CDM and NAMA as the Basis for INDC

Latin America and Caribbean
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CDM: Lessons Learnt

- CDM is a project-based mechanism.
- Emission reductions are subject to a stringent MRV process.
- CERs are issued for achieved emission reductions.

- CDM is a market-based mechanism.
- The carbon market allowed private companies to make business decisions whether to invest in particular CDM projects or not depending on the expected revenue from the sale of CERs.

- LESSON 1: CDM is an MRV-based finance mechanism, that functioned well and resulted in 1.6 billion tCO2e of emission reductions.

- LESSON 2: The CDM provided hands-on insights on the actual costs of emission reductions and paved the way to broader sector-wide and national mitigation approaches in developing countries.
Nationally Appropriate Mitigation Actions (NAMAs) by developing country parties in the context of sustainable development, supported and enabled by technology, financing, and capacity-building, in a measurable, reportable and verifiable manner.

- Voluntary mitigation action (e.g. programs, policies, projects)
- Unlike the CDM, NAMAs are broadly defined.
- NAMAs are strongly related to national policies.
- Unilateral vs. supported NAMAs vs. credited NAMAs

Sources of funding:
- Government budget (major factor in unilateral NAMAs)
- Donor funding (limited)
  - Donors look for transformational changes and co-benefits with strong MRV
  - Using donor funds just as grants or loans (similar to traditional ODA and MDB funding) is not sufficient, so financial innovation is needed (use donor funding for private funding leverage)
- Private sector (how to mobilize funding from there)
  - Profitability, risk hedging, stable business environment are some of the factors that private investors look at
• INDCs may contain a mitigation goal that may be transformed into a legally binding mitigation target in the 2015 Agreement
• INDCs may contain adaptation goals, as well as elements related to technology, finance and capacity building
• Each country determines what they can actually do and how
• Countries can determine domestic, as well as “supported” components of the INDCs, e.g. an additional goal that is subject to technology and finance availability
• Different time-frames (e.g. short and long-term)
• INDC must be ambitious
• INDCs should contain clear targets and will be subject to MRV
Final Observations

• Unlike the targets under the Kyoto Protocol, INDC are more comprehensive and aim to contain various elements that are expected to become the basis of the Paris Agreement.

• Thanks to the experience with the CDM, individual countries and the international community as a whole, have developed sufficient infrastructure to pursue more ambitious mitigation goals, and have better understanding of the involved costs and timelines.

• The CDM provides a basis for developing the MRV for the INDCs, while additional efforts will be needed to combine that with the infrastructure for channeling the necessary funds and technologies in a more efficient manner.
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