

Options for differentiation in the CDM

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CEPS CDM taskforce, Brussels, 20 November 2008



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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 CO₂-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

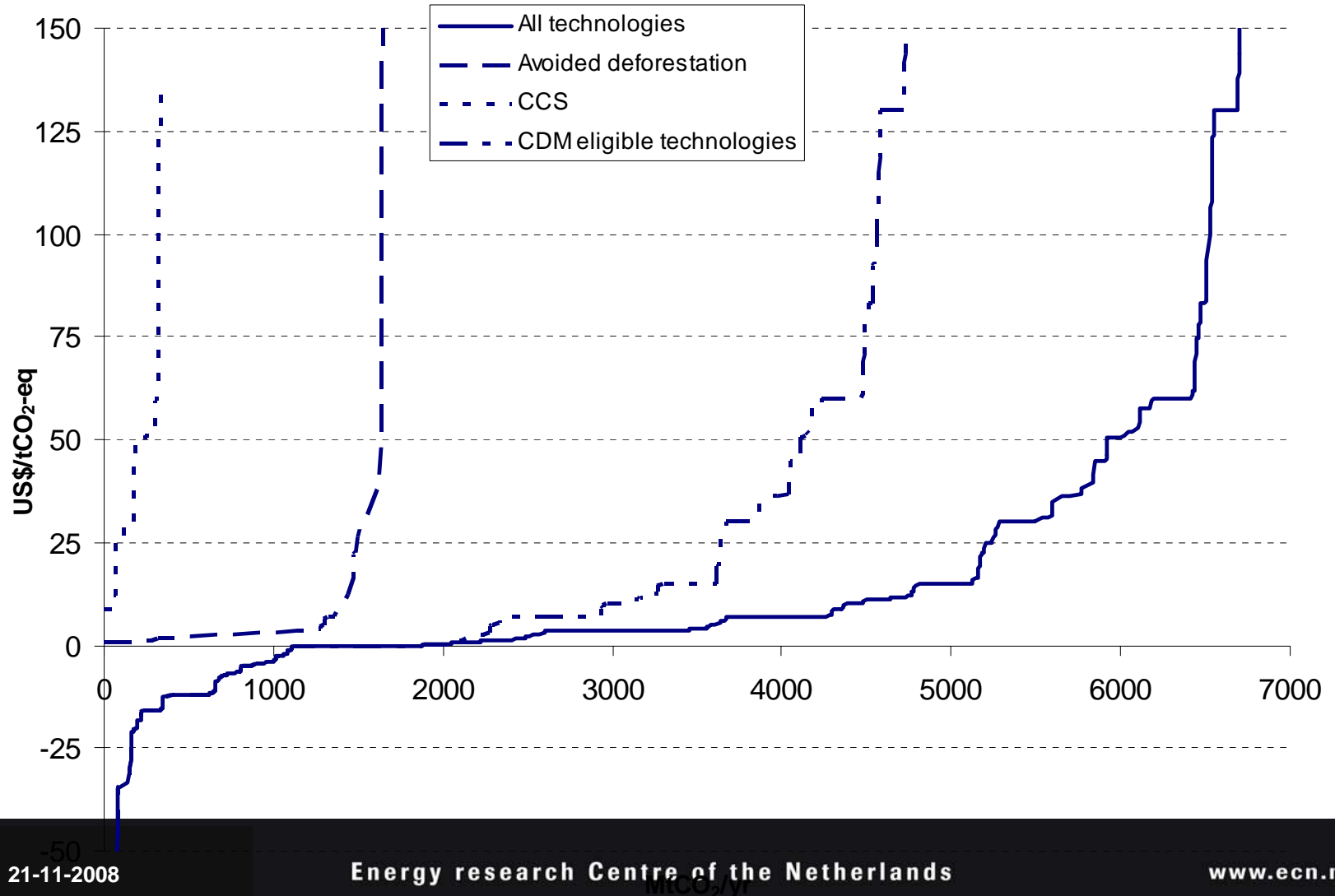
Differentiation by technology type

- 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



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