

Additionality in the CDM



MARTIN HESSION

**UK DEPARTMENT ENVIROMENMENT FOOD AND
RURAL AFFAIRS
CDM EXECUTIVE BOARD**

Introduction



- **Policy Responsibility for CDM DEFRA since 2002**
- **Negotiated EU ETS linking 2004**
- **Responsibility for a domestic Project Pilot in 2005**
- **Member of CDM Executive Board since 2007**
- **Chair of Accreditation Panel since 2008**
- **Negotiator EU 2005-2009**

The Clean Development Mechanism



The Legislation

- Kyoto Protocol 1997 – entry into force 2005
- Marrakech Accords - 2003
- Annual Guidance to Board of COP/MOP
- Decisions of Board since 2003

The Executive Board

- 10 Members 10 alternates,
- Developing and Developed Parties, UN Regional Groups and AOSIS
- Independent Capacity but inevitable politics.
- Governs crediting on over 100 countries



Support Structure



Independent Technical Panels

- Registration and Issuance Teams
- Methodology Panel
- Small Scale Panel
- Forestry Panel
- Accreditation

Secretariat Analytical Units

- Registration and Issuance
- Methodology
- Accreditation



EU Commitment Linking to CDM



- **EU Trading Scheme – only possible with flexibility agreement to access to foreign credits (2004)**
- **Political imperative to make good commitments breath life into Kyoto in anticipation into entry into force**
- **But Limits to Use**
 - Exclusions – Nuclear and Forestry Related credits
 - Quantitative limits - % of effort: need for domestic action
 - Qualitative assessment requirements – for hydro > 20MW



Additionality: Theory and Practice



Additionality - vague

- Concept difficult and approach in decisions vague:
- Politics – Guidance developed tool is non-binding or non exclusive
- Proof that projects and emissions not the baseline (business as usual)

Three baseline alternative approaches

- Historic Emissions
- Projection – what would have happened in absence of project
- Benchmark – performance top 20% of projects in 5 years



The CDM Tool 4 Easy Steps?

- **4 Steps**

- 0. Proof of Prior Consideration
- 1. Proof that not financially attractive alternative **or**
- 2. Proof that CDM overcome barriers
- 3. Proof that not common practice

- **Issues**

- Guidance – deal with “delayed projects”
- Guidance on financial analysis – particularly use of benchmarks
- Proposals regarding use of barriers test in highly profitable projects
- Common Practice – not much loved credibility check

Developments to the 4 Steps



- **Step 0 – Prior consideration**
 - Proof what is acceptable proof of prior consideration
 - Cut Off Date for submission rejected, requirement to inform Board
- **Step 1 - Financial Analysis - ongoing clarification of approach required**
 - Benchmark where baseline alternative is do nothing
 - Comparison analysis where baseline an alternative course of action
 - Validation of benchmarks
- **Step 2 – Barriers**
 - Where profitable ?
 - Credibility of barriers (how do we assess – Financial analysis)
- **Step 3 - – Common Practice**
 - Data issues
 - Credibility Check

Methodologies for Calculation Emissions

- Methodologies are proposed with Projects and therefore are “Project Specific”
- Ownership issues – methodologies are public property
- “Generalising” in decision process has lead to allegation methodologies no longer applicable by applicants
- Process of Consolidation of Methodologies – deliberate combination of several versions – also leads to exclusions
- Additionality test often required in methodology

Future of CDM: Need to Move Beyond Offsets

- **CDM Improvement Agenda**
 - needed in the short term
 - **New Sector Mechanisms Agenda**
 - Contributions to baseline
 - **Trading Agenda**
 - Where we want to be
 - **Broader Financing Agenda**
- **2005 Program Concept**
 - Programmes not Projects
 - Still waiting to be applied
 - **2008 EU tables proposals to UN on “means” to meet targets**
 - Sector crediting and trading for advanced economies (BONN and ACCRA)
 - No lose caps
 - Binding caps