Beyond the low hanging fruit

Foro Latinoamericano del Carbono
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Status of CDM portfolio

• 654 projects in pipeline*
  – Sourced by 41 countries
  – 145 projects registered
  – 27 requesting registration
  – 836M tons by 2012
  – Two thirds of likely CDM demand??

*RISOE, March 6, 2006
Distribution

**Geographical**
- Asia 58%
- LAC 39%

**Volume of CERs by 2012**
- Asia 65%
- LAC 31%

RISOE, March 6, 2006
Skewed market

- Total of 654 projects
  - RE 372 projects 18% CERs
  - EE 90 projects 6% CERs

- Market seeks high volumes of CERs
  - HFC 9 projects 36% CERs
  - N₂O 2 projects 11% CERs
  - Low hanging fruit
LAC portfolio

Number of projects
251 projects
17 countries
77 SSC

Volume of CERs
80% in 4 countries

RISOE, March 6, 2006
LAC by sector

Number of projects
64% energy

Volume of CERs
27% energy

RISOE, March 6, 2006
Near term LAC pipeline

34 projects in 9 countries
Does not include Chile
OECD energy intensity decreased 23% 1980 - 2003

CEPAL 2006
LAC emissions declining with respect to G-77.
Global CO2 intensity is declining; LAC intensity is rising

Source: WRI, CAIT

Figueres, 3-2005
Global CO2 intensity declining; LAC intensity = 1990 levels

Source: WRI, CAIT
LAC energy supply

1970
Hydrocarbons 72%

2003
Hydrocarbons 69%

CEPAL 2006
LAC energy intensity increased by 2% 1980-2003
Potential for CO₂ Reduction 2002-2030

Improvements in end-use efficiency contribute 67% & renewables 17% of potential reduction in emissions

IEA/OECD 2005
Barriers to RE and EE in the CDM

• RE
  – Appropriate financing
    • CERs still not fully incorporated into project finance
    • CER purchasing funds/programs are exception
  – Long construction periods

• EE
  – Often dispersed
  – Often involve household, small industry, transportation
  – High transaction costs/low credit flows
  – Need organizing program to occur
COP/MOP 1 Decision

- A policy or standard cannot be a CDM project

- But a programme of activities can be registered as a single CDM project

Not yet clarified by Executive Board
Bundles of Large Projects

Several separate CDM projects bundled to reduce transaction costs

Projects not due to a programme

Composition of bundle known at registration and does not change

Existing methodologies apply to the individual CDM projects
Policies and Standards

Policies and standards can NOT be CDM projects

Presumably due to:

– Difficult of attributing reductions to a specific policy or standard
CDM Programs

Involve a deliberate program of emission reduction actions
  Government policy (mandatory or voluntary)
  Private initiative (voluntary)
  An entity responsible for implementing the program

Implement multiple dispersed actions
  May not occur at the same time
  Type, size and timing may not be known at registration
  Actions may be implemented by many entities
One enacting agent
- Private or public
- Provides incentives or obligations
- One of the “project participants”
- Does not necessarily implement all actions

Program is the project activity
- Actions are not project activities
CDM Programs

Apply modalities and procedures for CDM projects *mutatis mutandis*

As in current CDM practice:
- Boundary
- Leakage
- Crediting period
- Double counting

- Baseline and additionality for program and actions
- Monitoring based on sampling techniques
CDM Projects

Hi GHG reductions

HFC, N₂O

Lo Sust. develop

(UNUNTERESTING)

Lo GHG reductions

RE with high emission factor, transport, landfills

Hi Sust. develop

EE, Clean energy in isolated areas
COP/MOP1 decision on CDM programs

• “A local/regional/national policy or standard cannot be considered as a CDM project activity, however project activities under a programme of activities can be registered as a single CDM project activity…”
Program of activities

• Not single site, one time construction
• Program: ERs are achieved by multiple actions executed over time as a result of a government measure or private sector initiative. E.g.:
  – Soft loan program for energy efficiency
  – Performance standards for appliances
  – Incentive for the conversion of water heaters, cookers, etc
  – Etc.
Status of Programs in CDM

- 25 registered projects that have some programmatic characteristics
- No programmatic EE methodologies approved
  - Some under consideration
  - More needed!!!
- Much interest in LAC and India
Potential of CDM programs

- Strengthen CDM for RE, energy efficiency, fuel switching projects
- Reach the household sector, transportation sector and small enterprises with the CDM
- Respond better to the needs of developing countries, particularly rural areas
- Mainstream lower carbon energy economy and promote sustainability
CDM Projects

Hi GHG reductions

HFC, N₂₀

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EE

Clean energy in isolated areas

Lo GHG reductions

(Uninteresting)