Additionality in the CDM

MARTIN HESSION

UK DEPARTMENT ENVIROMENMENT FOOD AND RURAL AFFAIRS CDM EXECUTIVE BOARD

Introduction

- Policy Responsibility for CDM DEFRA since 2002
- Negotiated EU ETS linking 2004
- Responsibility for a domestic Project Pilot in 2005
- Member of CDM Executive Board since 2007
- Chair of Accreditation Panel since 2008
- Negotiator EU 2005-2009

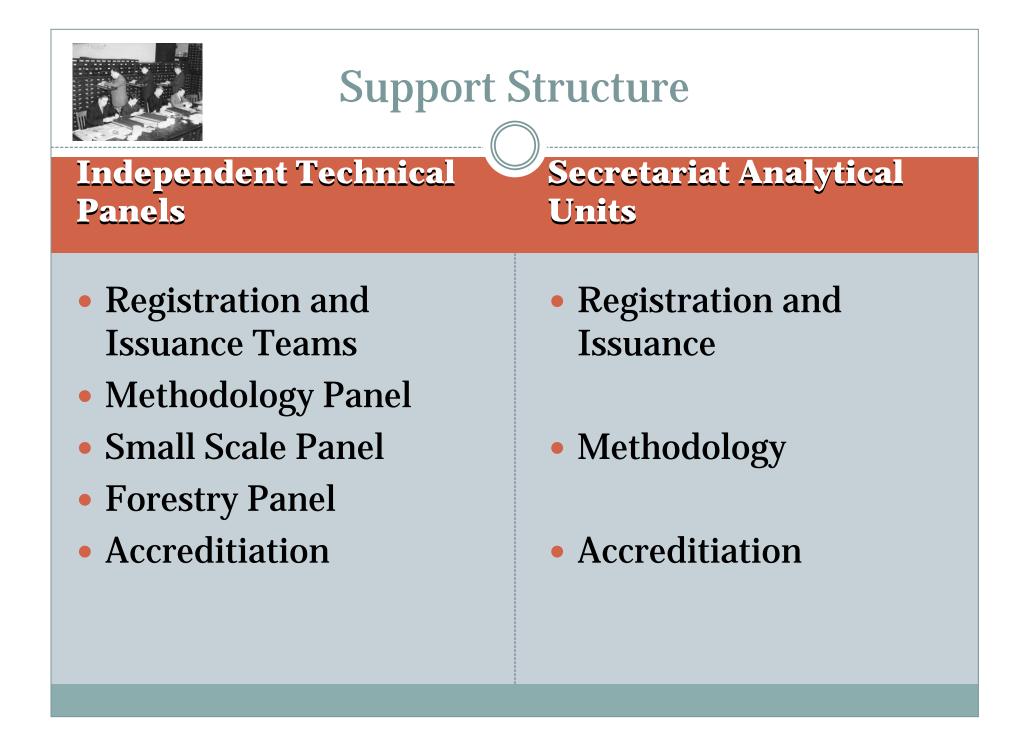
The Clean Development Mechanism

The Legislation

The Executive Board

- Kyoto Protocol 1997 entry into force 2005
- Marrakech Accords -2003
- Annual Guidance to Board of COP/MOP
- Decisions of Board since 2003

- 10 Members 10 alternates,
- Developing and Developed Parties, UN Regional Groups and AOSIS
- Independent Capacity but inevitable <u>p</u>olitics.
- Governs crediting on over 100 countries





EU Commitment Linking to CDM

- EU Trading Scheme only possible with flexibility agreement to access to foreign credits (2004)
- Political imperative to make good commitments breath life into Kyoto in anticipation into entry into force

• But Limits to Use

- Exclusions Nuclear and Forestry Related credits
- Quantitative limits % of effort: need for domestic action
- Qualitative assessment requirements for hydro > 20MW



Additionality: Theory and Practice

Additionality - vague

Three baseline alternative approaches

- Concept difficult and approach in decisions vague:
- Politics Guidance developed tool is nonbinding or non exclusive
- Proof that projects and emissions not the baseline (business as usual)

- Historic Emissions
- Projection what would have happened in absence of project
- Benchmark performance top 20% of projects in 5 years



The CDM Tool 4 Easy Steps?

• 4 Steps

- 0. Proof of Prior Consideration
- 1. Proof that not <u>financially attractive</u> alternative **or**
- 2. Proof that CDM overcome barriers
- 3. Proof that not common practice

Issues

- Guidance deal with "delayed projects"
- Guidance on <u>financial</u> <u>analysis</u> – particularly use of benchmarks
- Proposals regarding use of <u>barriers test</u> in highly profitable projects
- Common Practice not much loved credibility check

Developments to the 4 Steps



- Step O Prior consideration
 - Proof what is acceptable proof of prior consideration
 - Cut Off Date for submission rejected, requirement to inform Board
- Step 1 Financial Analysis ongoing clarification of approach required
 - Benchmark where baseline alternative is do nothing
 - Comparison analysis where baseline an alternative course of action
 - Validation of benchmarks

• Step 2 – Barriers

- Where profitable ?
- Credibility of barriers (how do we assess Financial analysis)
- Step 3 – Common Practice
 - Data issues
 - Credibility Check

Methodologies for Calculation Emissions

- Methodologies are proposed with Projects and therefore are "Project Specific"
- Ownership issues methodologies are public property
- "Generalising" in decision process has lead to allegation methodologies no longer applicable by applicants

- Process of Consolidation of Methodologies – deliberate combination of several versions – also leads to exclusions
- Additionality test often required in methodology

Future of CDM: Need to Move Beyond Offsets

- CDM Improvement Agenda
 - o needed in the short term
- New Sector Mechanisms Agenda
 - o Contributions to baseline
- Trading Agenda
 O Where we want to be
- Broader Financing Agenda

- 2005 Program Concept
 - **o** Programmes not Projects
 - Still waiting to be applied
- 2008 EU tables proposals to UN on "means" to meet targets
 - Sector crediting and trading for advanced economies (BONN and ACCRA)
 - No lose caps
 - o Binding caps