

Clean development mechanism and joint implementation

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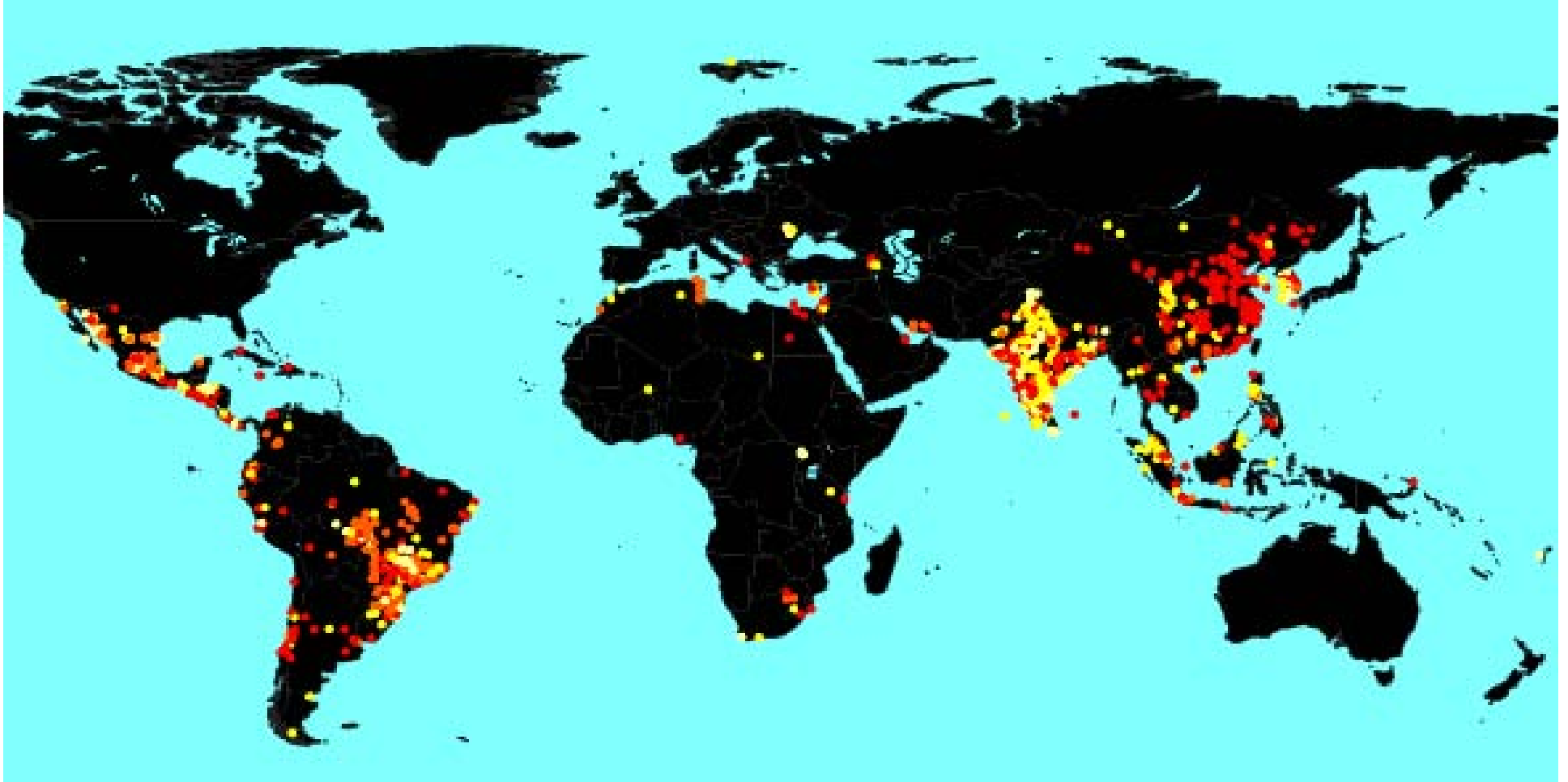
18-19 June 2008
Montreal, Canada

ICAO workshop
Aviation and carbon markets



Overview

- Focus on the CDM (Annex I to non-Annex I Party projects)
- Growth and current status
- An overview of CDM design
- Highlights from proposals to enhance the CDM
- Some notes also on JI (projects between Annex I Parties)



CDM after 2½ years of operation

Investment and financial flows

Real investment to fulfill Kyoto's twin purposes for the CDM

- Assisting non-Annex I Parties in achieving sustainable development and contributing to the Convention objective
- Assisting Annex I Parties in complying with their targets

- **USD 25 billion** in capital investment estimated for projects entering the CDM pipeline in 2006 alone

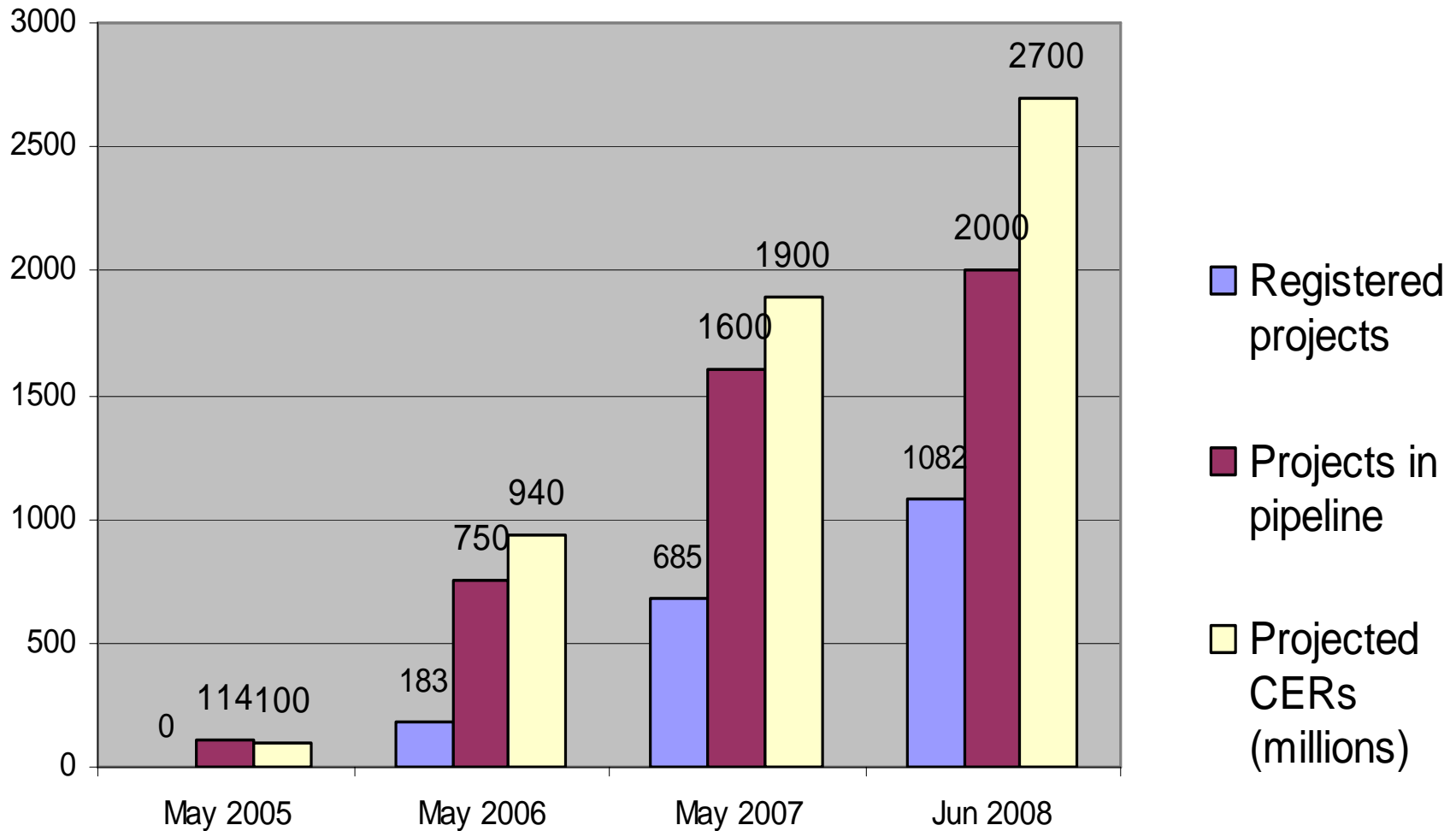
(double the GEF-leveraged climate change investment over 10 years)

- **USD 5.7 billion** in capital investment expected for CDM renewable and energy efficiency projects registered in 2006

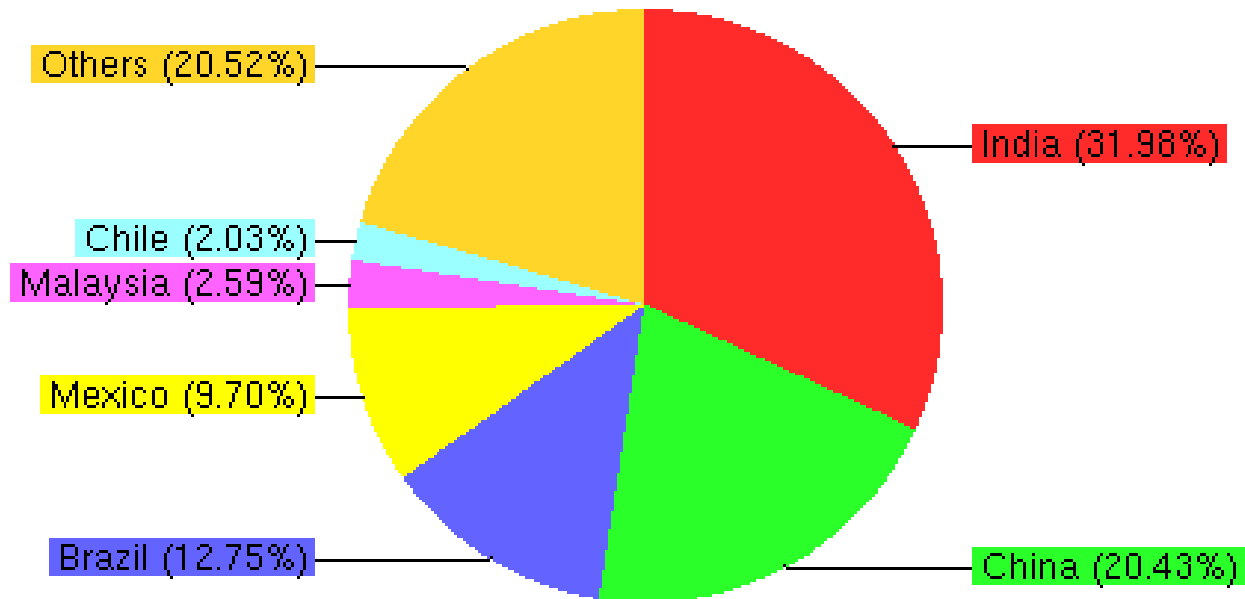
(about triple the ODA support and equivalent to private investment in the renewable energy and energy efficiency fields in these same countries)

Growing CDM demand

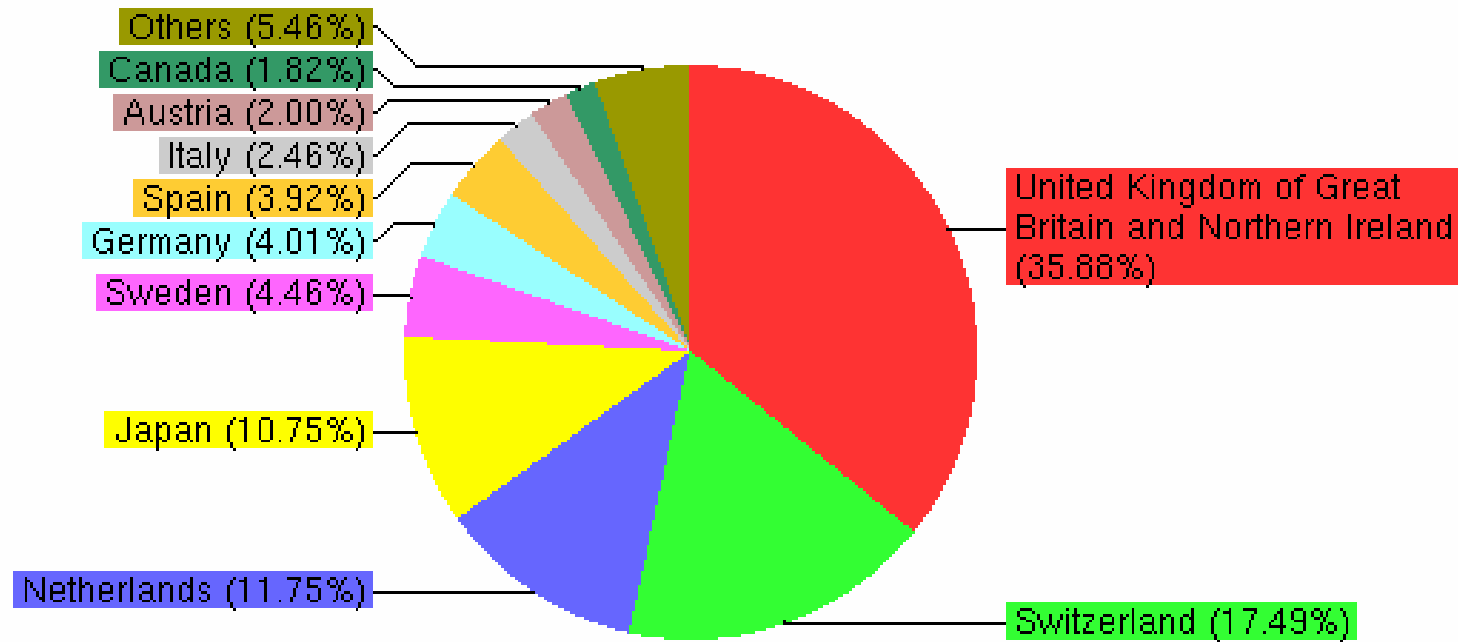
Number of CDM projects
and expected CER issuance by end-2012 (accumulated)



CDM projects by host, total 1,082



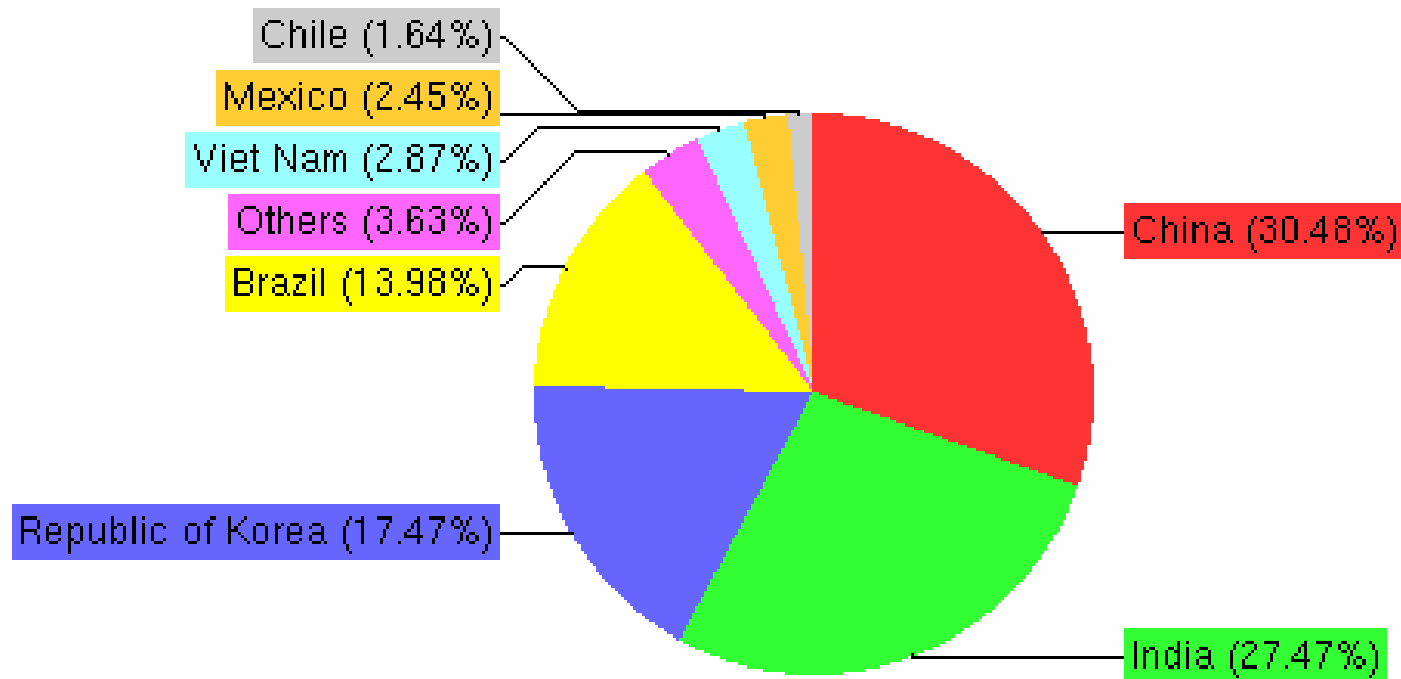
CDM projects by Annex I investor



Gaining experience with the CDM

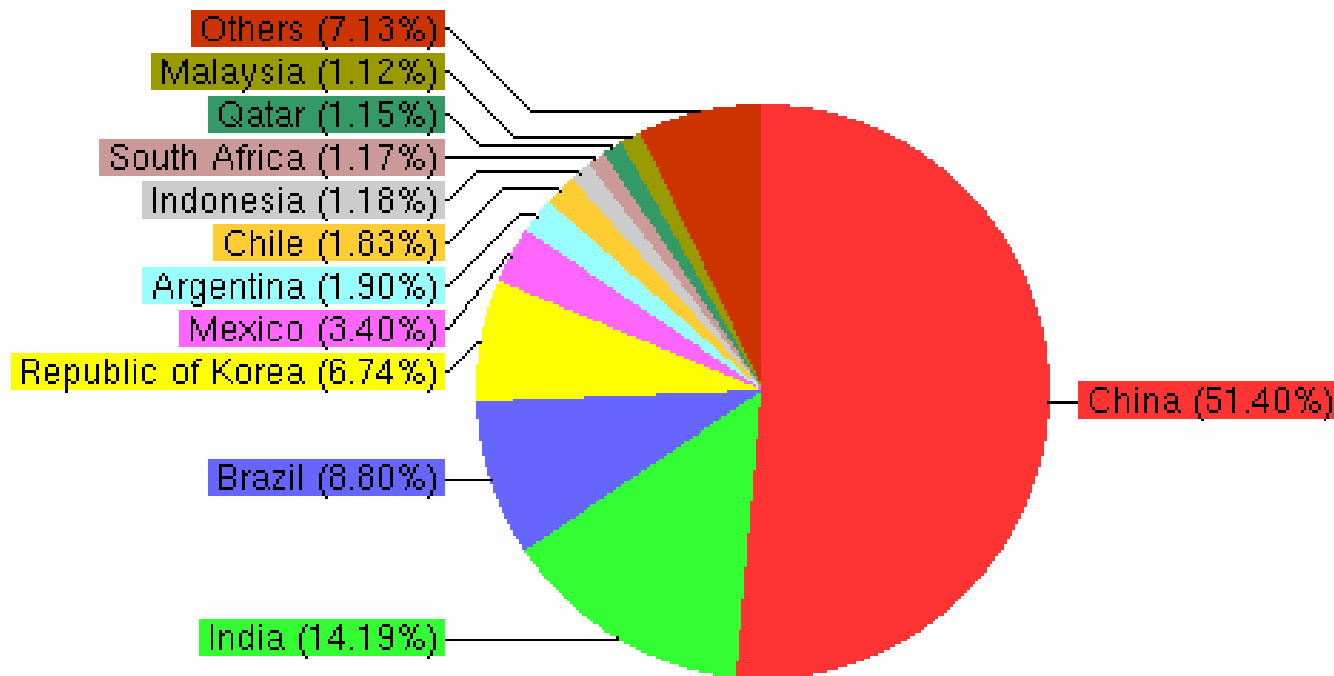
Region	Parties with Designated National Authorities	Parties with projects
Africa	79%	15%
Asia/Pacific	69%	43%
Latin America	81%	59%
Non-Annex I Parties	78%	37%
Annex I Parties	68%	45%

Issued CERs, total 156 million so far

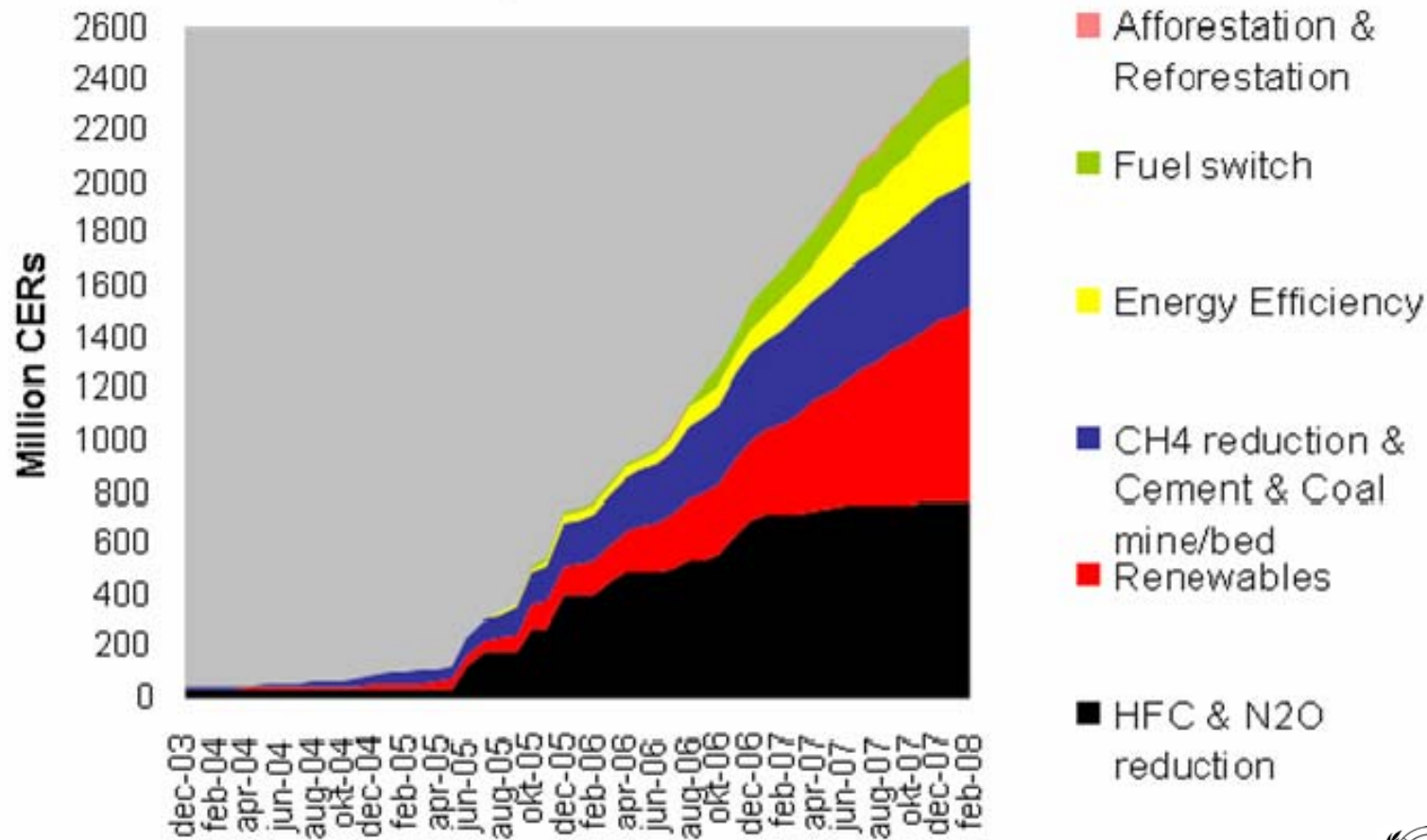


Expected annual CER issuance

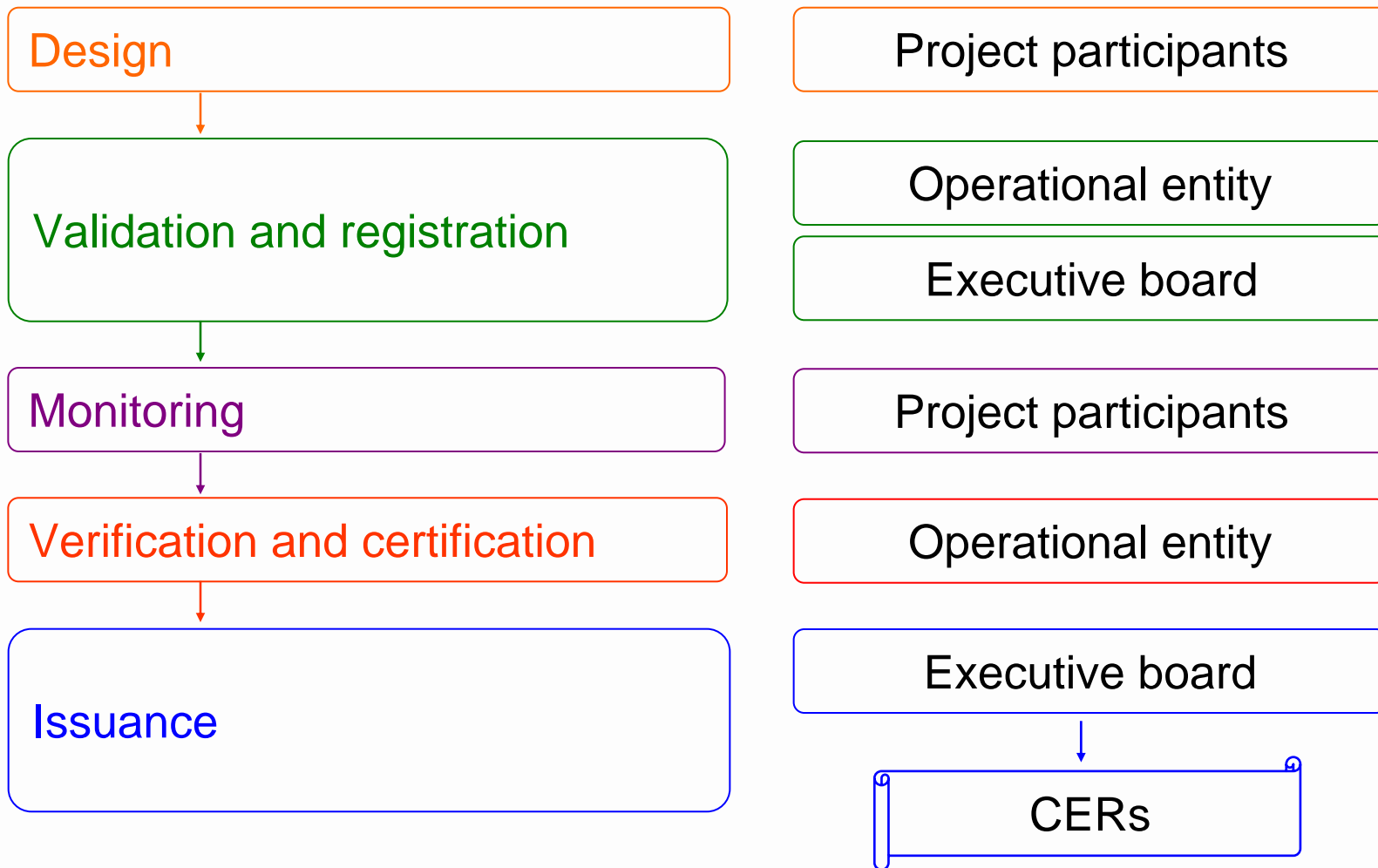
Expected cumulative total until end-2012 of 2.7 billion CERs



Expected accumulated CERs by end 2012



CDM design



CDM governance

Work and responsibility is distributed

- Designated operational entities (DOEs) validate projects, request registration, verify/certify emission reductions and request issuance
- DOEs decide on registration and issuance (EB may review it)

But work occurs under central supervision of the Executive Board

- Accredits DOEs against standards
- Approves methodologies for baselines and monitoring
- Can review requests for project registration and CER issuance
- Establishes expert panels to formulate recommendations
- Supported by the UNFCCC secretariat

CDM governance balances authority and practicality

CDM project additionality

Required: standardized methods to describe project counterfactuals

- Kyoto requires emission reductions to be “additional” relative to what would have happened without the project
- CMP provides guidance on what approaches can be taken
- Baseline setting is primarily a bottom-up exercise, proposed by project participants and approved by the Executive Board
- Stakeholder inputs (project operator, public, Parties, expert panel)

Resulting business-as-usual counterfactuals remain a judgment call

Joint implementation projects

Two tracks

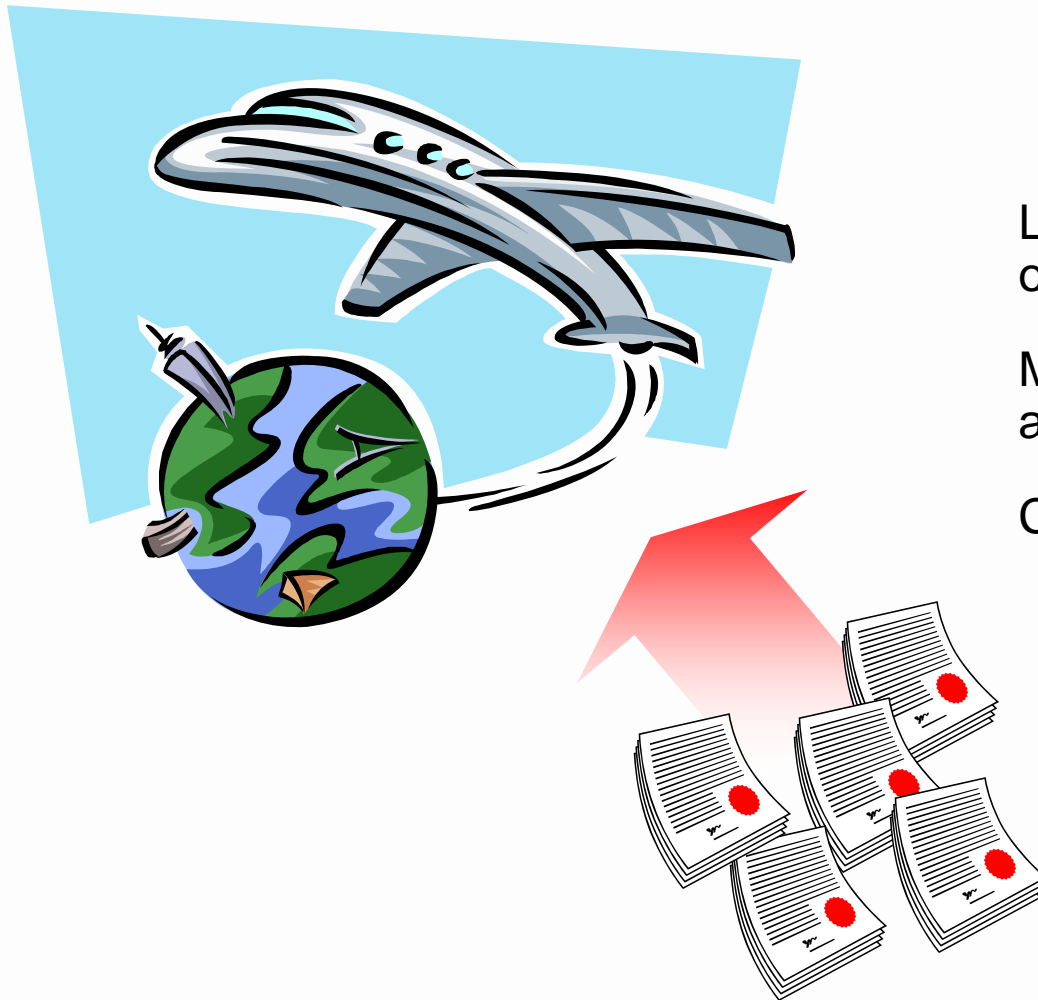
- Parties meeting all eligibility requirements may verify JI projects under their own national guidelines (track 1)
- Parties meeting only a subset of the requirements must verify their projects under the JI Supervisory Committee (track 2)
- Annex I Parties in process of submitting national JI guidelines
- Track 2 process has 1½ years of operational experience
 - 2 project determinations deemed final
 - 129 projects in the pipeline
 - 245 MtCO₂e expected by end-2012 from these projects

Proposed CDM changes

- Emphasis is on scaling up the CDM
 - Currently held back by dealing with projects case-by-case?
 - Surface just now only being scratched?
- Some proposals to streamline procedures and improve efficiency and decision-making capacity of the CDM institutions
- Other proposals may significant change the CDM landscape
 - Top-down guidance, with less learning-by-doing
 - Conservative reduction estimates in return for quicker processing
 - Incorporate other activity types
 - Incorporating sector-based approaches



Linking to aviation trading?



Linking is a choice to accept credits or allowances from other systems

Mechanisms for one-way linking already exist (CER cancellation)

CDM can offer far more volume