Plenary 2 – CDM Outlook

How the CDM could be improved to contribute towards closing the pre 2020 gap

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Make CDM more compatible for RBF.

• **Proof of concept**
  – Pilot facilities of WBG and other organizations.

• **Recognition as a mechanism to deliver climate finance**
  – Bridging the carbon market and climate finance communities;
  – Results-based finance recognized under GCF.

• **Strategic CDM reform**
  – Make CDM understandable for broader business communities and commercial Banks: standardization;
  – Reduce regulatory risk and transaction costs: methodology simplification and project cycle reform;
  – Improve general perception of CDM: objective criteria for environmental integrity, improve visibility of co-benefits.
Implement CMP 10 decisions.

• **Project cycle reform**
  – Allow the simplified registration of project activities and programme of activities that qualify as automatically additional;
  
  – Registration is approved on the basis of a standardized pre-approved registration template using objective criteria without prior validation through a designated operational entity;
  
  – ex post confirmation by a designated operational entity during the first verification of the compliance with the registered template of the implemented project activity or programme of activities;
  
  – Apply microscale thresholds at the unit level rather than at the component project activity level;
  
  – Allow, as an option, a simplified validation and registration process for activities that satisfy microscale thresholds and are considered automatically additional.
Focus on M&V, now.

- The percentage share of issued credits from projects in LDCs is still less than 0.5%.
- The average number of days from the date of registration until the date of issuance is around 2 years.
- High transaction costs compared to the value of emission reduction revenues.
- Significant delays in procedures for the approval of post registration design changes to the project.
- Project monitoring plans are rarely implemented as anticipated and described at the time of PDD registration.
- Cumbersome methodological and monitoring requirements along with demanding sampling survey procedures.
- Requirement for POAs to combine monitoring reports of all CPAs.
Focus on M&V, now.

- **Simplify monitoring requirements**
  - simplification of monitoring frequencies, more use of default values;
  - promoting aggregated monitoring;
  - making sampling procedures more practical;
  - Roll back MR publication time to 14 days.

- **Simplify verification requirements**
  - expanding the list of post registration changes that require no prior approval;
  - empowering DOEs to approve certain deviations and revisions to monitoring plan requests;
  - simplifying sampling results verification requirements for DOEs.

- **Streamline regulatory process**
  - changes to the start date of crediting period;
  - flexibility with monitoring report submissions to POAs.
Make SB framework more useful.

- Countries are adopting ‘all’ policy and technology options
- High transaction costs: One POA & multiple CPAs or multiple POAs with multiple CPAs
- Encourage project developers who want to adopt several technology options: Reduce risks, facilitate financing
- Government(s) plays a significant role
- Identification of role of carbon finance is critical and then designing incentive scheme around it
- Baseline and additionality pre-established
- ERs against, for example, increase in electrification rate / increase in number of connections / service cost
- Explore if scope of existing SB framework can be expanded
- Approaches proposed under the Global Tracking Framework could be helpful
**Scope for further simplification exists.**

- Streamline all standards; but have predictability
- Consolidation of methodologies (e.g. rural electrification)
- Simplified GEF with increased frequency for updates, say once in 3 years
- Allow the same designated operational entity to carry out validation and verification for the same project activity or programme of activities of all scales
- Expand the scope of materiality