



# **The roles of future flexible mechanisms**

## ***An investor's perspective***

Copenhagen – 10 December 2009

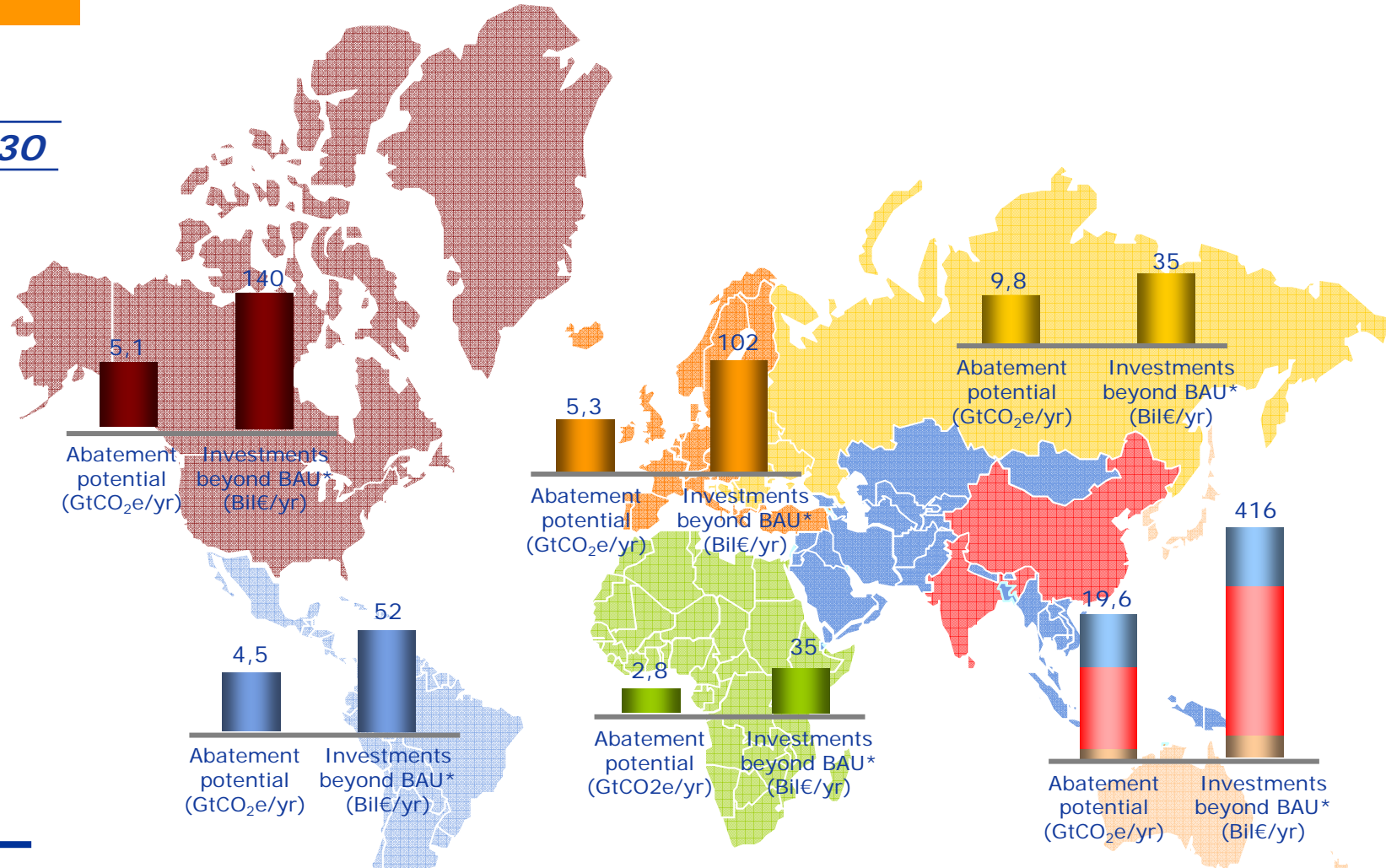
# A proactive investor's perspective

## Successful flexible mechanisms key requirements:

- **Global scale**
- **Flexible and bottom-up approach**
- **Private sector involvement**
- **A fitting timeframe**

# New mechanism with a global reach

2030



**New mechanism able to tackle global abatement and investment needs**

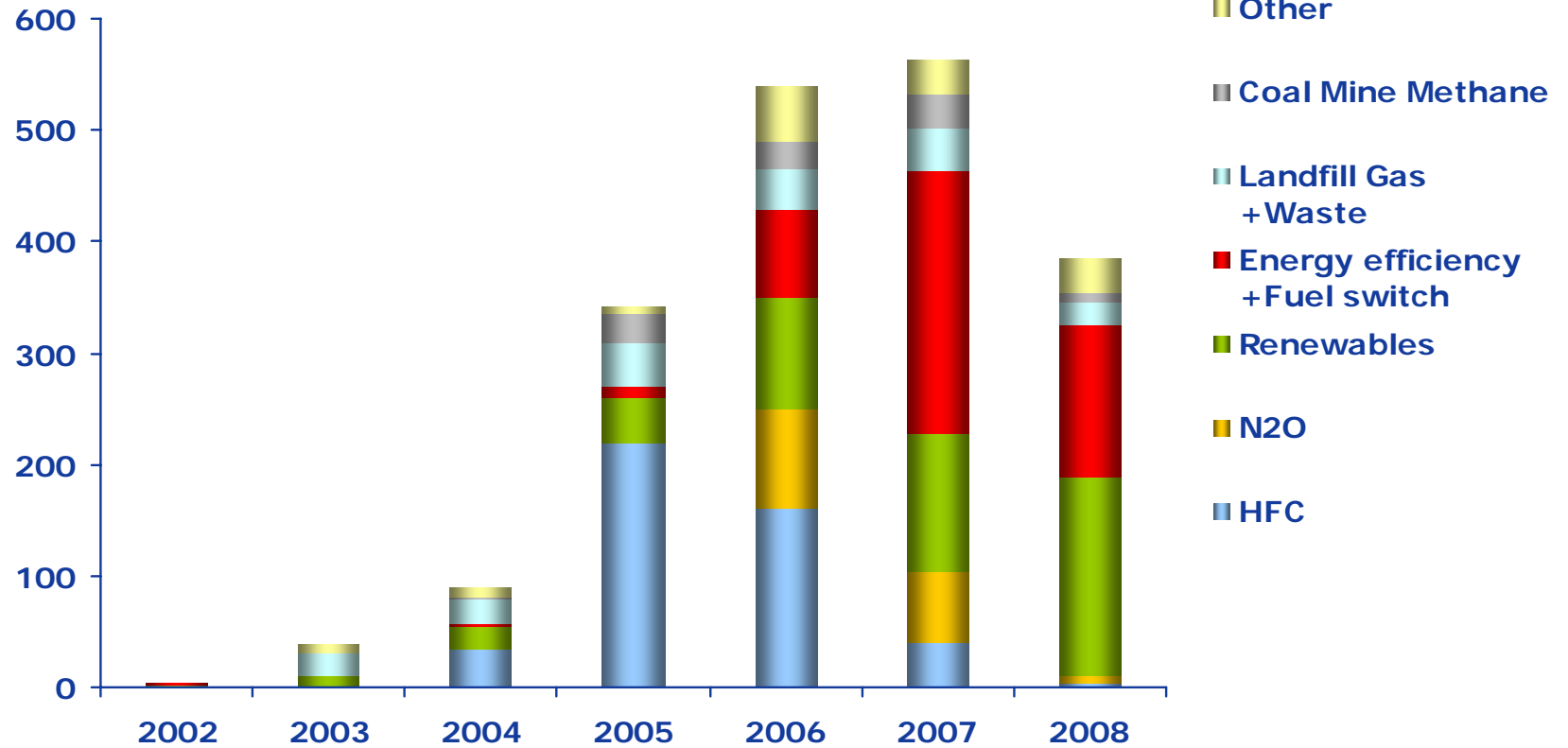
Source: McKinsey, Global GHG Abatement Cost Curve v.2

\*For the period 2026-2030, in order to achieve the abatement potential of -30% GHG emissions vs 2005 level, corresponding to a stabilization at 450 ppm (400 ppm is the level required to contain global warming below 2°C with high probability)



# Bottom-up approach is critical

Primary CDM  
annual volumes  
transacted (Mt)

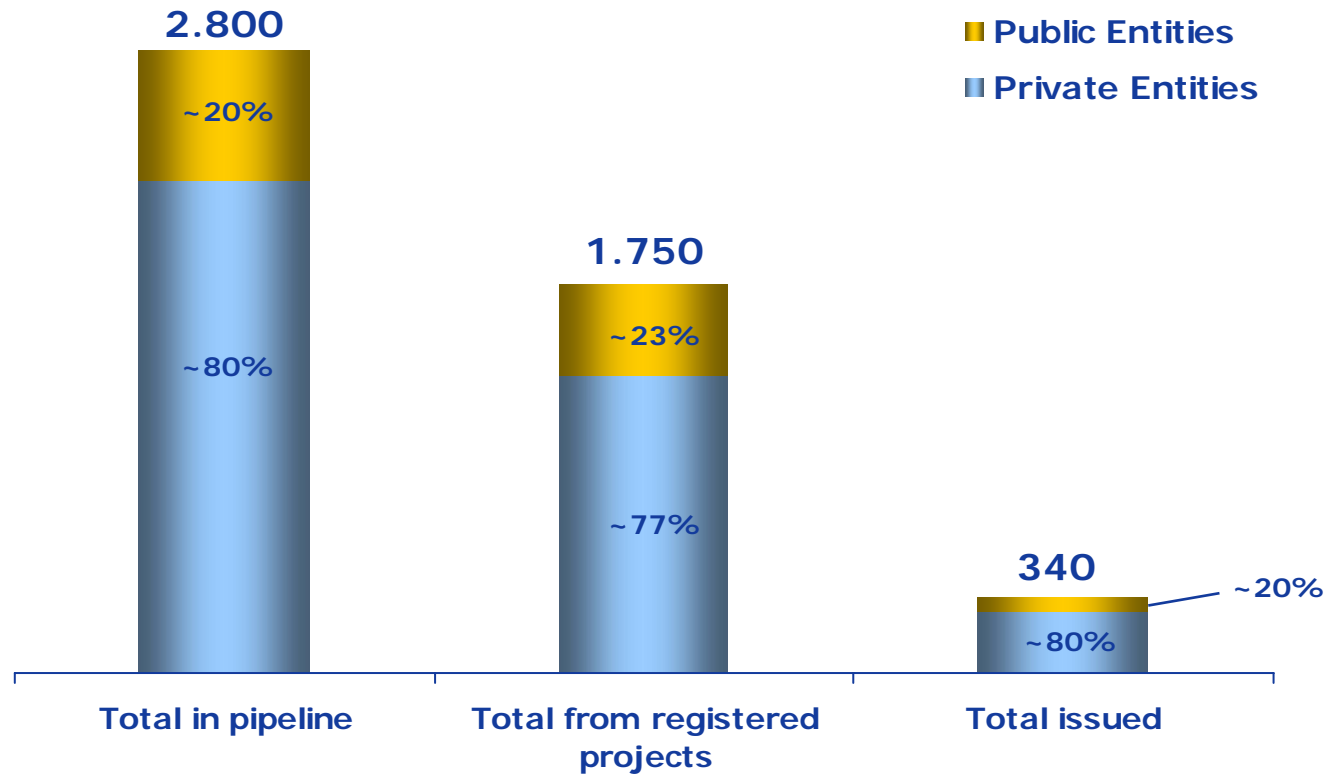


Flexible bottom-up approach able to quickly adapt to demand and technological developments



# Continued private sector involvement

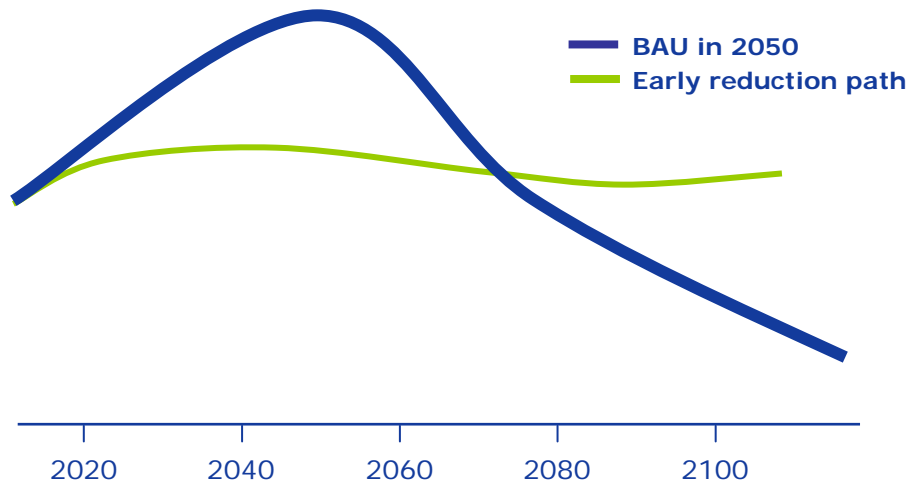
Volume of CDM credits up to 2012 (Mt)



Private sector has played and should play an important role

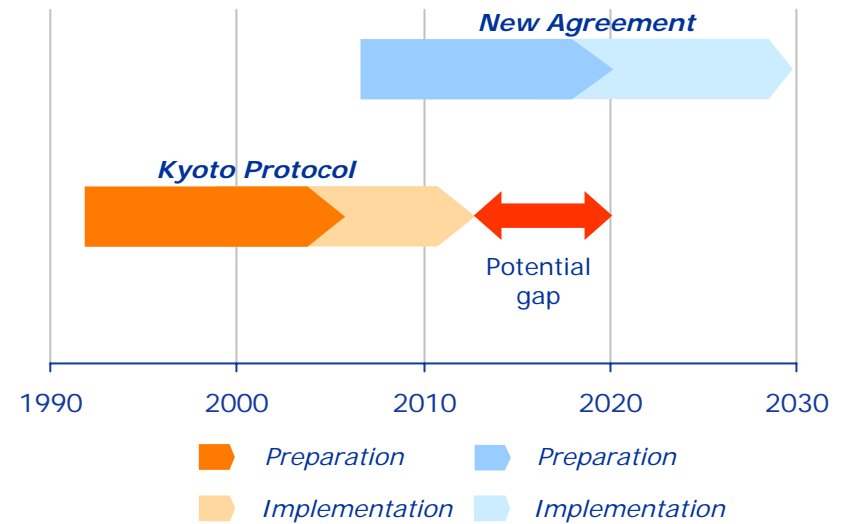
# A critical timeframe

The time we have...



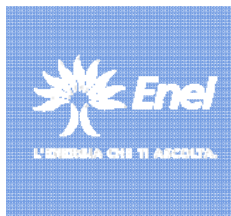
Emission level in order to stabilize GHG concentrations to 550 ppm by 2100\*

The time we are taking...



**“Mind the gap” - Time is running out**

\*Source: Stern Report



# Key elements for the new flexible mechanism

## Governance

- Environmental integrity ensured on the basis of more clear and/or conservative rules
- Procedures can be simplified and volumes can be increased through programmatic approaches

## Timeframe

- Avoid regulatory vacuum which will undermine investment flows
- Stability should be ensured through clear long term commitments and transparent engagement terms for the private sector

## Private-public partnership

- Private sector is part of the solution: it's the means not the end
- The game should be played in full trust and transparent rules

## Flexibility

- Market creativity should be nurtured through a bottom-up approach
- Solutions must be country and sector specific

**Need to avoid a new start, to build on strengths and act on weaknesses**

# Conclusions

- **Because time is running out we need to search for innovative solutions while preserving environmental integrity**
- **The CDM has a proven performance and significant improvement potential**
- **New mechanisms need to be pragmatic and should take advantage of the potential offered by private-public partnerships**