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INTERNATIONAL EMISSIONS
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Report of High Level Panel on CDM

Initial Responses – Future Impacts

Center for European Policy Studies, Brussels

14 September 2012

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Opening Remarks

- ▶ CDM's success is in the “mind-shift” in developing countries
 - ▶ Climate action can be cost effective – market mechanisms work
 - ▶ As EDF used to say, “make the right thing easy, and the wrong thing hard”

- ▶ With 4,000+ projects registered, and 4,000 in the pipeline, it exceeds our wildest expectations of 1997
 - ▶ Importantly, CDM raised expectations around the world
 - ▶ If unrealized, could backfire and reduce interest in market mechanisms

- ▶ IETA urged CDM reforms from Montreal onwards
 - ▶ Some implemented, many are staggeringly slow
 - ▶ Good to see some included in recommendations

- ▶ But we need to do more to herald CDM's success – while encouraging a culture of continuous improvement

In Focus – brief commentary on a few key points

1. Urgently address **crisis in demand**
2. Develop new approaches to **enhance mitigation impact**
3. Set robust standards to **enable linking and harmonization**
4. Support the rapid implementation of the GCF
5. Implement **standardized methods** for assessing additionality
6. Ensure that CDM projects help achieve **sustainable development**
7. Strengthen co-benefits and enhance scope of energy technology
8. Encourage greater access to CDM by under-represented regions
9. Rethink existing **governance** arrangements
10. Improve stakeholder interactions and public engagement
11. Establish mechanisms for **appeals and grievances**
12. Promote regulatory certainty and streamlining

Crisis in demand

- ▶ **Elephant in the room, so proper for Dialogue to address**
 - ▶ In Montreal, IETA was furious about delays, bottlenecks, inconsistencies, lack of appeals, and extremely low CER output
 - ▶ In Copenhagen, IETA saw new prospects – but US legislative failures and global economic crises have lowered demand

- ▶ **Reserve bank idea is interesting**
 - ▶ But is government climate funding also in crisis?
 - ▶ What is realistic to expect in the near term?

- ▶ **Enabling EB to restrict supply is dangerous !!!**
 - ▶ CDM Board suspected of meddling with supply – added market uncertainty
 - ▶ BAD idea to institutionalize it
 - ▶ Runs counter to the recommendation to increase ambition!

Enhancing impact

- ▶ Testing new sectoral & REDD mechanisms is beneficial
 - ▶ No other body (save the JISC) is positioned to do this
 - ▶ Could add credibility to pilots of New Market Mechanisms or Sectoral Crediting

- ▶ Important benefit = centralized, reliable **registration & issuance process**
 - ▶ Language in Report would encourage this to become more fragmented
 - ▶ Decentralized registries in EU were prone to security breaches
 - ▶ For many countries, the option of a UN registration, issuance and tracking system could bolster prospects for attracting international investment in NMM projects

- ▶ Again, bad idea to encourage the EB to restrict supplies of low marginal cost strategies
 - ▶ We need more of low cost strategies, not less!
 - ▶ Do we introduce a new uncertainty?
 - ▶ Runs counter to the goal of **increasing ambition**

Enabling linking + standardization

- ▶ Over the long term, possibly the **most important recommendation**
- ▶ Common standards, MRV and governance could bolster the prospects of major links that enhance carbon market efficiency
- ▶ CDM served as the “global link” between major pockets of demand (EU, Japan)
- ▶ If this recommendation is implemented, it could position a “new & improved CDM” to become the forerunner of the “NMM”
- ▶ Improved approaches to standardization (Recommendation 5) are central to success in this field

Ensuring sustainable development

- ▶ Sensitive area, given host country primacy in KP and Marrakech
- ▶ But again, standardization could simplify business analysis and boost prospects for host countries by reducing risks
- ▶ Panel recommendation to enable withdrawal of host country approvals runs counter to goal of creating climate of business certainty
 - ▶ Need to focus on ways of limiting withdrawals to cases of extreme change – or after a defined period
 - ▶ If countries can withdraw approvals with no bounds, then CDM becomes MUCH more risky

Governance + appeals

- ▶ Board should meet quality criteria
 - ▶ Term limits are not as important as professionalism and independence
 - ▶ What if a “peer review” technical competence test were applied?

- ▶ Appeals process is *WAY* overdue
 - ▶ Recommendations are sensible
 - ▶ Local stakeholder grievance process needs guidelines
 - ▶ But recommendation is flawed in not pushing for Stakeholder concerns to be addressed prior to investments (report suggests after the fact changes, which are problematic)

Concluding thoughts

- ▶ HLP Report is important – but follow up is key

- ▶ Government & stakeholders need common emphasis on the goal – if 2°C is to be meaningful, the public needs to understand what it means
 - ▶ IEA says additional \$200m/yr by 2020 in clean energy investment
 - ▶ CDM and NMM would need to scale to a much more robust & reliable level of performance to support that level of change

- ▶ Important to continually take stock of where we are on the climb
 - ▶ Trajectory looked bleak in 2004 – 2006 because of CDM's poor performance
 - ▶ Now, it looks bleak because of over-performance
 - ▶ Reality may be somewhere in between as we look to 2050

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