

# Beyond offsetting: The only future for CDM....

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# CDM is a spectacular failure (1)

- CDM has twin goals of reducing global emissions and bringing sustainable development benefits to local communities. It fails almost 100% on sustainable development (no financial incentive + means to do this) and close to 100% on reducing emissions because of lack of additionality and the way it is assessed.
- This system cannot carry on in the current state. Needs urgent reform (consistent additionality testing, credible projects, system/nation-wide realistic benchmarks) which can only be driven by largest consumer – EU ETS.





# CDM is a spectacular failure (2)

## Politics:

- Lack of consistency in additionality testing and inherent scope for abuse of system.
- EU has ruled out CDM as a bargaining chip for the international negotiations during current ETS reform.
- Current CDM will not deliver key developing countries (China, India, South Africa, Brazil and Mexico). Eg Mexico is asking for a global climate change fund where ALL countries make financial contributions and the most needy take contributions.





## Beyond offsetting (1)

- Financial assistance to developing countries comes through a combination of funds, markets, regulations and product standards.
- Beyond offsetting: need to start with the size of the cap first. 30% domestic PLUS 15% for financial assistance to non-Annex 1 (this is where flexible mechs sit)







## Beyond offsetting (2)

- Objective: focus flow of private sector finance into genuine sustainable development. This requires:
  - investment in host country governance infrastructure
  - Transparent, monitorable, Reportable, verifiable, and credible emission reduction parameters in key GHG intensive sectors.
  - Transparent and sizeable financial flows into host countries.
  - Supporting regulatory enforcement in global trade to move towards low carbon products.





## Areas for discussion

- Focusing credit generation into a few key sectors/gases eg. Power sector & heavy industry. This requires project differentiation with barriers to access.
- Need comprehensive picture outlining multiple means of influence and financial support eg Greening FDI, credit generation.
- Need to accommodate South-South financial flows.....





## Areas for discussion (2)

- Competition among offsets: domestic offsets, AAUs, linked emission trading schemes, JI = All compete for the same LIMITED offset space.
- Regional differentiation: What are the political implications of this?





**Wake up!**  
**It's time to fight Climate Change!**



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