - Developing countries with high growth offer low cost mitigation but require capital to finance sustainable development & avoid technological lock in.

- Use the best parts of all tools to achieve the target (highest possible emission reduction with least costs)
  - E- regulation needs to be updated and further clarified as there is still an effective conflict between approaches, which will get much worse with increasing host country action:
  - incentivize country specific mitigation policies to promote sustainable development in line with host country priorities;
  - add solid MRV and methodological principles to understand and monitor the effectiveness of national policies (using common building blocks);
  - address the concern of additionality when there are E- policies in place in a host country – this is necessary for the CDM and for NMM, the Net Mitigation Share may help resolve some of the concerns
Thank you for your attention

The Project Developer Forum (PD-Forum) is a collective voice to represent the interests of companies developing greenhouse gas (GHG) emission reduction projects in international markets under the Clean Development Mechanism (CDM), Joint Implementation (JI) and other carbon emission reduction schemes and programs.

See our members at: www.pd-forum.net