

Submission to annotated agenda of the 88th CDM Board meeting

7-11 March 2016, Germany

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Carbon Market Watch welcomes the opportunity to provide input to the CDM Board on issues included in the annotated agenda of the 88th meeting, particularly on the following agenda items:

1. Agenda item 2.2. Strategic planning and direction
 - Action 10: Financing the CDM through international climate finance institutions
2. Agenda item 2.4. Matters related to the Board and its support structure
 - Action 17: Further development and promotion of the online platform for voluntary cancellation

1. Agenda item 2.2. Strategic planning and direction

Action 10: Financing the CDM through international climate finance institutions

The CMP requested the Board to explore opportunities for financing the CDM through international climate finance institutions, such as the Green Climate Fund (GCF).¹

The need for safeguards and accountability processes to ensure that climate finance meets the needs of present and future generations and does not threaten human rights is widely recognized in international financial institutions (IFIs). Many multilateral development banks and institutions have in place policies and safeguards to prevent social and environmental harms in their investment. The GCF for example has requirements for new, additional, adequate and predictable financial resources to developing countries. This should not only address the type of finance but also extend to the type of projects and credits.

The parameters of financing institutions, such as the GCF, for results based finance (RBF) are much more encompassing and go beyond quantification of solely emission reductions, as is the case in the CDM.

The CDM should therefore strive to address the current gaps and undergo a reform process to become an eligible and successful tool for RBF and to ensure that projects are:

- **additional:**
 - CDM should exclude project types with low likelihood of additional greenhouse gas emission reductions through an exclusion list.
- **comply with international obligations to prevent environmental and social harms:**
 - CDM should establish environmental and social safeguards based on best practice;

¹ 6/CMP.11, paragraph 8

→ CDM should establish a CDM grievance mechanism and introduce best practice guidance for national-level grievance mechanisms.

- **have high sustainable development potential:**

→ CDM should improve the SD tool to increase access to all stakeholders and assess compliance with environmental and social safeguards and applicable laws and regulations.

→ CDM should exclude project types with high GHG emissions and those associated with other high environmental and social costs (e.g. fossil fuel projects).

- **respond to community needs:**

→ CDM should strengthen requirements for stakeholder involvement and establish local stakeholder communication channels for case specific matters.

→ CDM should seek input from project-affected communities and civil society in the development, implementation and monitoring of projects

2. Agenda item 2.4 Matters related to the Board and its support structure

Action 17: Further development and promotion of the online platform for voluntary cancellation

Carbon Market Watch would like to provide input to Annex 2 of the annotated agenda, namely the concept note on further development and promotion of the online platform for voluntary cancellation.²

With regards to decision 6/CMP.11, paragraph 5 that requests to facilitate access to the section concerning sustainable development in the project and programme design documents, it is crucial to explore meaningful options to make the actual sustainable development benefits visible on the voluntary cancellation platform.

One option that was highlighted in the concept note prepared by the secretariat is to encourage project participants to use the SD tool. However, it also needs to be taken into account that, at present, the SD tool does not require a sufficient level of detail to assess whether a project participant or CME complied with applicable safeguards or principles or whether stakeholders had opportunities for meaningful engagement in the consultation process. In order to provide actual insights of sustainable development benefits generated by implemented projects, the tool should:

- Increase access to all stakeholders and provide opportunity for input from local stakeholders or civil society
- Include environmental and social safeguards
- Assess compliance with applicable laws and regulations

² CDM-EB88-A02

Additionally, a review should be included to allow stakeholders to share their experiences with the online platform. A comment section should also be included for stakeholders to provide input on the quality and sustainable development co-benefit assessment for the respective CDM projects.

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