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To: CDM Executive Board
Re: Call for public input on *Options for using the clean development mechanism as a tool for other uses*

Thank you for the opportunity to provide input on the above-named Concept Note. I have provided some brief comments on two areas.

1. Utilization of CDM infrastructure

The body of work that has been developed for baseline and project methodologies comprises a valuable resource. It is well-known by project developers and other market participants but has not been utilized to any significant extent by sub-national governments or organizations with which my company has worked in Southeast Asia and Oceania.

Three of the peak organizations that work with sub-national governments – World Resources Institute, ICLEI Local Governments for Sustainability and C40 – cooperated to develop the *Global Protocol for Community-scale Greenhouse Gas Emission Inventories* (GPC) which was released in 2014. The GPC has since been adopted for use by the Compact of Mayors, Carbon Disclosure Project and the World Bank's *Low Carbon, Liveable Cities Initiative*.

The GPC provides a model for a project level protocol to be developed through the cooperation of suitable agencies, drawing on the resources available through the CDM methodologies. Such a protocol would improve consistency of methods used by business, organizations and sub-national governments to calculate mitigation and other project benefits. Greater confidence in the methods used by various actors should lead to increased carbon market participation as an option to meet emission targets and objectives.

2. Results-based financing

The Concept Note identifies an opportunity to use certified emission reductions (CERs) in results-based financing. The financial additionality test implies that an accredited project would not proceed in the absence of the CDM and that revenue from CER issuance is required for the project to meet a particular return on investment, thus allowing the project to be implemented. The use of CERs in results-based financing implies that some project risk will move from the start of project development to the operational phase of a project. Although this reduces risk for the finance institution, it places additional risk on the project developer. It may reduce the number of parties willing to tender for projects and reduce the likelihood of some worthwhile projects proceeding in countries unfamiliar with this form of finance.

Australia's Emission Reduction Fund (ERF) is used in the Concept Note as an example of results-based financing. The ERF grandfathered emission reductions accredited under the previous Carbon Farming Initiative (CFI) and it is notable that 60% (3.1 Mt CO_2e) of abatement purchased by the ERF to date has been from projects registered before the transition from CFI to ERF. The results-based finance approach of the ERF has had limited success in incentivising project developers to invest in new projects, particularly projects where the mitigation benefit increases gradually over time.

I hope this contribution has provided the Executive Board with a useful perspective.

14 April 2016