General Observations on Crediting Mechanisms

Common themes from PMR work

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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

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)


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 How to build in flexibility and updating in rules and methods so they do not become outdated?