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Compliance carbon market: from Kyoto Protocol to new market mechanisms
Akiko Fukui
Institute for Global Environmental Strategies
Outline

• Performance of the clean development mechanism under the Kyoto Protocol
• Lessons learned for a next step
• Negotiation status of market mechanisms
• Components of new market mechanisms
• Current status and achievements
Performance of the clean develop mechanism under Kyoto Protocol (KP)

CERs supply and Kyoto Protocol unit demand

- CERs supply by 2010: 496 Mt-CO2
- Kyoto Protocol unit demand 2008-2012: 1,392 Mt-CO2

Source: IGES (project database / monitoring and issuance database)
World Bank (State and trend of the carbon market 2011)

Project registration and CERs issuance

- Num. projects: 0-400
- Amount of issued CER: 0-80
- Number of registered projects: 0-100

Source: IGES (project database / monitoring and issuance database)

• Credit already available from CDM is closed to 1/3 of KP unit demand.
• CDM registration and issuance has rapidly increased from the end of 2010.
Lessons learned for a next step

CDM projects by country

- China 46%
- India 21%
- Other 12%
- Mexico 4%
- Brazil 6%
- Indonesia 2%
- Malaysia 3%
- The Philippines 2%
- Viet Nam 2%
- Republic of Korea 2%
- Malaysia 3%
- Other 12%

CDM project type

- Hydro Power 30%
- Wind Power 22%
- Biogas 11%
- Biomass 10%
- Energy efficiency 3%
- Waste gas/heat utilization 6%
- Methane recovery & utilization 7%
- Other 11%

Issues in the CDM

- Uneven distribution of project types and countries
- Activity is limited to project and program and it does not fully cover all the mitigation actions
- Long time for process and high hurdle to get registered and issued credit.

For post 2012

CDM reform

New market mechanisms
Market Mechanisms Discussion in Two Tracks

**AWG-KP:**
(Ad Hoc-Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol)
- Participation from Parties of Kyoto Protocol
- Rules under the second commitment period
- Market Mechanisms specifically for CDM, JI, and International Emission Trading (IET) have been discussed.

**AWG-LCA:**
(Ad Hoc-Working Group on Long-term Cooperative Action under the Convention)
- Participation from all the Parties incl. USA
- 5 themes:
  - Shared vision, Mitigation, Adaptation, Finance and Technology
- Market mechanism is discussed under mitigation section (Various approaches)
Components of new market mechanisms

**Segment**
- NAMA
  - National Appropriate Mitigation Action
- Sectoral (Economy – wide)
- Program
- Project
- REDD+
  - Reducing Emissions from Deforestation and Forest Degradation

**Mechanism**
- **Crediting**
  - Issuance of credit after emission reductions
  - No penalty in case of excess emissions
- **Trading**
  - Distributing allocation in advance
  - Emissions vs Allowance

**Governance**
- Centralized
- Supervisory Board
- Common framework
- Decentralized
- Bilateral
- Unilateral
Status of Market Mechanisms

Mechanisms under Kyoto Protocol

- Establishment of standardized baselines
- Adaptation of the guideline of loan scheme for courtiers with fewer than 10 registered CDM projects.

COP 16/CMP6 - Dec 2010

Decision of considering establishment of one or more market-based mechanism

CDM Executive Board - Jul 2011

- “Guidelines for the establishment of sector specific standardized baseline”
- “Guidelines on the consideration of suppressed demand in CDM methodologies”

Invitation of Parties’ view - Feb 2011

22 Parties submitted views on new market mechanism

AWG-KP, AWG-LCA - Dec 2011

Decision of supporting Kyoto Protocol regime?

Decision of establishment of one or more market-based mechanism?
THANK YOU!
For more information:
http://www.iges.or.jp

Publication
“Possible Elements of market – based Mechanisms”
“CDM Reform 2011”
Database
“CDM project database”
“CDM monitoring and issuance database”