The distribution of emission-reduction obligations between developed and developing countries and the extent of climate-financing commitments play a central role in ongoing negotiations for a new international climate architecture. In accordance with the principle of common but differentiated responsibilities, developed countries should take the lead in the implementation of emission-reduction measures and assist developing and least developed countries to move towards climate-friendly economic development. How this assistance—in particular financial assistance—is to take place is a controversial issue. Under the Clean Development Mechanism of the Kyoto Protocol, Annex I countries may implement emission-reduction projects in non-Annex I countries and use the resulting carbon credits to comply with their international emission-reduction commitments under the Protocol. This project-based approach to the financing of climate change mitigation projects in developing countries raises difficult questions of ‘additionality’ (how to measure whether a project achieves emission reductions that would not have taken place in the absence of this project). Methodologies to demonstrate additionality create a heavy administrative burden and do not necessarily send the right signal to national authorities regarding the adoption and implementation of ambitious domestic clean-energy policies. Moreover, depressed carbon prices undermine the value of this financing model and raise questions about whether the current project-based approach is capable of providing sufficient financial incentives to trigger the transfer of clean-energy capital and technology from developed to developing countries. In the context of the negotiations for a new international climate architecture, it is essential to examine the experience to date with the flexibility mechanisms of the Kyoto Protocol in order to design the most efficient carbon finance scheme possible. This is needed to improve the credibility of international climate regulation and contribute to the creation of a functioning framework to facilitate the transition towards low-carbon economic growth.

*Improving the Clean Development Mechanism: Options and Challenges Post-2012* contributes to the needed assessment of the CDM with a view to learning from its successes and avoiding a repetition of mistakes made. Edited by established experts in the field of international climate law, the work is divided into three sections. Section A, on ‘Governance and Process’, begins with a critical examination of the environmental integrity of the CDM. In Chapter 1, a most interesting analysis by De Sépibus highlights the obstacles that the current
regulation of the CDM process – in particular, the additionality test – represents for the realization of genuine emission reductions and the implementation of ambitious national climate policies. According to De Sépibus, ‘in many cases the CDM has a deterrent effect on the implementation of policies encouraging low-carbon investment and consumption choices’ (p. 24). It would therefore be more effective from the point of view of the environmental integrity of carbon finance for developed countries to gear their financial contributions toward assisting developing countries in the design of climate policies – a recommendation that has been followed at the international level with the creation of the Green Climate Fund and the financing of Nationally Appropriate Mitigation Actions.

In Chapter 2, van Asselt et al. analyse differentiation under the CDM. They address the issue both in terms of the possibility of treating projects differently depending on the host country involved and in terms of differentiation between project types, with the objective of directing investments into project activities that are deemed preferable. The authors’ conclusions on the compatibility of this approach with international climate law and its procedural benefits are important, considering the necessity of finding alternatives to the institutional and administrative hurdles that affect project-based emission reductions.

In Chapter 3, Sinnemaa and Upston-Hooper discuss the topical issue of integrating gender perspectives into the CDM cycle. Their analysis contributes to the book’s general questioning of the extent to which the CDM has contributed to sustainable development and social benefits. Guarantees are needed in the CDM to ensure equitable benefits for men and women.

In Chapter 4, Gallegos and de Witt Wijnen examine the legal position of private entities in the CDM, highlighting the legal uncertainty resulting from the absence of clear guidance for private involvement in the CDM process. Based on a very clear and insightful overview of the institutional framework governing private participation in CDM projects (including an interesting discussion of the legal status of Letters of Approval and the possibility of their revocation), the authors identify legal challenges for private entities involved with the CDM and make recommendations on ways to mitigate the existing legal uncertainty.

Section B of the book addresses sectoral perspectives on the CDM. Unusually, chapter numbering restarts in each section of this book. In Chapter 1 of Section B, Ferrey looks at renewable energy, in Chapter 2 Bogner and Schneider examine the power sector in China, and in Chapter 3 Silveira da Rocha Sampaio and Gebara focus on the role of forests and forestry practices. Ferrey’s chapter discusses renewable-energy support schemes in general. Very little is said about