



Perspectives on CDM and the carbon trade in a post 2012 regime

Glenn S. Hodes

Program Manager, Energy & Carbon Finance Program
UNEP Risø Center



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Supporting documents

1. Background paper for climate negotiations from non-Annex I countries prepared by UNEP Risoe for UNEP/UNFCCC facilitated workshops in May and October 2009. **circulated**
2. *A Reformed CDM*. UNEP Risoe Center, 2008, Carbon Market Perspectives Series.
www.cd4cdm.org (Publications)

Our Activities on CDM

- A major technical assistance programme active in more than three dozen countries
 - increasing CDM capabilities among developing countries with low capacity
 - subsidizing development of a larger and more diversified portfolio of CDM projects
- *CDM Pipeline* is most authoritative free source of info/analysis of the global project portfolio:
www.cdmpipeline.org



UNEP & UNEP Risoec



CDM's performance

- Currently 4,733+ projects in the pipeline with roughly 100 new entering each month
- 282 million CERs have already been issued, with at least a billion more projected by 2012
- Billions of dollars have been mobilised for GHG emission reductions in developing countries
- Stringent carbon auditing requirements, resulting in average issuance success rate over 97%

Reform agenda

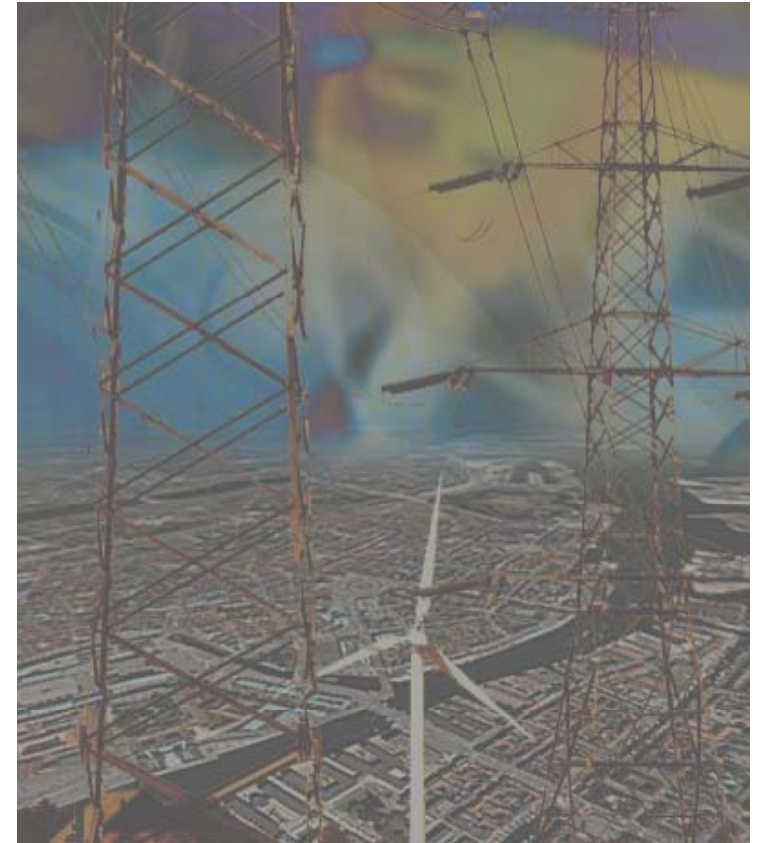
- Achieve better distribution of projects
 - proposals being studied by DNA Forum, EB
- Leverage greater sustainable development, and technology transfer benefits
- Simplify governance procedures without loss of environmental integrity (additionality)
- Unlocking agriculture and forestry sectors

Key Political Issues

- Equity & Burden sharing
- Trade policy/protectionism
- Science (CCS, REDD, new GHGs)
- Credit for early/voluntary action in DCs
 - Sectoral, REDD, NAMAs, GIS, etc.
- Need for mainstreaming

Bali Action Plan

1. Mitigation: QELROs and NAMAs
2. Adaptation: enhanced action
3. Finance: by developed countries
4. Technology: transfer to developing countries
5. A vision: for long-term cooperative action on global emission reductions



Burden sharing - principles

- The challenge: Who should bare the costs of global emission reductions, how much and when?
- Principles in the Convention and BAP:
 - common but differentiated responsibilities
 - equity
 - nationally appropriate mitigation actions

Differentiation of Parties

Currently:

- based primarily on GDP per capita: Annex I countries defined as members of OECD in 1992.

Future:

- as national circumstances change over time there is a need to update criteria and data for differentiation

CDM in the negotiations

- AWG-KP on further commitments for Annex-1 countries:
 - Work programme for 2009: 'Improvements to emissions trading and the project based mechanisms' (incl. CDM)
- Sectoral CDM proposals within AWG-LCA track on enhanced, differentiated global mitigation actions

Key proposals:

1) Improved CDM

Five proposals to improve:

- Environmental integrity (1. standardized, multi-project baselines and 2. +/- lists of project activity types)
- Regional distribution (improved access)
- Sustainable development (co-benefits as a criteria for registration)
- Multiplication factors as a means of differentiation

CDM maintains its current objectives: an offset mechanism, project based, available to all non-Annex I countries.

2) Up-scaled CDM

Four proposals to include the following new CDM activities:

- LULUCF extended to include deforestation and forest degradation, reforestation of wetlands and sustainable forest and land management.
- A cap on these is introduced
- Carbon Capture and Storage (CCS)
- Nuclear activities

➤ *The current objectives of CDM are maintained*

3) New sectoral mechanisms

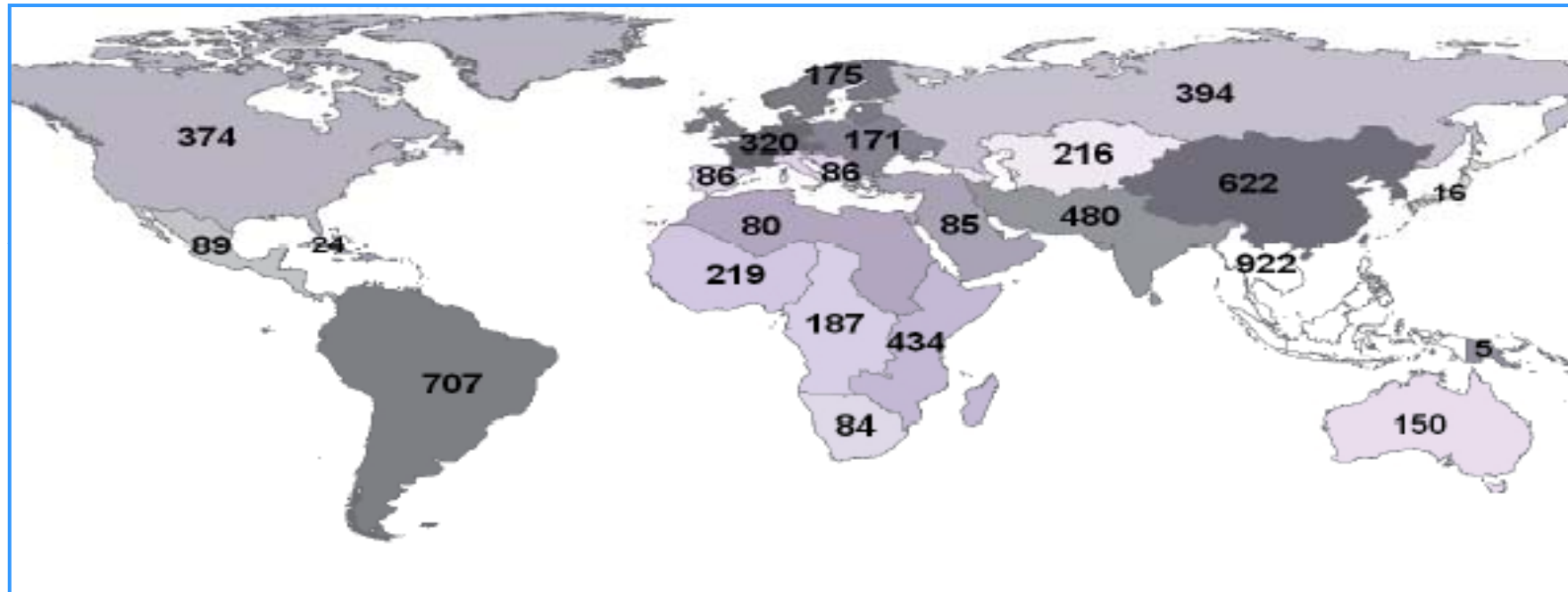
Four proposals to significantly up-scale emission reductions from developing countries:

- Sectoral CDM
- No-lose targets
- Nationally appropriate mitigation actions (NAMAs)
- Differentiated eligibility of Parties

➤ *The focus would change towards generating atmospheric benefits, become more sector-based and imply development of new governance structures*

Agricultural GHG Emissions—LDC advantage?

Technical potential for GHG emission reductions in the agriculture sector until 2030 (Mt CO₂eq/yr).



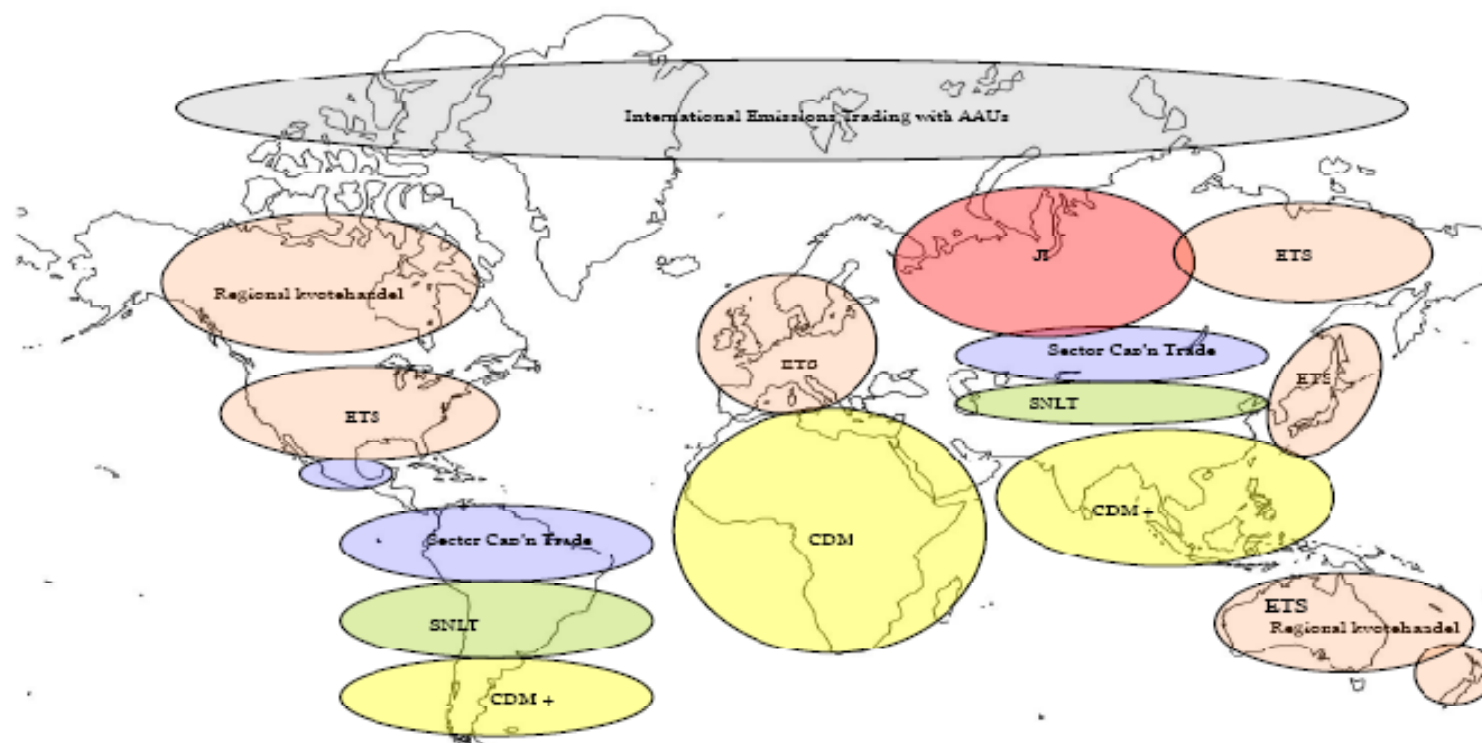
Source: Smith/Martino (2007)

⇒ *Africa & S. America potential for GHG emission reductions in agricultural sector as big as China+India combined.*

Whither global carbon markets - integration or disintegration?

- 3 Flex-Mex to plethora of funding and trading instruments
- Reforming and Scaling up CDM
- Governance and Regulatory Scrutiny

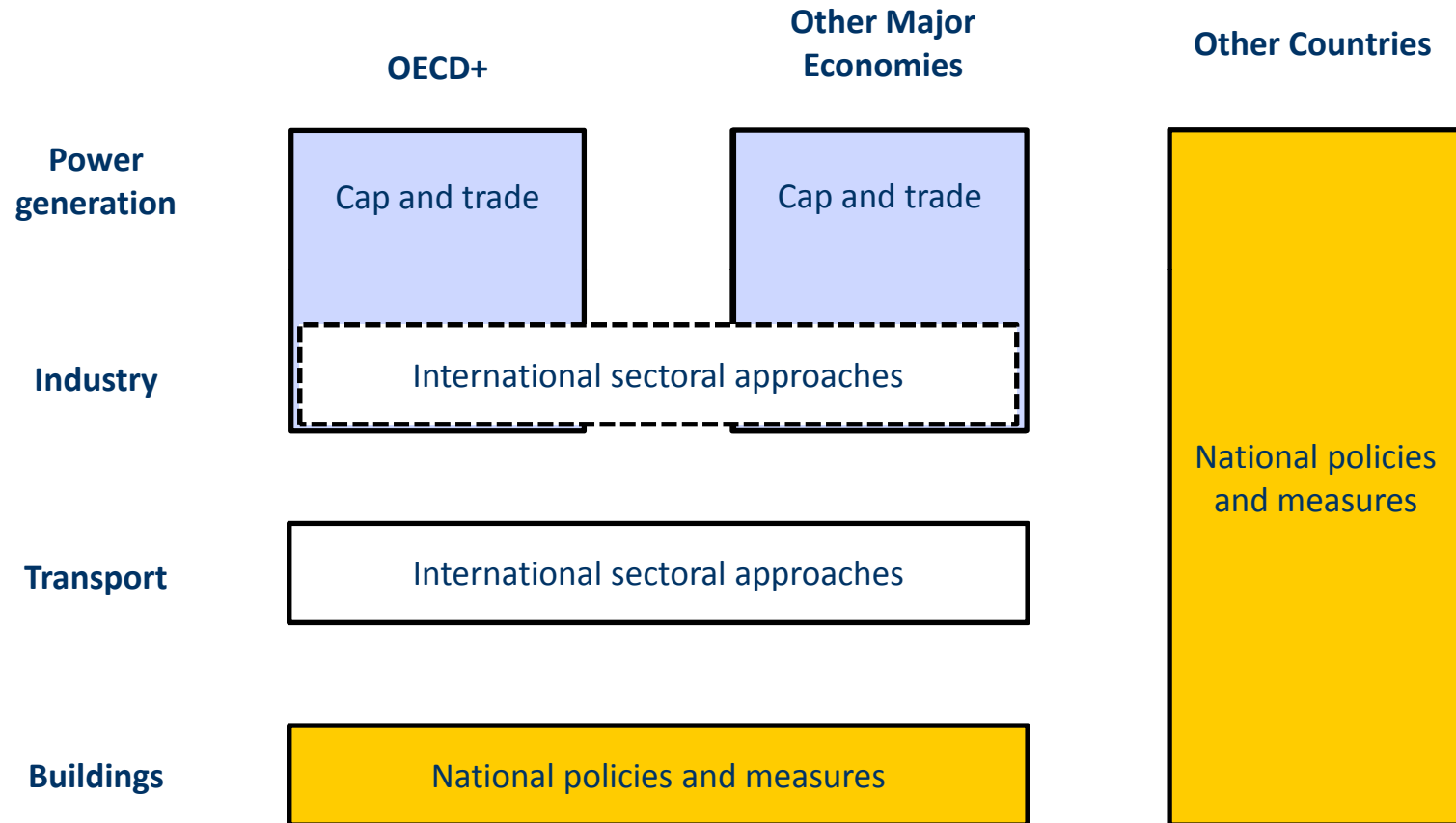
Differentiated global carbon markets



Source: Marie Christiansen, Ministry of Climate and Energy, Denmark, 2009

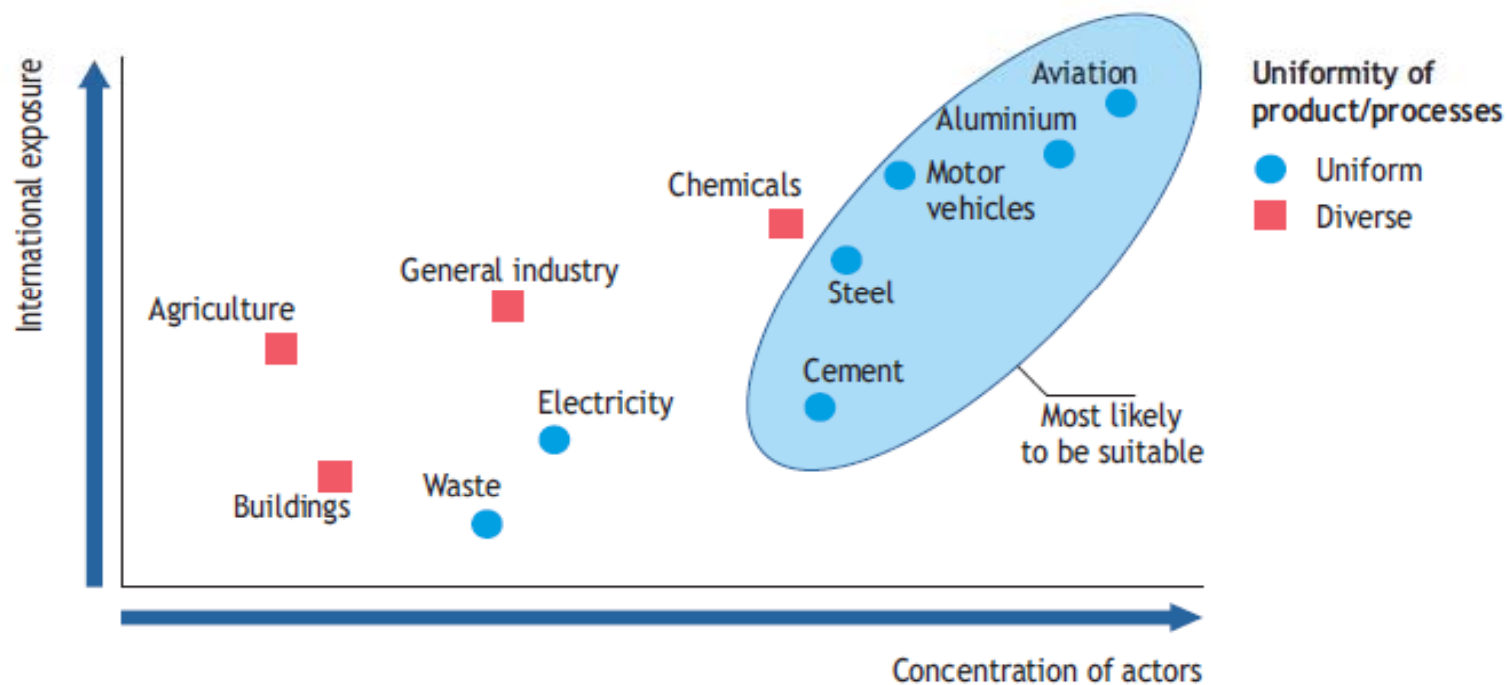
Copenhagen: plausible post-2012 regime

The 450 Policy Scenario



A combination of policy mechanisms – reflecting nations' varied circumstances & current negotiating positions – is a realistic outcome at the Copenhagen COP at end-2009

International sectoral



Likely feature but not all sectors are well suited to standards/benchmarks

Key messages for Suriname (1)

- To avoid "abrupt and irreversible" climate change we need a major “decarbonisation”
 - Limiting temperature rise to 2°C will require significant GHG emission reductions in all regions & technological breakthroughs
 - IEA (WEO, 2008) models predict CO₂ price of \$180/tonne in 2030 to reach this scenario.
 - Investment in cleaner energy production will need to double and energy efficiency quadruple.
- There are opportunities for Suriname if properly prepared for them...

Key messages for Suriname (2)

- Start with CDM but recognize that reforms needed to facilitate a more equitable market
- CB is a necessary but not sufficient tool – it is a market based instrument
- Besides forestry, what other sectors likely to be implicated or which could benefit?