United Nations Climate Change
Clean Development Mechanism

CDM Fact Sheet – General

What is the clean development mechanism?

The clean development mechanism (CDM) is a market-based mechanism under the Kyoto Protocol whereby projects in developing countries can earn saleable credits equivalent to the amount of CO2 they reduce or avoid. A wide range of project types can qualify under the CDM, from wind energy projects that earn credits by displacing electricity generated from the burning of fossil fuels, to projects that install more efficient cook stoves, to projects that are credited for destroying industrial waste gases. The CDM was designed to meet a dual objective:

- To help developed countries fulfill their commitments to reduce emissions;
- To assist developing countries in achieving sustainable development.

CDM projects earn tradable, saleable certified emission reduction (CER) credits, each equivalent to one tonne of CO2. These credits can be used by industrialized countries to meet a part of their emission reduction targets under the Kyoto Protocol or, they can be cancelled for use in the voluntary market. The mechanism assists countries in achieving sustainable development, by, among other things, encouraging:

- Investment in climate change mitigation projects in developing countries;
- Transfer or diffusion of technology in host countries;
- Improvement in the livelihood of communities through the creation of employment, increased economic activity and other co-benefits.

To learn more about CDM co-benefits in detail please see: http://cdm.unfccc.int/about/ccb/index.html

What is the history of the CDM?

The Kyoto Protocol, agreed in 1997, bound 37 industrialized countries and the European Union to limit or reduce their greenhouse gas emissions to set levels. With the setting of targets, emission reductions took on an economic value. To help countries meet their targets, the Protocol included three so-called flexible market-based mechanisms: international emissions trading (IET), the clean development mechanism (CDM) and joint implementation (JI).

The CDM, articulated in Article 12 of the Protocol, is the first global, environmental investment and credit mechanism of its kind, providing a standardized emissions offset instrument called a certified emission reduction (CER). Under the mechanism, emission-reduction projects in developing countries can earn a CER for each tonne of CO2 reduced. Countries with an emission reduction or limitation commitment under the Protocol can use these CERs to meet a part of that commitment.

Photo Credit: Blue Rival by Fuping Wang

The detailed rules, which set out how the CDM is implemented, were adopted in 2001 at the international climate change conference in Marrakesh, Morocco. As laid out in the agreed Marrakesh Accords, the mechanism is overseen by an executive board, ultimately answerable to the countries that have ratified the Kyoto Protocol.

The first CDM project was registered in 2005 in Brazil. To see the latest CDM statistics, data and analysis visit http://cdm.unfccc.int/Statistics/Public/index.html

How do CDM projects get registered?

The CDM rules are designed and implemented to ensure that emission reductions achieved are real, measurable, verifiable and additional to what would have occurred without the project. There are seven steps in the CDM project cycle:

- Project design: A project participant prepares a project design document (PDD) describing the project in detail.
- National approval: The PDD is submitted to the host country's Designated National Authority, which issues a Letter of Approval for the project, indicating, among other things, that the project assists the country in achieving its sustainable development goals.
- Validation: The PDD is then forwarded to a Designated Operational Entity (DOE), an accredited third-party certifier, to validate that the project meets CDM requirements.
- Registration: Once validated, the PDD is submitted to the CDM Executive Board, via the UNFCCC secretariat, for registration.
- Monitoring: Once registered, the project participant must monitor the project's actual emission reductions against business-as-usual baseline emissions following an approved methodology.
- Verification: A DOE verifies that the claimed emission reductions took place.
- CER issuance: The verification report is submitted to the Executive Board, via the UNFCCC secretariat, with a request for issuance.

More details on the CDM project cycle are available at http://cdm.unfccc.int/Projects/diagram.html

Where can I find more information?

Basic FAQs about the CDM: http://cdm.unfccc.int/faq/index.html
About the CDM: http://cdm.unfccc.int/about/index.html
CDM governance: http://cdm.unfccc.int/EB/governance.html
CDM statistics, data and analysis: http://cdm.unfccc.int/Statistics/Public/index.html

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