



The Centre for European Policy Studies
Thinking Ahead for Europe

ECP Seminar – Designing a Strategy to Improve the Functioning of the CDM

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Brussels



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The European Climate Platform (ECP)

To establish a structure to improve interaction between research, policy making and stakeholders within Europe and between Europe and the rest of the world.

An initiative by MISTRA' Climate Policy Research Programme (CLIPORE) and CEPS

ECP key elements for success

- **Strong link to the policy processes at national, EU and international level;**
- **Pan-European platform**
- **Broadly representative for Europe**
- **Independence from vested interests**
- **Ambitious, but realistic short-term objectives**

ECP objective: Process Research

Process research: concrete (relevant, realistic, operational) policy recommendations based on Background Papers and Dialogue between policy-makers, researchers and stakeholders

- **Discussions are off-the-record**
- **participants speak in personal capacity**
- **Responsibility lies with ECPRS and chairs**
- **Transparency**

CDM seminar 4 October

- **Presentation of 2 Background Papers (i) The State of CDM debate; ii) Hype or Reality: Can the CDM trigger FDI?**
- **Informal but structured discussion**
- **Final ECP Report with policy recommendations**

Proposed procedures after 4 October meeting

- **Draft of ECP report based on Background Papers, seminar discussions and Chairs' conclusions**
- **Circulation of Draft report for comments on 4 November (after Canadian workshop on CDM and G8/WB event on investment and climate change)**
- **Incorporation of comments**
- **Publication ahead of COP11**
- **Side event COP11**

Disclaimer: We plan to list all names of Seminar participants in an Annex of the Final Report. A disclaimer will make clear that the “various versions of the report have been discussed with Seminar participants but that responsibility for the report lies with the authors and the Chairs”.

The State of the CDM Debate

ECP Background Paper #1

CDM – objectives and expectations

- **Objective 1: Tool to meet GHG emissions reduction target (KP, art. 12)**
- **Objective 2: Sustainable Development (KP, art. 12)**
- Low-cost abatement option for Annex I Parties *and* legal entities covered by the EU ETS
- Pillar of the ET market
- Involves developing countries
- Increases awareness
- Involves private sector
- Greening investment
- Technology transfer
- Attracts FDI

Issues of the CDM

- **Governance (functioning of EB and DNA's)**
- **Objectives (additionality and sustainable development)**
- **Project Eligibility (e.g. debate on sectoral CDM)**
- **Market Functioning (supply & demand, market infrastructure)**

Governance

- **Problems:**
 - **EB functioning**
 - **DNA's: establishment and maintenance**
- **Suggestions for reform:**
 - **EB: Adequate funding & Staffing**
 - **EB as stand alone body**
 - **Capacity building in host countries**

Objectives

- **Problems (of definition):**
 - **Additionality**
 - **Sustainable Development**
- **Suggestions for reform:**
 - **Abolish “financial additionality”**
 - **Rethink interpretation additionality**
 - **Harmonisation of def. sustainable development**
 - **Other objectives, e.g. incentives for the use of advanced technologies**

Project Eligibility

- **Problems:**
 - **Imbalance of project types**
 - **Geographical imbalance**
 - **Narrow range of projects allowed**
- **Suggestions for reform:**
 - **Additional incentives for small-scale CDM**
 - **Extension towards a broader range of forestry and bio-energy projects**
 - **Move towards sectoral CDM**

Market functioning

- **Problems:**
 - **Intransparency**
 - **Low supply of projects**
 - **High transaction costs**
 - **Uncertainty regarding market infrastructure (International Transaction Log)**
 - **Uncertainty future of CDM**
- **Suggestions for reform:**
 - **Stimulate demand and supply**
 - **Rapid establishment ITL**
 - **Certainty re continuity CDM in future regime**

Seminar Debate

Which issues to address and how to address them?

- **Funding EB**
- **Interpretation additionality**
- **Adjusting the CDM to and attract more FDI (Paper #2)**
- **Sectoral approach**
- **Creating certainty on the future of CDM**
- **Other?**



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