Proposal for CDM reform

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Paradox of the additionality test

- Additionality test prevents make things happen.
  - ⇒ Registration is uncertain. There is a risk of rejection.
  - ⇒ Normally, the CDM doesn't cover investment cost. Moreover, it raises upfront cost.
- Project owners can not rely on CDM income.
  - ⇒ They must expect CDM income as "additional," which means bonus.
  - ⇒ They must be conservative in calculating future income, such as excluding CER sales, which makes the project non-additional.

One proposal for CDM reform

- Removing additionality test for specific types of project.
  - ☞Renewable energy, such as wind power, geothermal, photovoltaic, solar thermal.
  - ☞Other specific projects may be included, but it is needed to specify the eligible technologies first.
  - ☞It is easier to begin with renewable energy, which emit no GHGs and have no leakage effects.

Why removing additionality test

- To promote “additional” GHG reductions as well as co-benefits in host countries.
- To give predictability for entities who rely on CDM income as essential revenue.
- Predictability is needed to incentivize entities to achieve something ambitious. (=additional emission reductions)
- Automatic registration will give predictability.

Why removing additionality test?

- It is clear that projects such as wind power, geothermal, photovoltaic and solar thermal are not profitable without additional incentives.
- The lifetime of those facilities is more than 10 years, which may be longer than a crediting period. After the crediting period, it will contribute to net reductions.
- CERs from those projects are merely 10% of the expected total CERs up to 2012.

Double Dividends

- In the future, CER income alone may make renewable energy projects economically viable, without the support such as feed-in-tariff.
- A double dividend can be expected; while the CDM helps achieve additional GHG reductions, the host countries may be relieved of the cost burden to maintain the subsidies (co-benefits).

Issue to be considered

- Expected demand and supply of amount of CERs.
- Eligible countries to apply.
- Shortening crediting period in return for automatic registration.
- Including biomass energy.

Thank you very much

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