

- How do we ensure the creditability and reality of actions taken?
- How do we deal with the problem of transaction costs of CDM action?

Responses:

These questions resulted in a lively exchange of views from the panelists; some questions highlighted the range of differing opinion on some aspects of CDM action. The answers included the following:

- Credits from CDM action will apply to the evolving GHG emissions constraints faced by emitters from their assessment of risks and from Canada's evolving climate change strategy.
- The definition of acceptable CDM projects is provided by the terms of the Kyoto agreement and by the criteria established for projects; future international negotiations will result in further elaboration of this definition.
- There were differences of views on the appropriateness of imposing limits on the use of CDM. It was noted that the scope of business interests and the level of transaction costs will place natural limits of the proportion of CDM action in the action plans of Canadian emitters. Reference was made to the need for the widest possible scope of CDM action and for the pursuit of the most cost-effective action. Support for limits on CDM use was linked to the public acceptability and the employment implications of excessive dependence on international climate change actions.
- There was general agreement about the need for an additionality test to ensure that the emissions reductions benefits of projects are real. There was no consensus on the appropriateness of a test of financial (investment, profitability) additionality.
- The value of a focused bilateral approach as the model for Canadian CDM action was emphasized.
- The critical importance of high quality of CDM projects - in terms of credibility of climate change benefits and their measurability and verifiability - was stressed.
- Transaction costs were recognized as a barrier to CDM action; however, with clarification of rules, economies of scale, aggregation of actions where appropriate and the integration of CDM actions into other business activities, there are prospects for reducing such costs.

The presentations by the various speakers and panelists, and the discussion that they generated, provided an effective springboard for the roundtable discussions that proceeded in the breakout sessions in the afternoon of July 14th. These roundtable discussions were put in context by Jennifer Irish, Deputy Director, Environment Division, DFAIT.

Key Messages - Breakout Groups

Following the breakout sessions, the results of the roundtable discussions were communicated by the three facilitators – Peter Dickey, Jim Leslie and Irving Mintzer.