

Submission by Wuppertal Institute and UNEP-DTU Partnership to Annex 1 of the Annotated Agenda: *Options for using the Clean Development Mechanism as a tool for other uses.*

Highlighting the CDM's contribution to sustainable development through an enhanced CDM SD tool

We welcome the opportunity to provide comments to the agenda of the 88th meeting of the CDM Executive Board.

We believe that the CDM and the methodologies developed through it, including the SD tool, yield valuable lessons learned for future international carbon trading instruments. However, to have transformational impact, the CDM needs to strongly embrace the second half of its mandate, to promote sustainable development.

The concept note names several opportunities to broaden demand for and participation in CDM, among them, inter alia, the Green Climate Fund, Results-based financing (RBF) using CERs, an increase in voluntary offsetting and corporate carbon neutrality, and Nationally Determined Contributions (NDCs) indicating the use of the CDM for pre-2020 actions. The note also refers to more 'familiar' sources of demand such as the Swedish Energy Agency or the World Bank's *Carbon Initiative for Development*, cp. table 1 of the concept note.

This selection of sources of demand has one commonality: a need to focus on both aims of the CDM, i.e. both mitigating climate change as well as fostering sustainable development in the projects' host countries. Sweden, to name one example, intends to acquire only CERs with sustainable development benefits (see press release of May 22, 2015¹). Also, voluntary off-setters have an interest in buying „high quality“ CERs which include benefits beyond offsetting. Recent research underlines this picture.²

In the Paris Agreement, the linkages between sustainable development and climate change mitigation have been strengthened. In the decision to give effect to the Paris Agreement, the Conference of the Parties welcomes the United Nations 2030 Agenda for global Sustainable Development Goals (SDGs) and in Article 2 (objectives), Article 4 (mitigation) and Article 6 (cooperative approaches), it is highlighted that climate actions shall not be seen in isolation but in context of sustainable development and poverty alleviation. This will also influence possible early mitigation action by Parties, as indicated in opportunity #4 in the Annex of the concept note, *Nationally Determined Contributions (NDCs) indicating the use of the CDM for pre-2020 actions.*

We encourage the CDM Executive Board to factor in these observations when deciding upon measures to nurture demand for CERs. Sustainable development benefits matter for a number of buyers. They are also highly relevant for development pathways beyond the area of climate change.

One way of better showcasing the SD benefits of CDM projects would be to further develop the current voluntary SD tool. This could be related to the request from CMP 11 to improve the user-friendliness of the existing SD tool.

¹ <http://newsroom.unfccc.int/financial-flows/sweden-boosting-climate-action-in-developing-countries-via-cdm/>

² Olsen, Karen Holm, Joergen Fenhann, Miriam Hinojosa, Christof (2015): Assessing Usefulness – Do Stakeholders Regard the CDM's SD Tool as Practical? Berlin: Umweltbundesamt (DEHSt Discussion Paper).

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Within our recent report for the German Federal Environment Agency, The Wuppertal Institute and the UNEP-DTU Partnership have jointly identified a number of options to reform the CDM SD tool.³ This is done on two consecutive levels:

Level one lays out improvements that we regard as amendments to the SD tool, and therefore relatively easy to install.

Level two recommendations go one step further: They describe more fundamental changes that would help to enhance the voluntary tool into a credible assessment and reporting system.

We hope that the Board will consider these recommendations in the options to use the CDM as infrastructure in new results-based mitigation mechanisms with a strong focus on sustainable development in the future.

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³Arens, Christof, Christiane Beuermann, Florian Mersmann, Frederic Rudolph, Karen Holm Olsen, Joergen Fenhann, Miriam Hinojosa, Fatemeh Bakhtiari (2015): Evaluation and development of recommendations on the CDM EB's Sustainable Development tool including the sustainability requirements of other flexible mechanisms. Dessau-Roßlau: Umweltbundesamt.