RANKED AMONG THE WORLD'S TOP 10 THINK TANKS

CEPS Thinking ahead for Europe

Key mesages

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1. There are different motivations behind flexible mechanisms.

- GHG emissions
- Developing a carbon market
- Diffusing technology
- Scaling up the magnitude of financing

2. Supply and demand need to be balanced.

- The impact of flexible mechanisms on GHG emission reductions

→The balance between the supply and the demand

→The price level in the carbon market

3. There are many lessons to be learned from existing mechanisms.

- CDM
- JI
- AAU trading or GIS

4. *Four* options for future mechanisms exist.

- CDM, e.g. PoAs, sectoral benchmarking,
- JI
- Sectoral crediting→Q1. issuance of credits;

  Q2. coexistence of SC based on no-lose targets and the current CDM or other mechanisms; Q3. incentives for upfront private investment
- Sectoral trading→boundary setting & sector-specific considerations in baseline setting

5. Mechanisms can be compared according to at least *three* objectives.

- Environmental integrity, offsetting
- Enhanced public and private investment,

Leverage ability→

1. improve investment conditions, esp. predictability;
2. make clear that there will be a rate of return for private sector capital.

- Institutional strength→Timing and paths for evolution of flexible mechanisms

References

'**Flexible mechanisms in support of a new climate change regime: The Clean Development Mechanism and beyond**', CEPS Task Force Report

'The role of industry in sectoral approaches' (final draft)
→operational aspects

Thank you for your attention.