



Hamburgisches
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BVEK Side Event
Sectoral CDM - loophole or way forward?
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Policy- or sectoral CDM post-2012?

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Defining sectoral CDM



- There are many different definitions of sectoral CDM, some of which are allowed under the MOP decision
 - **Bundling of projects** ✓
 - Same type
 - Different types
 - **Programmes** ✓
 - **Sectoral benchmark** which allows crediting of all projects below the benchmark **without** any further additionality check ?
 - **Policies** ≠
 - **Sectoral no-lose target and ex-post trade** –this is **no CDM!**
 - **Sectoral cap and trade** – This is **no CDM!**

Sectoral CDM is already there...



- **Bundling of projects**
 - Same type: Already allowed now by EB (3 swine waste management projects in Chile)
 - Different types: small-scale projects always possible
- **Programme**
 - Several projects submitted (biogas, wind) organized by intermediaries
- **Sectoral benchmark which allows crediting of all projects below the benchmark without any further additionality check**
 - Elements of benchmark exist in electricity baseline methodologies and consolidated methodologies for other project types
 - Additionality now open for new interpretations
- **Policy (LFG, HFC-23 regulation, waste mgt.)**
 - Baseline is situation without policy (EB 22)

Evaluating sectoral CDM



- **Bundling of projects**
 - Sensible from transaction cost point of view
- **Programme**
 - Essentially project bundle with intermediary that provides an incentive. Transaction costs likely to be significant
- **Sectoral benchmark**
 - Intensity benchmark makes sense for several important project types but not for all
 - Abolishing additionality testing is not sensible in situation without binding cap
- **Target / cap and trade approaches**
 - Require sizeable amount of high-quality data
 - Allocation between different players tricky (NAPs...)

Defining policy CDM



- **Crucial role of government**
- **A policy should have an incentive to participate (carrot / stick)**
- **Baseline: status quo**
- **Baseline emissions**
 - **Renewable electricity generation** caused by the policy
*weighted OM/BM (ACM 2)
 - **Energy efficiency standard:** average energy use of appliance before standard*current number of appliances*grid average emissions factor
 - **LFG/HFC/N₂O/PFC capture regulation:** emissions of all now regulated sources before regulation
 - **Fossil fuel subsidy removal:** Fossil fuel use before subsidy removal*fossil fuel emission factor

Defining policy CDM II



- **Policy emissions**
 - **Renewable electricity generation: Zero**
 - **Energy efficiency standard:** standard energy use of appliance*current number of appliances*grid average emissions factor
 - **LFG/HFC/N₂O/PFC capture regulation:** current emissions of all now regulated sources
 - **Fossil fuel subsidy removal:** Fossil fuel use after subsidy removal*fossil fuel emission factor
- **Policy must be monitored throughout crediting period**
- **Challenge: changes in economic activity levels over time**
 - **Avoid generation of CERs due to activity increase?**
 - **Possible solution:** limit credit to activity level at project start

Definition of policy CDM II



- **Additionality test**
 - Policy has **costs** compared to **status quo**
 - **Costs directly accrue to private sector**
 - E.g. renewable energy provision under a RPS is **more expensive** than fossil fuel
 - Mandated HFC-23 capture entails costs
 - **Costs directly accrue to public sector**
 - **Subsidy programme** for energy efficiency improvement
- **Should macro-economic benefits from policy implementation be taken into account in additionality assessment?**
 - **Incremental cost calculation of GEF...**

Policy CDM – Responsibilities



- **Who is project participant?**
- **Who does the monitoring?**
- **Who retains the CERs?**
 - **Government**
 - **Addressees of the policy** who bear costs
- **Probably latter would prefer pass-through of the revenues, not necessarily the CERs as such**
- **Share revenues according to cost distribution**
 - **Government bears CDM project cycle costs**



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Thank you!

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