Experience from the Use of Crediting Mechanisms in the Domestic Transport Sector : Global Perspective

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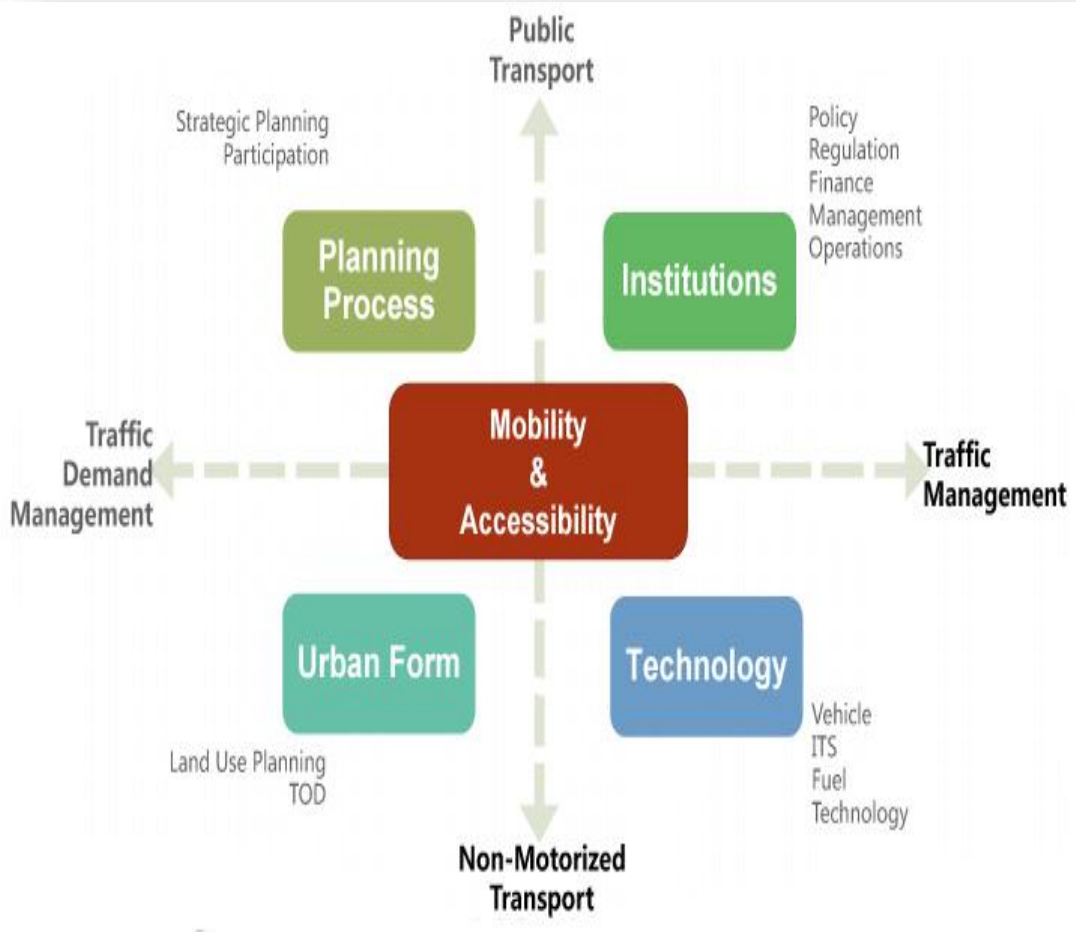
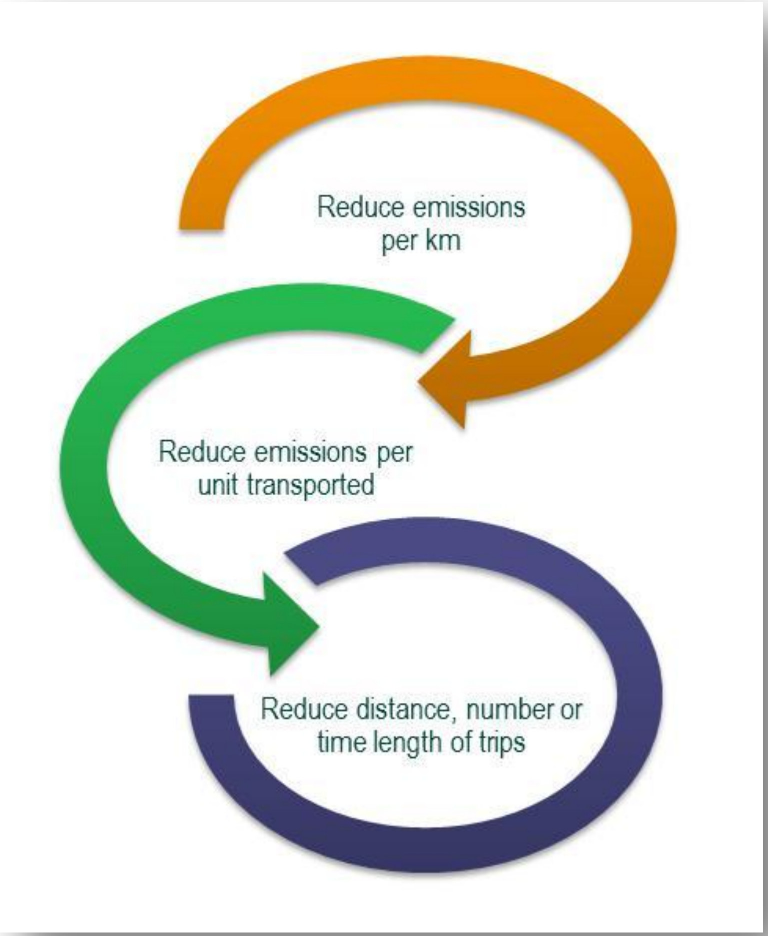
Main focus: urban transport under crediting approaches

Comprehensive set of tools with impact on GHG in urban transport





Source: World Bank, 2012

Challenging competition for support through crediting

Economics:

- ‘High costs – low impact’ interventions and vise versa (additionality)
- Strong co-benefits (but different performance matrix)
- Multiple drivers & optimization constraints
- Long time lead from implementation to full-range impact

Design, Implementation & MRV:

- Dynamic systems with complex boundaries (e.g., rapid urbanization)
- Significant policy interactions / leakage issues
- Data availability / cost to satisfactory address core elements of crediting
- Difficult to benchmark and standardize

Main limitations under current crediting approaches

Sector circumstances	Limitations of current approaches
Comprehensive packaging of technical interventions (projects) and enabling environment (regulation/policies)	Challenges for one-to-one attribution Narrow boundaries around technical interventions Policies are not "creditable" under the CDM (e.g., excluding *AVOID* interventions) No proper inclusion of induced (suppressed) demand and/or "new demand" (e.g., through improved connectivity)
Planning and strategies are simultaneously responding to economic, development and climate policy objectives	CF alone is not supportive for any type of co-benefits Limited value of incremental cost approach focused on GHG potentials
Predictable/ Long-term financing solutions are required	Marginal/non-significant contribution as compared to required resources Ex post incremental revenue stream ("on top") Volatile carbon price

Ways forward: how could current approaches evolve?

- Focus on net emission reductions at different scale :
  - Flexibility to select scope of intervention (national, local, city-level)?
  - Less acute attribution/ additionality issues within broader scopes ?
- Cover the entire set of possible interventions : Avoid – Shift – Improve
- Recognize full range of benefits at least for prioritization & design :
  - Impact assessment through composite performance indicators/proxies?
- Combine different sources of climate and carbon finance :
  - Maximize impacts and better allocate risks
- New agenda for accounting & MRV :
  - Matching approaches to financing needs: show impacts at reasonable cost
  - Enable performance management: set goals, monitor progress, adjust
  - Consistency with national MRV approaches

Multiple ways forward: piloting to better shape perceptions and instruments

Comprehensive policies and measures with combined support from market-based and non-market based instruments

Focus on low cost/ high impact policies where crediting has maximum impacts

MRV-focused initiatives to inform policy choices, e.g., at city level

Thank you!