Options for differentiation in the CDM

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  - Parties
  - Technologies
- Impacts on credit supply
Issues in the CDM

• Regional distribution
• Sustainable development
• Technology transfer
• Contribution to global GHG reduction
• Environmental integrity

Should all Parties/technologies be treated the same?
Differentiation by Party (1)

- Eligibility to host projects:
  - LDCs/SIDS
  - Emerging economies
- Eligibility to use CERs
- Multiplication/discounting
  - 1 tonne of CO$_2$-eq would equal more or less than 1 CER
- Supply quota for certain host countries
- Allocated demand
Differentiation by Party (2)

- ‘Preferential treatment’
  - Removal of additionality test
  - Specific funds for project (cycle) financing
  - Change the threshold for small-scale projects for certain host countries
  - Simpler procedures
  - Adaptation levy and share of proceeds
Differentiation by technology type

- Eligibility
  - Nuclear, CCS, new HCFC-22, REDD
- Positive list (automatic additionality)
- Minimum level of co-benefits
- Multiplication factors
  - < 1 for industrial gases?
  - > 1 for renewables / energy efficiency?
- Allocated demand
Differentiation by project type (2)

- Preferential treatment
  - Use of ambitious benchmarks
  - Financial support
  - Simplified additionality test
  - Adaptation levy and share of proceeds
  - Taxes
CDM supply curves

- All technologies
- Avoided deforestation
- CCS
- CDM eligible technologies

MtCO$_2$/yr vs. US$/tCO$_2$-eq
Conclusions

• Differentiation could contribute to
  - CDM beyond offsetting
  - More sustainable development benefits
  - Improved regional distribution
• How to differentiate?
• Impacts
  - Carbon market
  - Politics
  - Incentives
  - Other proposed mechanisms
  - Complexity