



WORLD BANK CARBON FINANCE UNIT  
CARBON PARTNERSHIP FACILITY  
2011 ANNUAL MEETING

**REGULATORY AND POLICY ENVIRONMENT**

# Regulatory Environment - big picture

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- ◆ **CDM (and in principle JI) will continue post 2012** to allow Annex I countries to meet their emission limitation objectives (Cancun decision).
- ◆ **CDM (and in principle JI) eligible in EU** to meet unilateral compliance targets of both ETS and non ETS sectors until 2020:
  - Industrial gases excluded – further restrictions possible (for ETS, non-ETS expected to follow);
  - For post 2012 registered projects LDC requirement;
  - Optional bilateral agreements in absence of UN agreement to include further countries;
  - EU Directives not static but periodic reviews and potential revisions.
- ◆ **Consideration of new market mechanism(s)** in UNFCCC process (Cancun decision):
  - Progress unlikely without major breakthrough on mitigation commitments;
  - Variety of approaches under discussion (also PMR experience);
  - Probably long term process.
- ◆ **Emerging new national systems** (e.g. California ETS, considered bilateral mechanism in Japan, considered ETS in several developing countries).

# Cancun decisions relevant for CPF operations

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- ◆ **Effective registration date:** date of submission of complete request for registration.
  - Gain of at least 3 months of Kyoto CERs;
  - Acceptance of concept of effective registration date under EU Directives expected but so far not explicitly confirmed (the same for EU eligibility of post 2012 CPA inclusions)
  
- ◆ **Preferred category of projects:** LDCs, SIDs, underdeveloped regions in (all) developing countries (as identified by national Governments before mid 2010), countries with less than 10 registered projects, underrepresented project types “LDC+”
  
- ◆ **Micro scale activities:** Simplification of rules for additionality demonstration requested.
  
- ◆ **Standardized baselines:** Eligible, includes baseline setting and additionality:
  - Approval by host country DNAs required (CDM stakeholders can submit proposals through DNAs);
  - EB to develop SBs in LDC+
  
- ◆ **Programmes of Activities (PoAs):** Extension of PoAs to multi-technology approaches including combinations of methodologies and potential city-wide programs

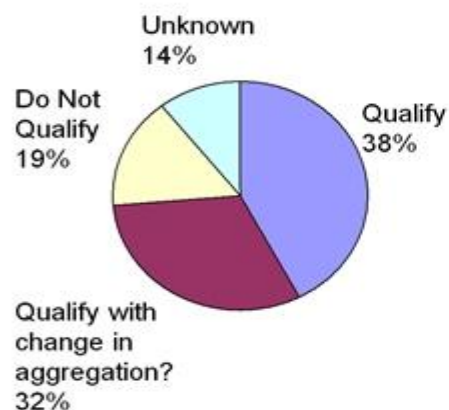
# Recent EB decisions and policy stance

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- ◆ **Additionality: de facto positive list on micro scale activities in LDC+ and beyond:**
  - Micro scale 5MW – 20 GWh savings p.a. – 20kt ERs p.a.: per definition additional in LDC+;
  - Micro Micro scale 1.5 MW – 600 MWh p.a. – 600kt ERs p.a. and households, communities, SMEs: per definition additional;
  - Applies to PoA-CPAs as well (unit level) and to some more specific project categories.
  
- ◆ **Progress on methodologies for small scale projects:**
  - 7 new SSC methodologies approved so far in 2011;
  - Acceptance of modeling approaches in SSC methodologies – e.g. approved for small scale Solar water heating;
  - Extension of applicability in SSC methodologies.
  
- ◆ **Current policy stance in favor of small - scale and country:**
  - Progress on LDC+ projects and micro scale projects;
  - Progress on PoAs addressing micro scale activities;
  - Increasing requirements for PoAs addressing large scale activities (tendency to an “additionality + approach”, i.e. PoA only for projects that cannot stand alone);
  - Increasing requirements on additionality relative to national policies (mainly relevant for advanced countries – e.g. China wind tariffs).

# Impact on current UNFCCC PoA pipeline

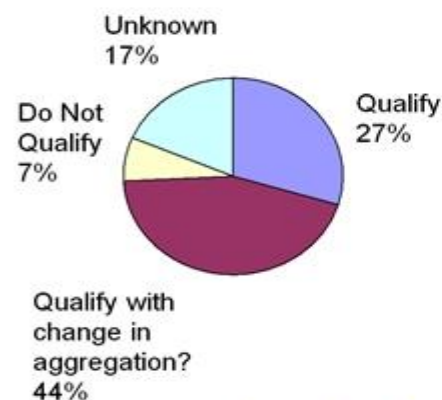
## Microscale additionality to PoAs?



Domestic manure (Biogas)	6
Solar water heating	7
Run of river	3
Solar PV	2
Biomass energy	2
Irrigation	1

Impact on Type 1 PoAs: 21 PoAs

## Microscale additionality to PoAs?



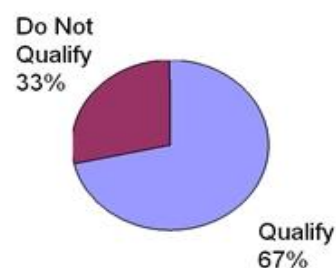
Stoves	11
Lighting in households	10
EE service	4
Energy distribution	3
EE industry	2

Impact on Type 2 PoAs: 30



## Microscale additionality to PoAs?

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Composting	5
Manure	4
Oil to LPG	2
Wastewater	1
Scrapping old vehicles	1
Building materials	1
Solar lamps	1

Impact on Type 3 PoAs: 15



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# Conclusions and Implications

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- ◆ CDM (and potentially JI) will probably remain for a longer while the dominant compliance asset;
- ◆ The fate and shape of potential new market instruments will probably remain uncertain for a longer while too;
- ◆ Programmatic CDM will probably increase its share in the carbon market against the background of the EU preference for LDC credits and UNFCCC regulatory progress on LDC+;
- ◆ PoAs on micro scale activities and in LDC+ have in the current environment lower regulatory risks (but much higher operational risks) than PoAs on large scale activities and in advanced countries;
- ◆ PoAs with strong programmatic features can better comply with “additionality +” expectations;
- ◆ Development of new project/program portfolios requires more and more to develop a vision of the evolution of the regulatory progress and an active participation in the policy and regulatory debate.

# Thank you for your attention

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