

Wuppertal Institute
for Climate, Environment
and Energy

Moving Beyond Offsetting

Presentation at the Side Event
**The New Finance
Architecture for Post-2012**
COP 14 Poznan
4 December 2008

Wolfgang Sterk
Research Group
Energy, Transport and Climate
Policy

Starting Point

- The Challenge: Financing low-carbon development in the South. Especially emissions trends in the rapidly industrialising countries need to divert from BAU by 2020
- CDM is seen by many as an important mechanism to contribute towards this aim

The Problem

- The CDM needs to be fundamentally restructured, for two main reasons:
 - In its current form, the CDM massively endangers the environmental effectiveness of the Kyoto Protocol
 - There is no “free atmospheric space” that could be traded around the globe anymore

Environmental Integrity

- Raft of studies questioning additionality of many projects, e.g. Öko-Institut, Stanford University, International Rivers
- Problem is fundamental, you cannot prove a negative, investment decisions depend on variety of factors, not only one
- At the same time CDM pipeline is exploding, almost 3 Gt expected by 2012 (UNEP Risoe)
- Many Annex I countries depend on CDM for meeting Kyoto targets (or would need to by AAUs)

Environmental Space (I)

Zur Anzeige wird der QuickTime™
Dekompressor „TIFF (Unkomprimiert)“
benötigt.

Global Pathways Towards Stabilisation (Table 5.1 of IPCC AR4 WGIII)

Environmental Space (II)

Zur Anzeige wird der QuickTime™
Dekompressor „TIFF (Unkomprimiert)“
benötigt.

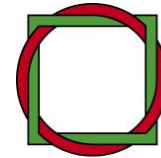
**Necessary Change in Emissions by 2020 for Different Stabilisation Levels
(Höhne and Ellermann 2008)**

Environmental Space (III)

- To achieve 2°, both ranges must be achieved
- Emission reductions achieved through the CDM in non-Annex I contribute to the 25-40% reduction in Annex I, not to the “substantial deviation” required in non-Annex I.
- That is, ecologically speaking, CDM offsets should only come from non-Annex I reductions that are surplus to the necessary “substantial deviation” in non-Annex I.
- Given current emissions trends, a 15-30% deviation from baseline in non-Annex I is highly ambitious. It is therefore not at all clear where and how “surplus reductions”, which could then be used via the CDM to offset Annex I emissions, are supposed to be generated.

Conclusions

- Lack of environmental space:
- The time of offsetting is over, Annex I countries should prepare to meet targets domestically
- The CDM should be repurposed, from a tool to help meet Annex I targets into a tool to implement BAP in delivering MRV finance and technology transfer to non-Annex I
- Lack of environmental integrity:
- Need to fundamentally rethink approach to screening out BAU activities
- Move away from project-by-project additionality testing towards more objective criteria such as sectoral benchmarks, technology penetration rates



Wuppertal Institute
for Climate, Environment
and Energy

Thank you very much for your attention !



For further information
please visit our website:

www.wupperinst.org