
General Observations on Crediting Mechanisms

Common themes from PMR work

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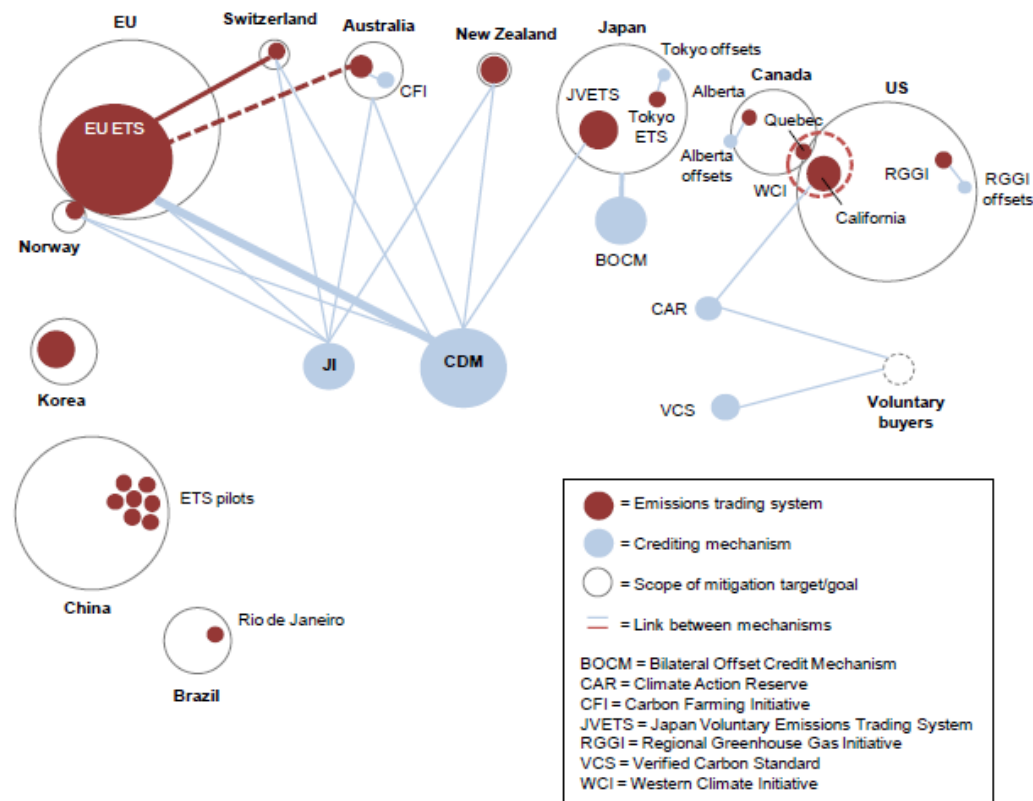
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Purpose

- ◆ Some questions and challenges to help identify:
 - Common issues for in PMR countries to consider in whether and how to develop crediting programs
 - Further items that the PMR Secretariat can assist with, and how

Crediting programs have played a key role in trading mechanisms to date

Figure 3: Some existing and planned market mechanisms (not to scale and not exhaustive)



Source: Prag, Briner, and Hood 2012

◆ What role in the future?

Some Key Challenges in Developing Crediting Mechanisms

- 1. Mitigating risk of low international credit demand**, e.g. through domestic markets, performance-based payments.
- 2. Balancing domestic priorities with future requirements and preferences in the international market.** (e.g. level of conservatism, “net mitigation”, other characteristics)
- 3. Achieving comparability, consistency, credibility, and recognition.** Establishing and/or anticipating technical standards. Using common protocols. Achieving adequate transparency.
- 4. Establishing domestic capacity and infrastructure**, and whether and how to adopt or adapt (features) of existing crediting systems.
- 5. Developing tools and methods for “scaled-up” mechanisms**, and extent to which those from existing project and program can be used.
- 6. Engaging stakeholders**, including the private sector.

Some Key Challenges (2)

7. **Anticipating how credited** reductions sold/used internationally will be accounted for. Addressing existing/future CDM. (double counting)
8. Selecting **target areas**, considering market readiness, addressing **potential overlaps and interactions with other policies, incentives, and development objectives** (both current and future)
9. Considering which activities to be **credited vs. uncredited**
10. Choosing **broader or more selective scope; bottom-up or top-down** approach to methodology. Signaling to actors/investors.
11. Managing **potential tensions** among domestic constituencies that might either get paid (as sellers) or pay (as buyers) for offsets.
12. How to build in **flexibility and updating** in rules and methods so they do not become outdated?