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Session IV: CDM in the post-2012 Carbon market

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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:





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



OECD perspective:

Perspective and objectives of emerging countries:



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 PROJECT DEVELOPER blocks

Essential to all approaches

Essential to market-based approaches

Independent verification MRV Standards (DOEs) **Baseline methodologies Registries & ITL Net Mitigation Share Governance structure** (NMS)

The (evolving) Global Carbon Market Architecture

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 ▶ 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 MDBs 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 NAMA 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

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- 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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Country	Policy Highlights	Registered Project No
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

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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: <u>www.pd-forum.net</u>