Latest status of and beyond CDM

29 October 2013
Kenta Usui
Climate and Energy Area, IGES
CDM credits increasing...

Issued and issuing cases

- All projects
- Of which small scale projects
- Trend

Year/Month

Data as of 31 May 2013
Source: UNFCCC

Notes: The trend is a locally weighted regression at a bandwidth of 0.50

Source: UNFCCC
... but the price is falling

sCER Price (EUR)

Source: Point Carbon
Reason 1: General Economic Downturn

GDP Growth Rate (World Bank Development Indicators)
Reason 2: Limited GHG reduction Commitments in the Future

GHG reduction commitments compared to 1990 level (100%)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td>92</td>
<td>80</td>
</tr>
<tr>
<td>Australia</td>
<td>108</td>
<td>99.5</td>
</tr>
<tr>
<td>Canada</td>
<td>94</td>
<td>N/A</td>
</tr>
<tr>
<td>New Zealand</td>
<td>100</td>
<td>N/A</td>
</tr>
<tr>
<td>Japan</td>
<td>94</td>
<td>N/A</td>
</tr>
<tr>
<td>Russia</td>
<td>100</td>
<td>N/A</td>
</tr>
<tr>
<td>USA</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Reason 3: EU-ETS only accepts LDC credits

• From 2013 on, EU-ETS accepts only CERs from Least Developed Countries (LDCs)
  – Applied to CDM projects registered from 2013
  – LDCs are given favorable conditions for CDM.
  – Mongolia is not an LDC – so not eligible

• For this reason, there was a “rush” at the end of 2012 for CDM registration.
Is CDM dead?

• Unhealthy, but still alive
  – A good project (reliable, contribution to sustainable development) can have higher price
  – There may be potential buyers in new domestic ETS

• Non-CDM schemes also offer opportunities
  – Joint Crediting Mechanism (JCM)
  – Voluntary Carbon Standard (VCS)
BIGGER PICTURE..
Emission Trading Scheme beyond EU

• China, South Korea, Australia and New Zealand are / will be operating domestic ETS
• Australia, New Zealand and Switzerland accepting CDM credits (including post-2012 credits)
• Thailand and Indonesia are developing their domestic offset schemes
  – Thailand Voluntary Emission Trading Scheme (T-VETS)
  – Nusantara Carbon Scheme (Indonesia)
### Demand Prospects (2013-2020)

<table>
<thead>
<tr>
<th>Country (group of)</th>
<th>Assumptions</th>
<th>Potential demand (MtCO$_2$e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Carbon Price Mechanism, cap in line with target of 5% below 2000.</td>
<td>348</td>
</tr>
<tr>
<td>EU-27, Iceland, Liechtenstein, and Norway</td>
<td>20% below 1990, with differentiation EU ETS and effort sharing.</td>
<td>1,635†</td>
</tr>
<tr>
<td>Japan</td>
<td>Between 25% and 0% below 1990.</td>
<td>≤539</td>
</tr>
<tr>
<td>New Zealand</td>
<td>NZ ETS: 10% below 1990.</td>
<td>77</td>
</tr>
<tr>
<td>North America</td>
<td>Western Climate Initiative (WCI): limited to California and Québec, with international offsets allowed in California only.</td>
<td>94</td>
</tr>
<tr>
<td>Switzerland</td>
<td>20% below 1990, with ETS and other measures.</td>
<td>2.3 - 12.8</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>≤2,706</td>
</tr>
</tbody>
</table>

Source: World Bank 2012
New Market Mechanism (NMM)

• Currently under negotiation at the UN
• Will most likely be “Sectoral trading and crediting mechanism”
  – Host country defines sectoral emission baselines,
  – The sector emission goes through MRV
  – Carbon credits generated
Linking would expand carbon markets

**UNFCCC (Under COP)**
- Mechanisms under Kyoto Protocol
  - CDM
  - JI
  - IET
- Mechanism under COP
  - New Market Mechanism

**Non-UNFCCC**
- Bilateral, domestic and voluntary
  - Bilateral/ Joint mechanism
  - Domestic ETS
  - Voluntary offset scheme

Linkage?
Thank you.
Баярлалаа.