



Strengthening the CDM

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Observations & Trends

■ EUAs

- Driven by gas prices
- Supply – many players not in the market
- CER risk
- GIS

■ CERs

- Bankable
- Good in many regimes
- Regulatory uncertainty
- Demand not met by supply

■ EURs

- Limited supply of Track 1
 - EU ETS
 - Ukraine and Russia may not qualify
- No rules on T2, possibly similar to CDM in complexity



What is needed

- Companies with good GHG rating to enter CDM market
- ITL solved
- Enhancement of CDM – opportunity to stay in the competition with JI, GIS, New bilateral agreements
- “Prompt start” for JI
- Montreal a critical point for GHG markets and the future of market approaches
- LA position is critical on CDM – if CDM fails the market approach will fail



Issues in Process, Administration, Governance

- CDM perceived as
 - Complex
 - Challenge to integrate in the normal course of business processes.
- Key processes:
 - Approval of New Methodologies
 - Project Registration



Main root causes

- Governance Structure
- Roles within the CDM Processes.
- Serious Lack of Funding.
- Substantive - additionality



Way Forward

- MoP
 - “owner” of the process
 - Pragmatic approach
 - ToR for EB members
- EB
 - Address policy issues
 - Accountable to MoP
 - Review projects by exception
 - Direct interaction with stakeholders on principles
 - Written decisions with reasons for decision



Way Forward

- CDM Programme/Support Unit
 - Head appointed by UNFCCC Sec
 - Accountable to the EB
 - Use UNFCCC admin apparatus
 - Professional staff
 - Methodologies
 - DOE Relations
 - Help Desk
 - etc

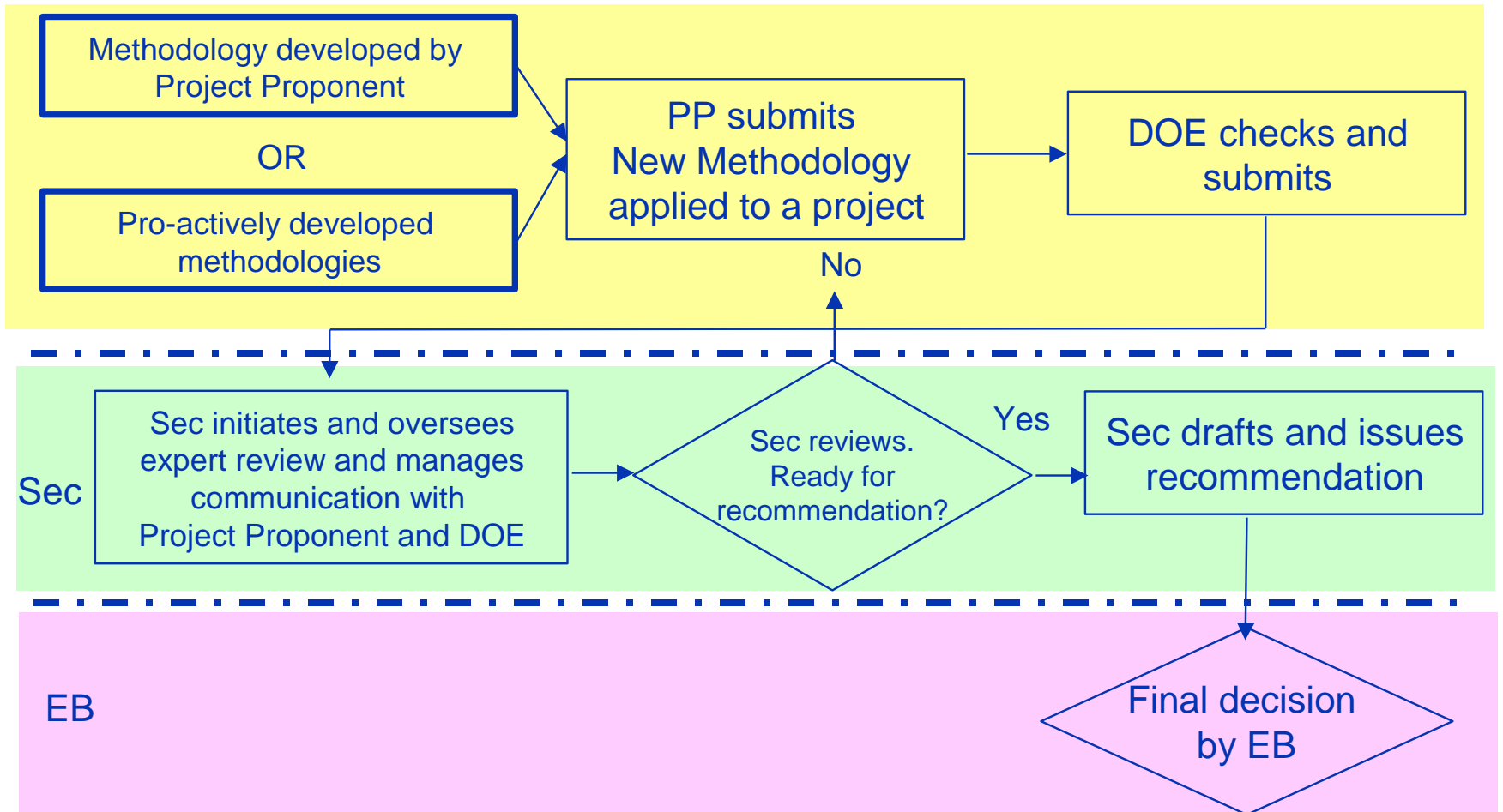


Way Forward – Roles & Responsibilities

- Methodologies – CDM EB Sec to use outside contractors
- Top-down and bottom up
- Additionality – focused on baseline
- Performance indicators
- Resource availability – need to put a price tag and make it available before MoP1



SUSTAINABLE MARKET SOLUTIONS FOR GLOBAL ENVIRONMENTAL PROBLEMS





For more information

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