



Future mechanisms to support the post-2012 architecture


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Lessons learnt from the CDM

Reform issues

- Improvement of the administration of crediting mechanism to make it more business friendly, efficient and transparent;
- Improvement of the environmental integrity of future mechanisms to guarantee the additionality of emissions reductions;
- Moving beyond a project-based approach
- Moving beyond offsetting; and
- Moving beyond a 'one-size-fits-all' approach

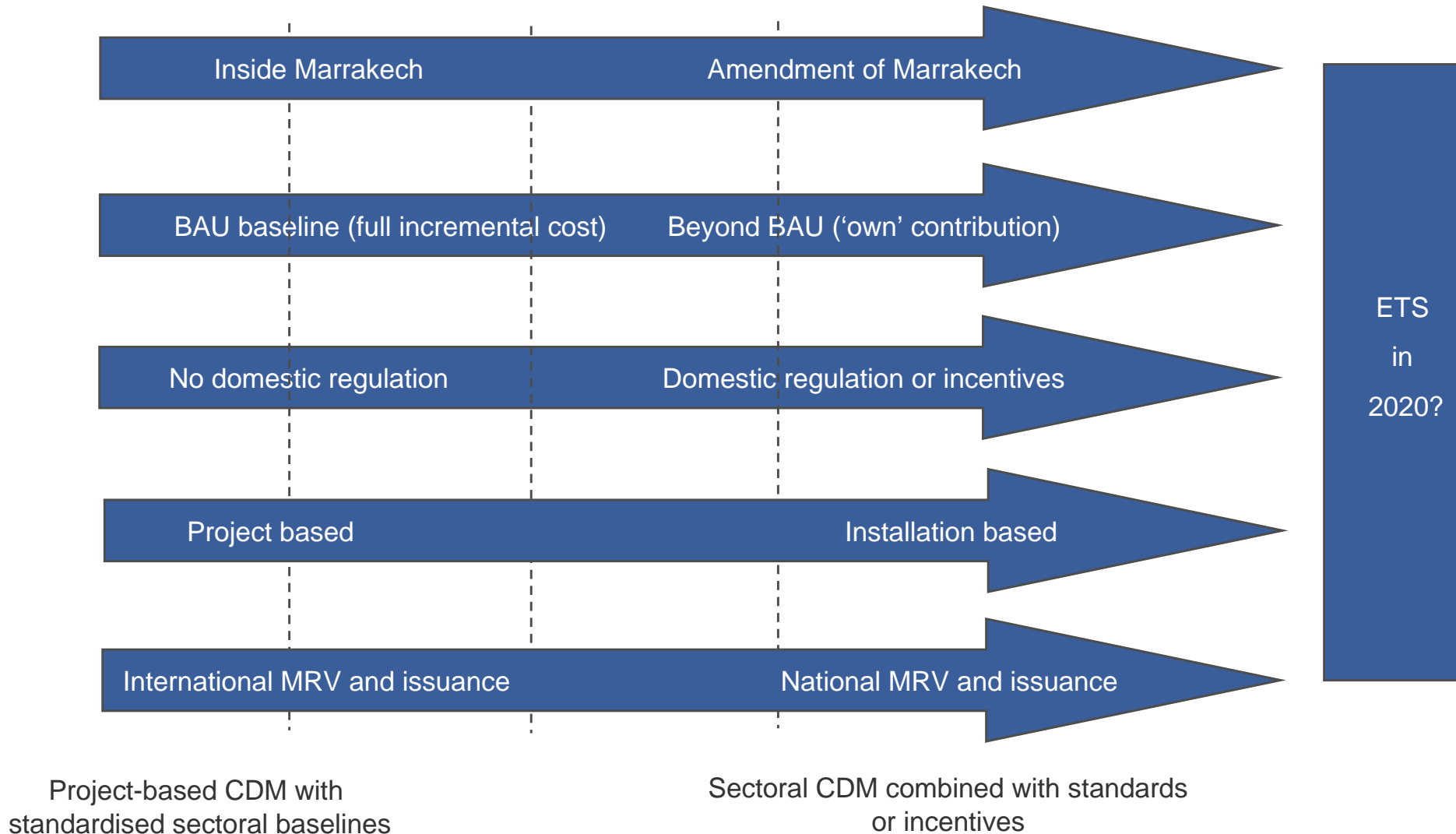


How fast can governments reform without undermining investor certainty?

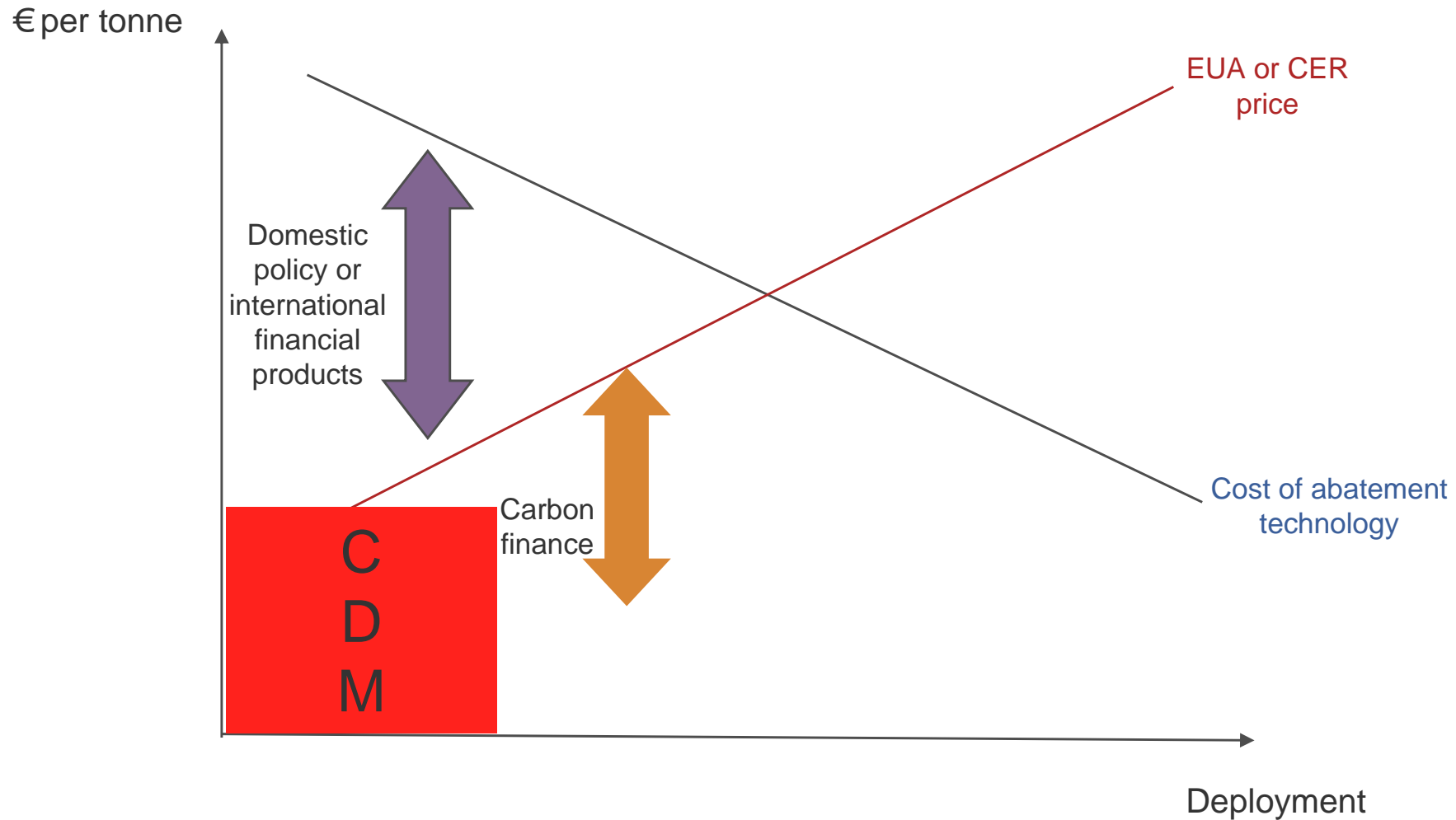
Likely evolution

- Differentiation between developing countries, including discounting
- Increased standardisation
 - ▶ Lower transaction costs
 - ▶ Easier to get to scale
 - ▶ Easier to differentiate
- Change in the interface with policy (the E+/E- rule)
- Technology specific standards
- Installation level MRV instead of activity (project) level MRV

Evolution of carbon finance away from project-based offsets



Role of carbon finance in policy co-financing



Key messages

- Without a combination of post-2012 demand and regulatory visibility on the demand and supply sides, there will be little further private investment – so what is the role of public sector in enabling learning by doing?
- Programmatic CDM is a natural place to start to address the intersection between policy and carbon finance
- Donor financing (financial products and technical assistance) through policy based support provides the option of policy co-financing and enables technological and regulatory capacity building including strong MRV. What is the link to the UN financing and technology transfer negotiations?
- Differentiation of actions? Demand centres will impose unilateral restrictions unless the UN talks result in a new supply-side approach to both qualitative and quantitative concerns
- Governments must avoid disintermediating the private sector



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