



The CDM and Future Flexible Mechanisms Post-2012

Which future mechanisms? A market perspective

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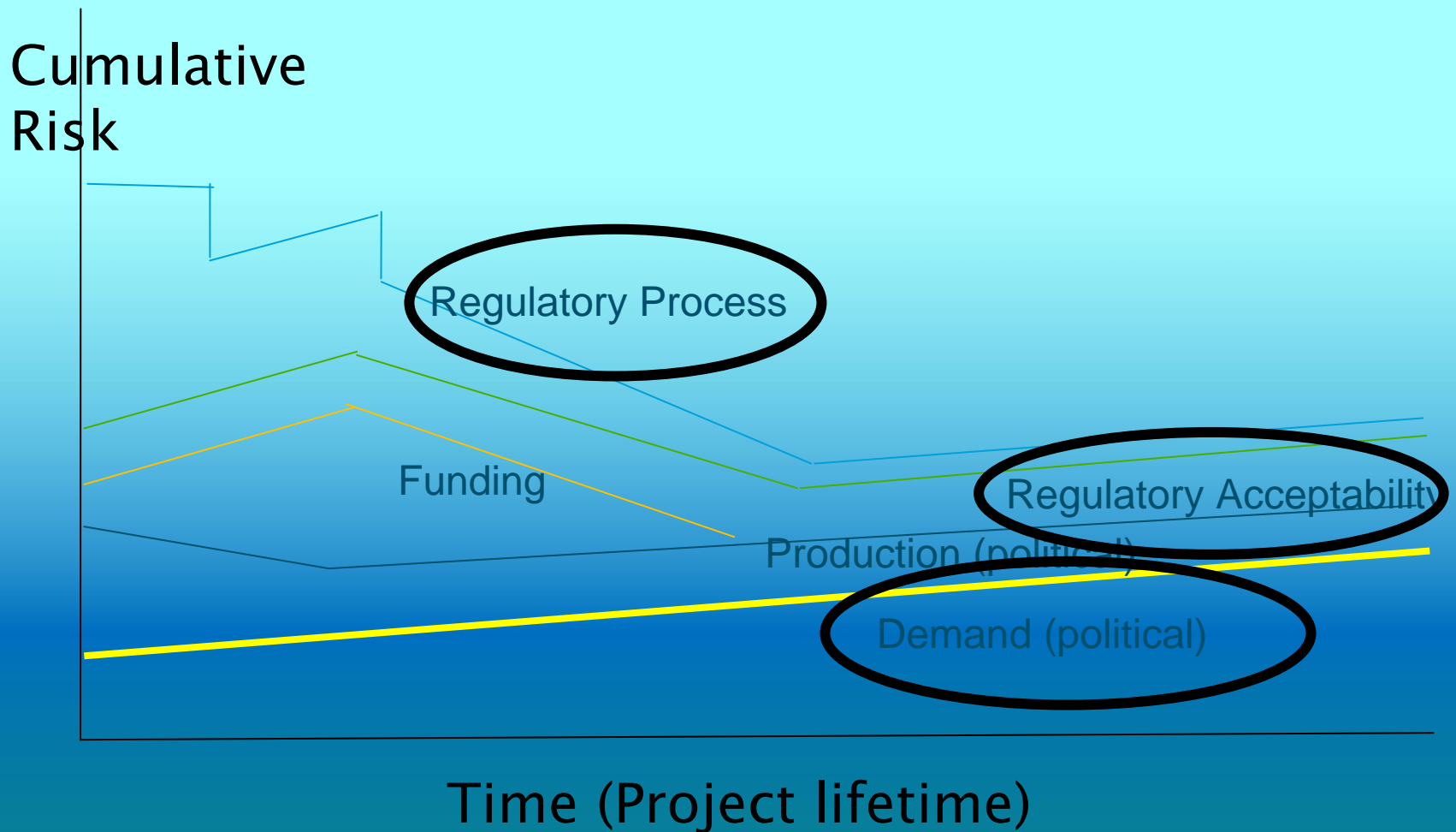
CEPS, Brussels
14 January 2009



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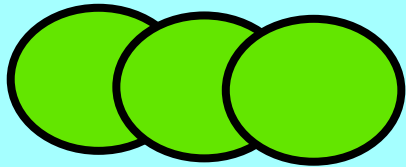
CDM/JI Risk Types



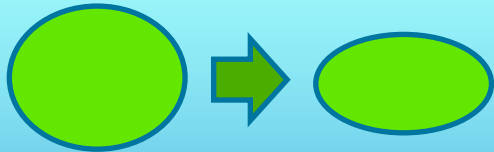


Regulatory Approval Risks

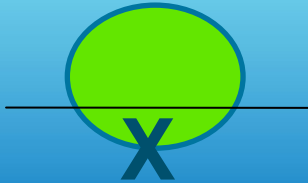
Could be addressed post-2012 by:



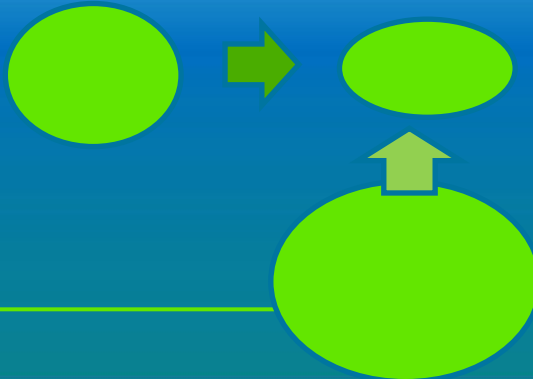
- Deemed Value Approach



- Two-Step Approval Process



- Risk-based Discounting



- Insurance Requirement



Regulatory Acceptability Risks

CDM Rules

EU

- Jurisdictional Rules -

California

- 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”

*Factored by
supplementarity*

Types of supply:

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



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