Institute for Environmental Studies (IVM)

Stretching Too Far?

Developing Countries and the Role of Flexibility Mechanisms Beyond Kyoto

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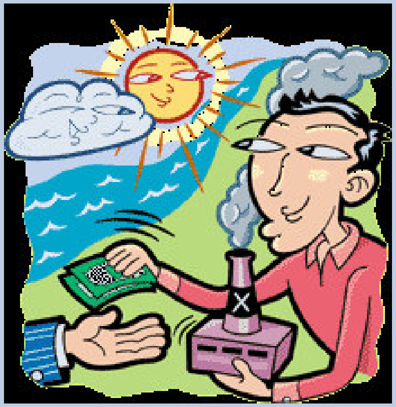
Outline

- Flexibility Mechanisms: Background
- Outlining the Development Critique
- Flexibility Mechanisms in the Post-2012 Regime
- Conclusions

Flexibility Mechanisms: Background

- Rationale: Reductions should occur where they are cheapest
- Failed attempts to include emissions trading into UNFCCC
  - Inclusion of AIJ
- Flexibility mechanisms in Kyoto
  - IET, CDM, JI
- Subsequent rule development
  - Marrakech Accords
  - Post-2012: Accra



Flexibility Mechanisms and the Development Critique

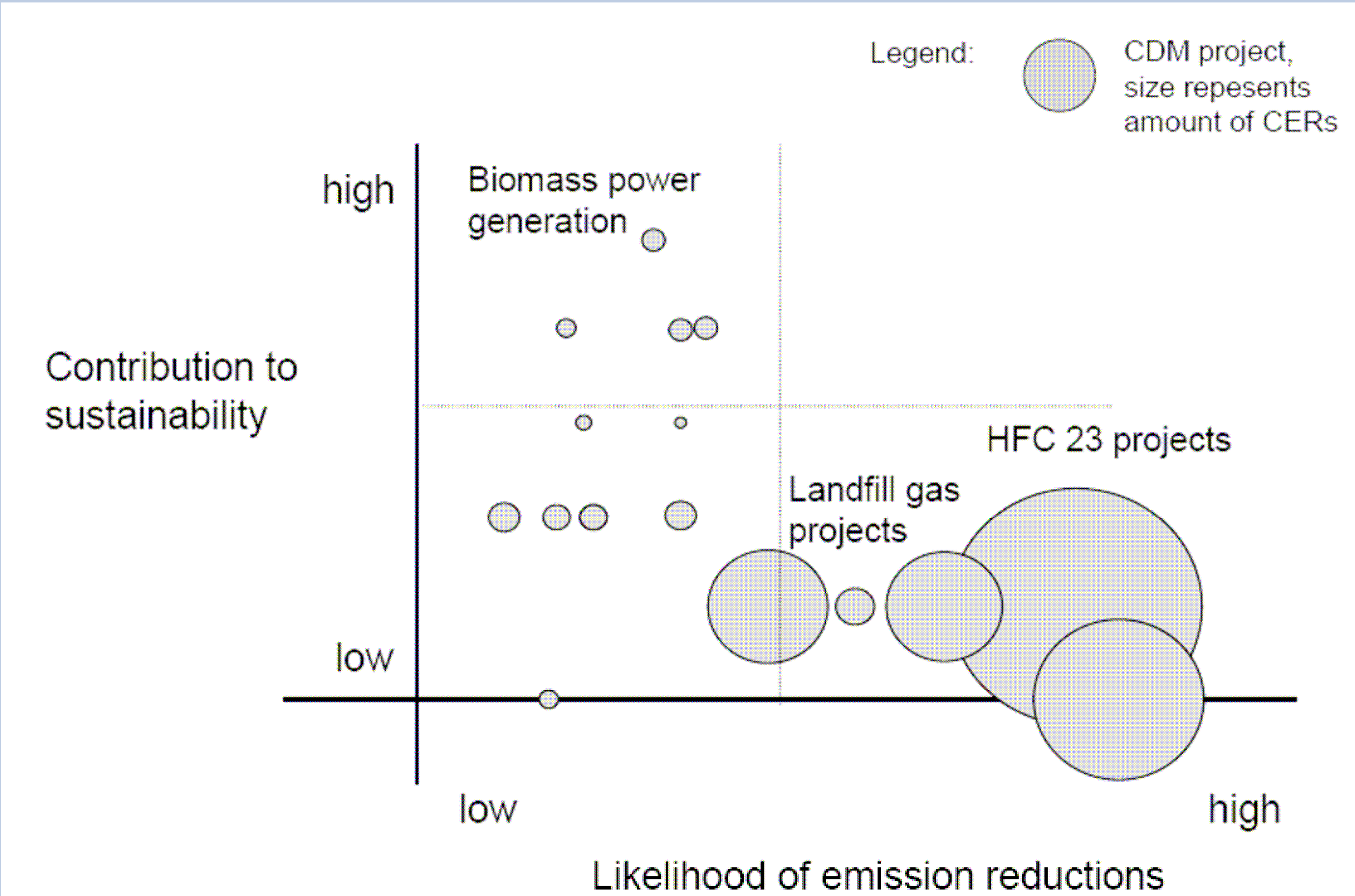
- Diffusing Western values and structures
  - Markets, property rights, cost-effectiveness
- Historical responsibility and leadership
  - "buying ourselves out"
- Differences in negotiating power
  - Who sets the rules?
- High administrative burdens
  - Complexity of EU ETS

CDM and the Development Critique (1)

- Additionality and environmental integrity
  - What would have happened ‘otherwise’?
  - ‘Environmental’ additionality
- Perverse incentives
  - Adopting new policies reduces chances of getting CDM credits
- Regional concentration of projects
  - But: concerns should not be exaggerated

CDM and the Development Critique (2)

Contribution to sustainable development



(Source: Sutter & Parreno, 2005)

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It’s Not All Bad News…

- Advantages of flexibility mechanisms
  - Accelerate transfer of climate-friendly technologies
  - Spread awareness of the climate change implications of investment decisions
  - Gain experience and build capacity in implementing climate-friendly projects
  - Significant source of revenues for developing countries
  - Incentive to commit to more stringent targets
  - Funding for adaptation

Flexibility Mechanisms in a Post-2012 Climate Regime

- Continuation of targets-and-timetables
  - Continuation of CDM
  - Sectoral approaches
- Expanding international emissions trading
  - Cap and trade in developing countries
  - CDM as JI
- No flexibility mechanisms? (e.g. technology agreements)
- No agreement at all?

-> likely that a post-2012 regime includes flexibility mechanisms

An Appropriate Foundation for Flexibility Mechanisms

- Stringent targets for Annex I countries
  - Shows leadership
  - Ensures sufficient demand
- Further differentiation and graduation
  - Reflecting CBDR
  - Enhancing predictability
- Define supplementarity
- Institutional capacity building

Improving the CDM (1)

- Incentives for sustainability
  - Defining ‘sustainable development’ (Internationally? Host country? Investor country?)
  - Discounting/Multiplication
  - Monitoring and reporting sustainability

  - *Separate goals of CDM?*

Improving the CDM (2)

- Incentives for geographical equity
  - Country quotas
  - Discounting/Multiplication
  - Regional cooperation

- Sectoral CDM
  - Geographical distribution
  - Additionality

Conclusions (1)

- Developing country concerns tend to be sidelined
  - Sustainable development *vs* cost-effectiveness

- Flexibility mechanisms likely to stay beyond 2012

- Flexibility mechanisms have important virtues…
  - Adapting to scientific and political changes
  - Potential source of income and technology transfer
  - Capacity-building

…but are a means, not an end

Conclusions (2)

- International emissions trading can only be expanded under certain conditions
  - Stringent targets
  - Predictable graduation system
  - Supplementarity
  - Institutional capacity-building
- There are several options for improving the CDM
  - But tensions between different objectives may remain…

THANK YOU! /

MERCI BEAUCOUP!

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