

Elements of Future CDM

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...sustainable living for all

What is CDM?

- *An arrangement for reduction of GHG emissions to be "sponsored" in countries not bound by emissions targets:*
- Art. 12 Kyoto Protocol:
 - Assisting developing countries in achieving its sustainable development objectives
 - Assisting Annex I countries in fulfilling their commitment under KP



- Industrialized countries:
 - pay for less emission projects emissions in developing countries
 - are awarded credits to meeting their emissions targets
- The recipient countries:
 - benefit from free infusions of advanced technology at lower costs and higher profits.
- The atmosphere:
 - future emissions are lower than they would have been otherwise



- Do we get there?
 - YES ... in assisting Annex I countries:
 - Reducing emission in developing countries
 - Getting CERs
 - **NOT SIGNIFICANTLY** ... in assisting developing countries:
 - Free infusions?
 - Lower cost and higher profits?
 - **NOT CLEAR** ... in lowering future emissions



Why is it?

- More ET-like CDM
 - Transaction of CERs only
 - Very limited funding for up-front payment
 - Buyer driven price
 - Risks on Host Country
 - Role of broker → who get the most advantages?
 - No underlying investment
- Transfer of technology?
- Transfer of know-how?
- New investment?



Future CDM ... is there any?

- CDM-like mechanism:
 - Solving environmental problem through market mechanism including new investment
 - Transfer of technology and know-how
- COP/MOP-1 indicated there will be similar mechanism after CP-1 → giving flexibility to those responsible (only?)
- How to ensure sustainable development of host country?



What's in it?

- Simplified mechanism:
 - Simplified and more generalized methodologies (both for baseline and monitoring)
 - Simplified procedure and mechanism → reducing transaction cost & opportunity cost



- **JI-like CDM**
 - Joint investment between Annex I and Non-Annex I → beyond CDM-part, including underlying investment
 - Joint effort in CDM cycle → joint funding throughout the cycle
 - Agreement on CERs produced
 - Reduced risks
- **ET-like CDM**
 - Unilateral vs bilateral and multilateral
 - No more buyer driven pricing → real market driven



- Project based vs program based
 - Baseline issue:
 - Consolidated
 - National baseline
 - Monitoring issue:
 - Project proponent issue:
 - Private sector
 - Community
 - Country



- Sectors in CDM:
 - Energy related:
 - Supply side: renewable energy, alternative energy(?)
 - Energy production: thermal energy, power/electricity
 - Demand side: energy efficiency, fuel switching
 - Industry: technology, process
 - LULUCF:
 - Beyond existing A/R → conservation(?)
 - Other sectors:
 - Waste management
 - Transportation
 - Agriculture

