

The CDM Executive Board of the UNFCCC

And the Policy Panel

Bonn

Germany

Subject: CDM Policy Dialogue

I would, first of all, like to appreciate the Secretariat and the Board for launching this call for policy dialogue on CDM in order to address issues such as external forces affecting the CDM, future challenges, and opportunities and possible directions for its future use and development. I am here by providing my feedback to some aspects of the CDM that would need additional streamlining, in order to conserve the CDM, elevate the integrity of the market mechanism and assure the scaling up efforts for emissions reduction.

1. Additionality versus post LOA government confiscation of emissions reductions/revenues

It is understood that the Clean Development Mechanism serves as, among other things, some form of top up revenue that would either make an emissions reduction proposal viable or at least help to overcome barriers to implementation/operation. This is believed to be streamlined in the process under the Additionality tool, in order to validate the Additionality of the proposed project. In view of this, the essence of Additionality should be further enhanced to contain some mechanisms or a procedure to invalidate Additionality retroactively in cases like;

- a. When Host country Governments install dummy structures lately like (national climate fund, national green fund etc) to systematically confiscate CERs or Emissions reduction revenues from registered CDM projects , especially from those proposed by private entities
- b. When the CERs revenue of projects is alternatively truncated by government tax structures introduced that exceed the tax threshold for any other businesses in that host country, except in cases of high revenue HFC projects

Such instances potentially arise when some host countries misunderstand or intentionally chose to downplay the difference between distributive climate aid (that is commonly understood to be channeled to government reserve) and result based payment (that is accessed through market mechanisms and market instruments only)

Appropriate international procedures would create a clear understanding that, if emissions reduction benefits are removed from registered projects, they retroactively lose meaning of Additionality and therefore renders them with no permission for issuance. Streamlining these features would, in addition to saving the integrity of CDM, increase the confidence of CDM investors thereby enhancing the emissions reduction efforts and gives host country governments a solid signal at start about the essence of Additionality.

Even though it is the host country's sovereign responsibility to give protection for investments' (either to comply to the relevant UN convention on investment protection or to give FDI confidence), such guidance indirectly protects the investment of CDM developers from tyrannical post LOA confiscation of carbon assets that are relatively new commodities to international investment economics.

Streamlining such guidance could be done for instance in Additionality tools as well as Validation and Verification standards.

2. double counting from CDM versus other climate finance possibilities

It is becoming more and more evident that diverse climate finance opportunities are being sought and is being targeted by nations though much of it with no clarity. In the effort to diffuse such confusion, the CDM should use this opportunity to reflect its comparative attractiveness and at the same time put a frame work to check the possibility of double counting climate finance for the same effort. This could be done through segregating conditions of the CDM against different climate finance mechanisms, patent its baseline methodology, reshape crediting years etc (Ex: can a host country apply for CDM and also for NAMA crediting for the same project? Is there any application time limit? Could the same CDM baseline assumptions be used for others? Could the same CDM procedures apply? Etc)

3. DNA compliance standard

The highest beneficiary of a successful penetration of CDM into a host country is the host country itself. However, the body exposed highest to critics, of a failure of penetration of CDM to a host country is not contained to the specific host country only. Essentially, it is easier to criticize the UNFCCC process rather than the specific host countries, even when they don't perform anything else than simple attendance on events. Moreover, the reasons of underperformance of CDM in many non annex countries is understood to be the lack of competence of their DNA's in understanding the CDM, their individual lack of purpose of assignment and in some cases intentional blocking of the flow of information and opportunities to their country men.

There is the other possibility for the 'why' too. Given that many non annex governments could be authoritarian, their activities don't involve the wider public. In most cases the ideology of the few could be dictated to the mass with political power ceased through guns. But the issue of sustainable development and risk of climate change can't end up being considered as the sole responsibility of the powerful few who happen to be on power at this specific generation. This warrants for a design of a new understanding of a non Annex DNA including new code of conduct of the UNFCCC with any non annex DNA.

In this regard;

- Capacity building activities, negotiation events and call for public inputs should not, as has so far been, target specifically the government institution designated as a DNA. It rather should include every constituency interested in the CDM in any country or at least in that constituency affected by the public call or capacity building or negotiation event.
- There should be a reporting requirement for government DNA representatives, of any event, back to their constituency in a transparent manner, and again report back to the UNFCCC on that aspect. Their report to the UNFCCC should include information regarding the media they used to communicate information, the targeted constituency and the participants. In the event of failure of this DNA responsibility, they should not be invited or sponsored to a climate/CDM event and the report should be sent to the highest responsible body of that party (not the DNA office).
- There should be some instrument or guidance or condition to require host countries and their DNAs to show a clear signal of their constituency to benefit from the CDM through appropriately creating the required institutional setup, clear policy/regulation elements that affect CDM operation and asset development, with detailed outlines for stakeholders to understand the domestic legal framework before they invest in the CDM value chains.

Sincerely yours

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