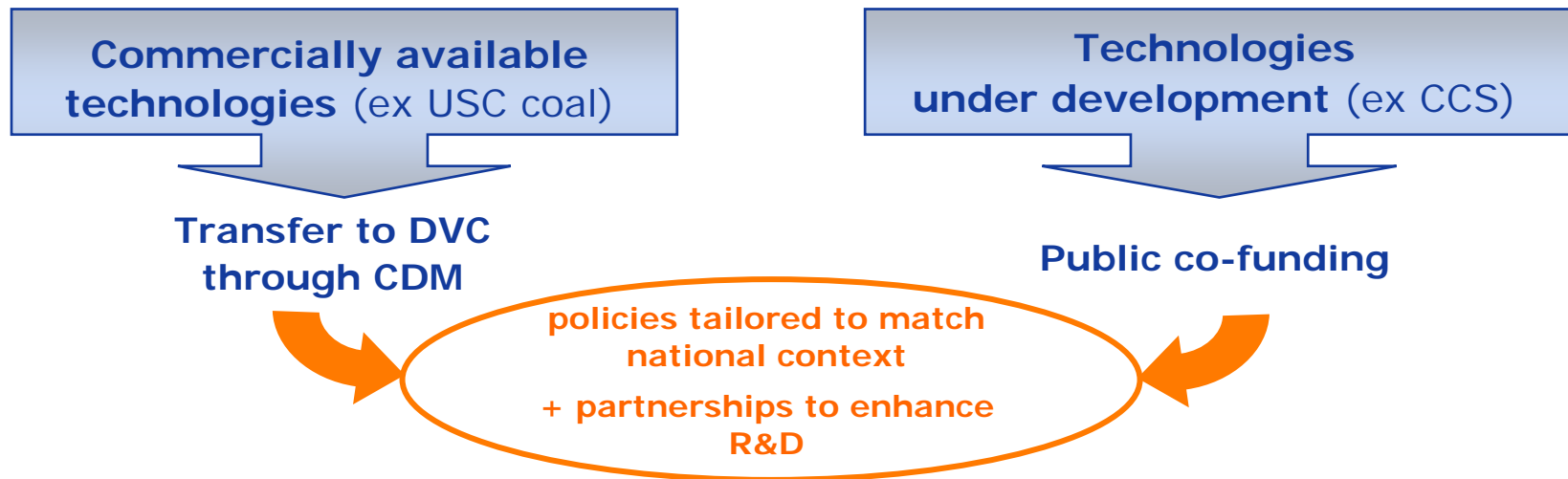


Peculiarity of the power sector



There is no "silver bullet", neither on the technology nor on the policy side

Pros & Cons of CDM today

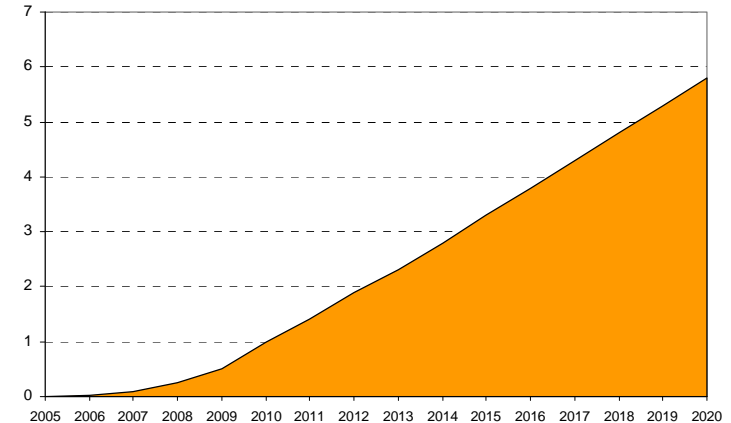
PROS

- Effective GHG reduction
- Partnership Governments/private entities
- Linking between regional ETS
- Technology transfer towards DVC
- Help sustainable development DVC
- Business engagement

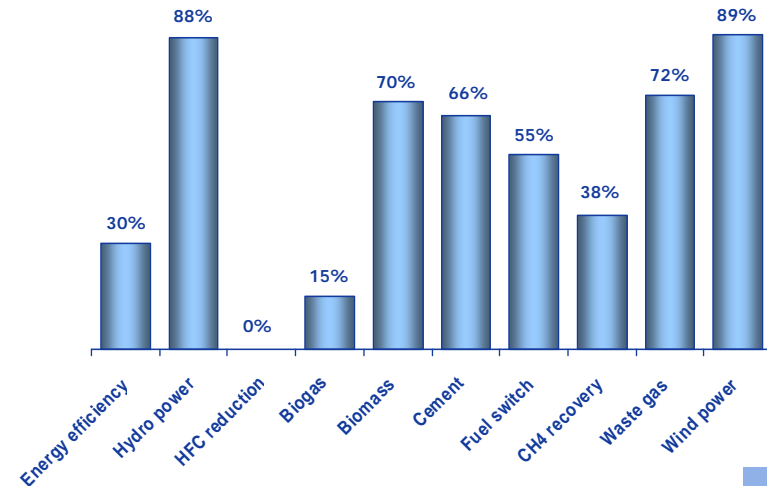
CONS

- Additionality** – unclear rules create delays and increase transaction costs
- Governance** – Need for simple rules, process enhancement, increased dialogue

CERs and ERUs future supply (GtCO₂e/yr)



% of projects with request for review for additionality reasons



CDM is not to be rubbed out
Need to build on strengths and act on weaknesses

Pros & Cons of Sectoral Approach for CDM

Strengths

- **Simplification administrative and validation procedures** - baseline scenario only has to be applied once
- **Reduced time and cost** for the analysis
- **Lower risks** - additionality is assessed before proposing the CDM project
- **Reliable results** - baseline scenario and additionality are made by host country institutions
- **Simpler MRV** – no project-by-project analysis

Criticalities of a project-based approach don't imply rejecting CDM

Weaknesses

- **Institutional setup** - lack of expertise of DNA in applying the sector baseline methodology (as always in start-up)
- **Transaction costs to implement the new framework** - but costs limited when sectoral baselines are agreed upon and clear. One up and running lower costs than the project based approach

Weaknesses are few and can be overcome in a relatively short time