

Promoting efficient market solutions to combat climate change

Overarching Architecture for a Global Emission Management Strategy











www.cmia.net





Who we are



CMIA is an international trade association representing firms that finance, invest in, and provide enabling support to activities that reduce emissions. Our international membership accounts for an estimated 75 per cent of the global carbon market, valued at USD 130 billion in 2009.

Our effectiveness and credibility as a voice in the policy making arena is founded on our unique profile - an international, emitter-free association, representing the entire value chain of carbon finance.



Most developed sectors		
3601013		
Kmond		
Global economy		
Least developed sectors	▲ Time	
	20% of global economy	80% of global economy
TRICTLY CONFIDENTIAL	under GHG management	under GHG management















What do these mechanisms

look like?

Lev	Mechanism	Baseline	Additionality	Delivery	Contribution	Change required from
el				incentive	to global mitigation	previous level
1	Current CDM	Absolute for specific project, but based on intensity emissions factors (eg grid emissions factor tCO2/Mwh)	Must be proven based on financial analysis or other barriers	Sale of CERs as offsets, revenues go directly to project owner / investor	Pure offset, host country has no ownership over reductions	Reduced transaction costs and increased efficiency
1+	Reformed/standardized CDM	Standardized (under development) – provides scope for different types of methodologies	Standardized – prvides scope for different approaches to additionality	Sale of CERs as offsets, revenues go directly to project owner / investor	Pure offset, host country has no ownership over reductions	Standardized baseline and additionality modalities accepted by CDM EB and Secretariat
2	Benchmarks Technology specific benchmarks for homogeneous sectors; multiple measure benchmarks for heterogeneous sectors	Baseline is emissions intensity benchmark, set at an agreed level better than BaU and applied to a defined population	Achieving the benchmark requires additional actions. Beating the benchmark generates emission reductions	Sale of ERs as offsets, calculated through either individual site performance or from whole participating population, delivered directly to installation owners or investors	Majority offset, but setting the baseline beyond BaU means there is a host country contribution to mitigation, albeit hard to quantify accurately	Intensity benchmark(s) agreed across the population or sub-sector. Some potential overlap with Standardized Baselines under CDM above. Otherwise improved institutional infrastructure required to agree benchmark levels and administer crediting mechanism
3	Crediting baseline mechanism	Absolute emissions target agreed for sector or subsector, mechanism to achieve target specified for each sector (eg cap- and-trade with no international penalty for non-compliance)	Achieving the cap requires additional actions. Beating the cap generates emission reductions / frees up allowances	Resulting ERs delivered to host country Government if sector beats target; sold on international market or distributed to installations	Mixture: domestic contribution due to difference between BaU and crediting baseline; allowances below crediting baseline may be banked or sold as offsets	Significant institutional infrastructure and maturing economic sector required to agree absolute target, and to define specific mechanism to exceed target and to administer mechanism.
4	Cap and Trade	Absolute cap is negotiated sector per sector	Not applicable by definition	Host government may use mandatory cap and trade scheme where allowance price drives investment (like EU-ETS)	Entirely host-country mitigation. Can use offsets supplied from other mechanisms within bounds of supplementarity	Sector must be mature enough to be confident of breaking the link between economic growth and emissions growth. Linkage to other offsetting mechanisms. Institutional infrastructure required to manage and enforce mandatory cap and trade
5	Economy wide cap	Absolute economy wide cap	Not applicable	As above	As above	As above, for entire economy



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2	Benchmarks	Baseline is emissions	Achieving the	Sale of ERs as	Majority offset,	Intensity benchmark(s)
	Technology	intensity benchmark,	benchmark	offsets, calculated	but setting the	agreed across the
	specific	set at an agreed level	requires	through either	baseline beyond	population or sub-sector.
	benchmarks for	better than BaU and	additional	individual site	BaU means	Some potential overlap
	homogeneous	applied to a defined	actions.	performance or	there is a host	with Standardized
	sectors;	population	Beating the	from whole	country	Baselines under CDM
	multiple		benchmark	participating	contribution to	above. Otherwise
	measure		generates	population,	mitigation,	improved institutional
	benchmarks for		emission	delivered directly	albeit hard to	infrastructure required to
	heterogeneous		reductions	to installation	quantify	agree benchmark levels
	sectors			owners or	accurately	and administer crediting
				investors		mechanism
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3	Crediting	Absolute emissions	Achieving the	Resulting ERs	Mixture:	Significant institutional
	baseline	target agreed for	cap requires	delivered to host	domestic	infrastructure and
	mechanism	sector or subsector,	additional	country	contribution	maturing economic sector
		mechanism to	actions.	Government if	due to	required to agree absolute
		achieve target	Beating the	sector beats target;	difference	target, and to define
		specified for each	cap generates	sold on	between BaU	specific mechanism to
		sector (eg cap-and-	emission	international	and crediting	exceed target and to
		trade with no	reductions /	market or	baseline;	administer mechanism.
		international penalty	frees up	distributed to	allowances	
		for non-compliance)	allowances	installations	below crediting	
		1 /			baseline may be	
					banked or sold	
					as offsets	
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		negotiated sector per	by definition	may use	country	enough to be confident of
		sector		mandatory cap and	mitigation. Can	breaking the link between
				trade scheme	use offsets	economic growth and
				where allowance	supplied from	emissions growth.
				price drives	other	Linkage to other
				investment (like	mechanisms	offsetting mechanisms.
				EU-ETS)	within bounds	Institutional infrastructure
					of	required to manage and
					supplementarity	enforce mandatory cap
						and trade
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5	Economy	Absolute	Not	As above	As above	As above, for entire
	wide cap	economy wide	applicable			economy
		cap				



Carbon Markets &
Investors AssociationIndicative application of mechanisms
to sectors by development status

	Host country status					
Sector	Least Developed Countries	Developing Countries	Advanced Developing Countries	Developed (non-Kyoto)	Developed (Kyoto)	
Power	CDM	BM / CBM	СВМ	C&T		
Heavy industry	CDM	BM	СВМ	C&T	Economy	
Light industry commercial	CDM	BM	СВМ	C&T	Wide Caps	
Domestic	CDM	BM	BM	BM	with JI	
Transport	CDM	CDM	BM	BM		
Ag CH4 / wastewater	CDM	CDM	BM	BM		
LFG	CDM	CDM	CDM	CDM?		
СММ	CDM	CDM	CDM	CDM?		
Gas flaring	CDM	CDM	CDM	CDM?		
High GWP	CDM / Reg	Regulated	Regulated	Regulated	Regulated	

Strictly confidential: do not circulate



Why would / what would make the private sector invest?

- Reasonable certainty that we can get our money back
- The ability to assess risks associated with higher returns
 - All points towards a rule based system with transparency and good governance
- Dual revenue streams
 - >access to the value of underlying utilities (energy, energy savings)
 - ►PLUS
 - ➤an environmental commodity eg CERs but also VERs, REC, green tariff, Feed in tariff, EE certs





- Linked to institutional infrastructure
- Projects and donors should have a responsibility to help develop MRV in their sector
- There are many new technologies which can greatly simplify MRV procedures if planned-in from the outset
- Good quality data will become associated with additional revenues

Thanks for listening