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Submission to CDM Policy Dialogue

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1. Go beyond the current zero sum game

In our view, the CDM should be reformed in a way to contribute to global emission reductions instead of being a zero sum game and providing offset credits for 100% of the reductions.
These contributions should follow the principle of "common but differentiated responsibilities", with advanced developing countries contributing more than least developed countries.
We see the following options for such contribution

1. Stopping the exclusion of E- policies from additionality testing and baseline determination 10 years after the actual introduction of the policy, in order to avoid a lock-in effect of the CDM.
2. Shortening crediting periods, and differentiating them by project types/or annual volumes of CERs. If the crediting period is shorter than the technical lifetime of the equipment used, the project will reduce emissions beyond offsetting.
3. Discounting of emission reductions by host country or project type (e.g. differentiated by GDP/capita).
4. Introducing very conservative benchmarks for certain CDM project types (e.g. as in the new methodology AM0001 for HFC-23 projects) such as coal-fired power plants or even large renewable energy projects.
5. Increasing the Share of Proceeds from 2% and retire the CERs accruing beyond the adaptation fee.

2. Allow constructive coexistence between the CDM and New Market Mechanisms/ NAMAs

Bankability of CERs into the new agreement to be negotiated under the Durban Platform should be ensured. Lessons learnt from the CDM such as sufficient incentives for the private sector and absence of ad-hoc government intervention should inform the design of the (a) New Market Mechanism(s) (NMM).
In order to avoid double-counting of registered CDM projects and reduction credits from the NMM,

1. A registered CDM project's issuance should not be impacted until the end of the crediting period which was on-going at the date of NMM operationalization.
2. MRV under NMM needs to be transparent and detailed enough to avoid double-counting with CDM. Ideally, the CDM EB would also become the NMM EB and ensure that activities are not credited twice.

3. Make sure standardization respects environmental integrity but not unduly restricts projects

Standardization with the sole purpose of bringing transaction costs down is likely to lead to an imbalanced outcome. Elements of standardization, such as approaches used, indicators chosen, and levels selected should take into account the specificities of economic sectors and technologies, and regions. One needs to avoid a situation where some parameters are too lenient whereas others are too restrictive. Generally, much more expert analysis is needed before standardizing parameters. A race to the bottom due to host country competition in standardization has to be avoided.

4. Improve the contribution of CDM projects to sustainable development of the host country

The sustainable development contribution of projects could be enhanced by an increased focus by buyers, particularly governments, on highly beneficial projects. Moreover, monitoring reports should include statements about sustainable development benefits if such benefits have been invoked in the PDD. These statements would have to be verified by the DOE.
A negative list of project types not contributing to sustainable development could be developed, following the precedent excluding nuclear power. Projects on that list could however be registered if a significant part of CER revenues is earmarked for sustainable development. A further incentive for sustainable development could be introduced by the differentiation of crediting periods.
An improved participation of underrepresented regions could be supported by dedicated training for financial institutions, and financial incentives to cover part of commercial risk of activities in these areas, e.g. by the Green Climate Fund (GCF). A Share of Proceeds could be levied to finance mitigation in LDCs, and the collected funds could be administered by the GCF.

5. Further topics for the CDM Policy Dialogue

- How can the quality and impartiality of independent auditing of CDM projects be insured?
- How can real stakeholder participation be ensured?
- How can protectionism by industrialized countries with regards to import of emission credits be prevented?
- How can sufficient demand for emission credits be generated before 2020 that enables the continuation of the current market infrastructure?
- How can transaction costs of CDM projects be further reduced?
- Can new project types, e.g. related to environmentally and socially sound de-central climate engineering approaches, be a means for further scaling up the CDM?