The CDM and Future Flexible Mechanisms Post-2012

Which future mechanisms?
A market perspective

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CDM/JI Risk Types

Cumulative Risk

- Regulatory Process
- Funding
- Production (political)
- Regulatory Acceptability
- Demand (political)

Time (Project lifetime)
Regulatory Approval Risks

Could be addressed post-2012 by:

• Deemed Value Approach
• Two-Step Approval Process
• Risk-based Discounting
• Insurance Requirement
Regulatory Acceptability Risks

- Nuclear
- Large Hydro
- Forestry
- Agriculture
- National Origin
- Trading Scheme Acceptability
- Post-hoc national vetoes
Demand Risks

Sources of demand:

EU-ETS
EU Sovereign
US ETS(s)
US sovereign
Japan ETS
Japan sovereign
Canada ETS(s)
Canada sovereign
Australia ETS
Australia sovereign
Russia
Other ETS/Sovereign
Non-compliance private sector
Post-2020 banking
Market-makers
“+5”

Types of supply:

• Conventional CDM/ JI
• Programmatic CDM/JI
• Policy/PAMs offsets
• Sectoral/benchmark crediting
• AAUs
• REDD

Factored by supplementarity
Which Future Mechanisms?

• Those that reduce risk and transaction costs
• Those that offer a prospect of an expanding market
• Those that allow scope for private-sector ingenuity and risk-taking
• Those that correspond to demand