How the CDM infrastructure can support the GCF implementation and quick start

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THE CDM AND THE GCF: TWO COMPLEMENTARY INSTRUMENTS

GCF for channelling climate finance from now up to 2020
≈ US$10.2 billion has been pledged by donor countries

GCF intends to commence disbursements prior to COP 21

Parties recognized the importance of consistent and rigorous MRV regardless of the source or type of financing

All approaches, including those for the MRV of the impact of GCF mitigation actions must meet standards that deliver real, permanent, additional and verified mitigation outcomes, avoid double counting of effort and achieve a net decrease of GHG emissions
Regardless of how they are incentivized, mitigation actions through cooperative actions seeking international recognition will need a robust MRV system.

Possible forms of mitigation actions:

- Common metric in level of effort ($) or impact (tCO2 reduced)
- Contribution to GCF
- Namas
- Carbon market
- Domestic actions
- Cooperative actions
CDM the only readily available tool for transparent, robust, and universal MRV of the impact of mitigation activities

It can support the prompt start of the GCF and the international efforts to enhance mitigation activities and fill the pre 2020 gap

Utilisation of the CDM infrastructure would be more cost-effective compared to GCF building new MRV system.

CDM EB is developing the capabilities of the CDM so that it can better serve beyond KP

GCF can work with the EB on further improvements required to better suit the RBF requirements
CDM as a MRV/recognition instrument serving GCF

CDM modalities & procedures
CDM EB

MRV/recognition instrument: *generation of the carbon unit*

- CERs are generated following requirements of the CDM M&P
- One ton of CO2 is one ton of CO2 regardless of:
  a) its abatement cost;
  b) what the CER will be used for;
  c) the incentive for action.

Developed to serve KP rules
Used by RBF rules
Could also serve GCF rules

Instrument for creation of incentives:
*Incentive that gives value; use of the carbon asset*

- Gives value to the carbon unit that become a carbon asset
- As a commodity, the carbon asset can have different values and can be used for different purpose, e.g. for compliance under the KP or for cancellation under Result-based finance (RBF).

1 ton of CO2 reduced \[\rightarrow\] 1 ton of CO2 recognized through 1 carbon unit issued \[\rightarrow\] Carbon unit transformed into carbon asset

Issuance and tracking of carbon units to avoid double financing, cancellation accounts for the financial institutions to monitor their impact
**Mitigation outcomes that are internationally credible**: The evaluation of the effectiveness/efficiency of climate finance interventions requires a credible quantification of GHG mitigation achieved per unit of effort (tCO2/$).

This is one of the key performance indicators of GCF.

The CDM is a **credible and transparent international MRV** instrument with established MRV, recognition and tracking system.

It provides rigor through both an *ex-ante* and *ex-post* assessment and address possible double financing.
Comparability of results

One tonne of CO2 reduced should always be one tonne of CO2 reduced:

- independent of the condition and context of reduction
- independent of the instrument used to incentivize
- independent of the climate finance institution/IE
- Utilisation of the CDM can ensure that one credible MRV instrument is **consistently** applied to evaluate the impact of the various mitigation instruments allowing for the **comparability** of the effectiveness of their implementation.
Prompt start in developing a portfolio of projects

Significant lead times are needed for the development of pipeline of projects and disbursement of resources

The CDM has an extensive pipeline of projects registered as well as requesting registration that are stranded

The CDM offers a unique opportunity for the GCF to quickly fund these projects with an immediate climate impact while ensuring regional distribution

Pilot Auction Facility (PAF), Nordic Environment Finance Corporation (NEFCO) are looking forward to tap on this readily available portfolio
CDM TO SUPPORT THE PROMPT START OF THE GCF

- Experience for implementation and private sector engagement
  - PoA infrastructure for scaling up
  - Regional collaboration centers
- Capacity for coordination (CDM DNA to issue letter of approval, GCF NDA to implement a no-objection procedure)
THANK YOU FOR YOUR ATTENTION