

The Climate Package and the use of CDM

Jürgen Salay
DG Environment
European Commission

The Kyoto Mechanisms in the Climate Package

- ★ Climate package proposal gives **certainty** on the potential for companies and investors to use JI/CDM **until 2020**, whether or not there is an international agreement after 2012
- ★ **Differentiation** between **EU's independent 20%** commitment to reduce GHG emission, **and** the EU contribution in **case of an international agreement** where others are also contributing

★ Allowed credits :

- CDM and JI credits issued 2008 -2012
- CDM credits issued after 2012 for projects registered 2008-2012
- Projects implemented in LDC's
- Following agreements

★ Project types :

- Accepted by all Member States under EU ETS in period 2008-2012
- No nuclear or temporary credits from sink projects

★ Revision proposal ensures that JI/CDM credit limits (totalling roughly 1.4 billion tonnes) for the 2008-12 period can be used up to 2020

★ This corresponds to one third of reduction effort over the period 2008-2020

JI/CDM use without international agreement in EU effort sharing

- ★ The climate package also provides for Member States to use JI/CDM in respect of the effort sharing targets in 2013-20:
 - Up to 3% of 2005 non-ETS emissions
 - Corresponding to some 700 Mt in 2013-2020
 - Annual “use it or lose it” limit of JI/CDM credits
 - Transferable between Member States

JI/CDM once international agreement

- ★ Under an international agreement, limit for JI/CDM will be automatically increased both in the EU ETS and the effort sharing targets
- ★ Additional credit use of half of the additional reduction effort undertaken by the EU
- ★ This provides for a strong incentive for third countries to agree and join an international agreement

The EU negotiation position on the CDM beyond 2012

- ★ Need to strengthen the environmental integrity of the CDM by moving beyond the project-based offsetting approaches for major emitting developing countries
 - this could include sector-based approaches such as no-lose or binding sectoral targets
 - CDM *as we know it* can continue in some countries (LDCs)
- ★ Need to improve governance structure of CDM Executive Board
- ★ Need to enhance contribution to sustainable development and technology transfer

Conclusion: The right balance is needed

Going beyond the Commission's proposal in the absence of an international agreement:

- ★ would undermine the EU's renewable energy target
- ★ would reduce our leverage to achieve a sound international agreement
- ★ would reduce our leverage to make the CDM work better in the future