

Introduction to Clean Development Mechanism (CDM)

CLEAN DEVELOPMENT MECHANISM (CDM) TRAINING WORKSHOP
Monrovia, Liberia, 23-24 September 2013

Introduction to the CDM

- UNFCCC and its Kyoto Protocol
- CDM, a type of market mechanism
- Actors in the CDM



What is the UNFCCC?



United Nations
Framework Convention on
Climate Change

- 195 Parties (194 countries + EU) = near universal membership
- The ultimate objective of the Convention:
 - “... *stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system.*”(Article. 2)
- Annual meetings of all Parties at the Conference of the Parties (COP) to take decisions (last was in Qatar, next in Warsaw)



Main features

193 Parties (192 countries + EU), Commitment period: 2008 – 2012

- Legally binding **targets for emissions** of greenhouse gases in **industrialized** countries during first commitment period
- Industrialized countries referred to as Annex I Parties
- At the end of 2012: **reduction of about 5%**
- Defined international **market-based instruments** creating a new commodity - carbon emissions trading through the CDM



Kyoto Protocol

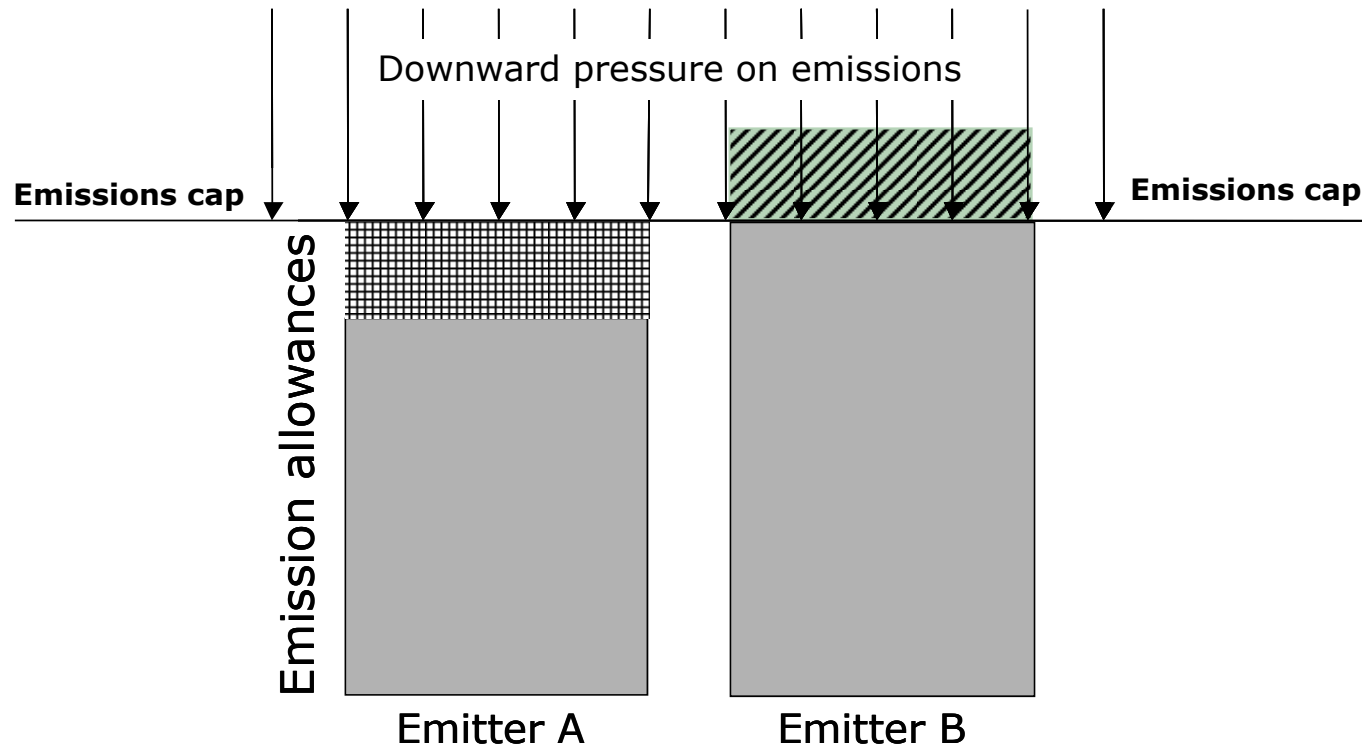
- **Legally binding targets** for emissions of six major greenhouse gases in industrialized countries during first commitment period
- New **international market-based mechanisms**, creating a new commodity: carbon
- Facilitate **sustainable development** and additional support to **developing countries** on adaptation



Market-based mechanisms

- **Emission Trading (ET):**
exchanging emission allowances among Kyoto Protocol Parties
- **Clean Development Mechanism (CDM):**
credits for emissions reduced/avoided through sustainable development projects in developing countries (non-Annex I countries)
- **Joint Implementation (JI):**
credits for emissions avoided through projects in Annex I countries





 = Emission allowances to sell

 = Emission units/credits needed

Key features of the carbon trading system

- Country, company or individual can implement emission reduction projects in **developing countries**
- Projects produce certified emission reductions (**CERs**)
- CERs are traded to help Annex I Parties meet their Kyoto Protocol emission reduction goals
- Allows Annex I Parties to invest in emission reduction projects where it is most cost-effective
- Assists developing countries to achieve sustainable development goals, creates incentive for investment, provides additional support for adaptation



- Incentive for **investment** in projects in developing countries
- Assistance in **sustainable development**
- Flexibility in **compliance**, thus **higher ambition**
- Funds for **adaptation**
- **Technology transfer**



WHAT DO PROJECTS

LOOK LIKE?



CDM PROJECT: 1261: Guohua Inner Mongolia Huitengliang Wind Farm Project -- Pony power meets wind power in Inner Mongolia



Collecting and burning methane on landfill sites in order to reduce the amount of gas emitted in the atmosphere

WHAT DO PROJECTS

LOOK LIKE?



Cooking With Clean Energy



Methane Avoidance Project

WHAT DO PROJECTS

LOOK LIKE?



Bagasse Cogeneration Power Projects



Landfill Gas Collection

Solar water heaters, insulation, energy efficient lighting



CDM Project 79
Cape Town, South Africa



Rapid and reliable bus transport



CDM Project 672
Bogotá, Colombia



Household biogas digesters



CDM Project 136
Gorkha, Nepal



Micro hydro power,
delivering
community
infrastructure and
services



CDM Project 88
Sayan, Peru



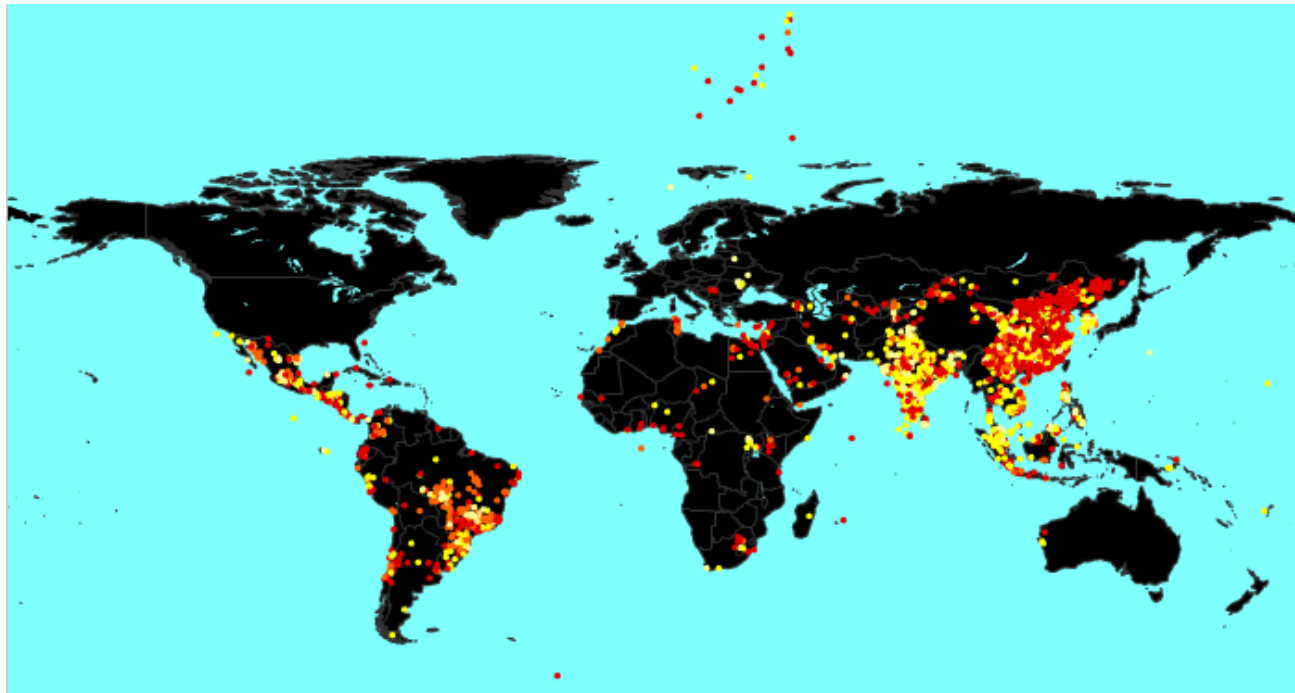
Extent of the CDM

A mechanism with global reach

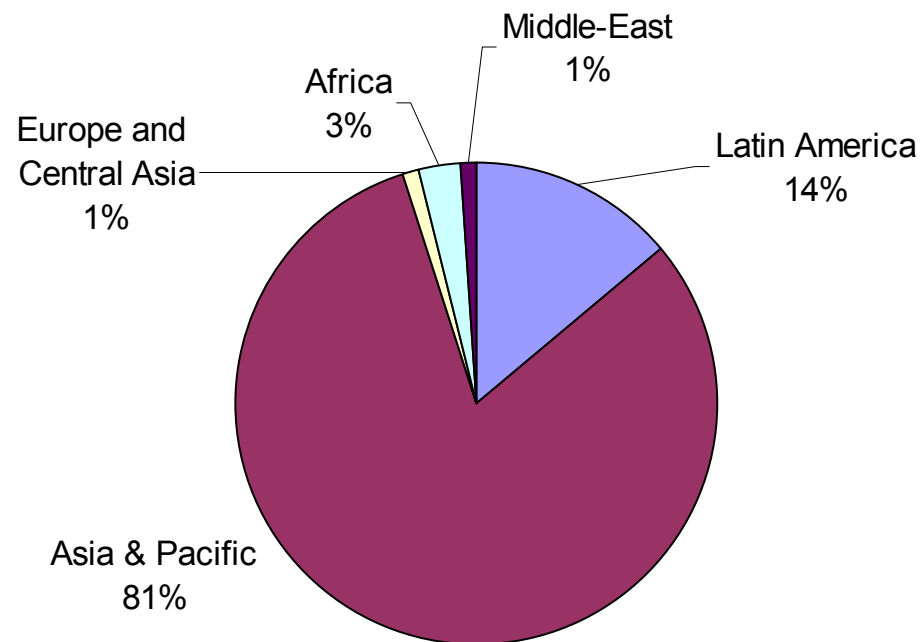
4170 registered projects in **73** countries
8584 projects in pipeline
942 + million CERs issued to date

>2.6 billion certified emission reductions expected to the end of 2012

Status: June 2012



Asia Pacific CDM project activity – projects in CDM Pipeline



Source: "UNEP Risoe CDM/JI Pipeline Analysis and Database, June 1st 2012"

Bangladesh	5
Bhutan	3
Cambodia	10
China	3,785
Fiji	3
India	2,044
Indonesia	172
Lao PDR	10
Malaysia	169
Mongolia	5
Myanmar	1
Nepal	9
North Korea	7
Pakistan	52
Papua New Guinea	11
Philippines	89
Singapore	7
South Korea	99
Sri Lanka	26
Thailand	187
Vietnam	260



Actors in the CDM

Parties to the UNFCCC are the ultimate decision-making body of the CDM

They set up the CDM Executive Board (**EB**) to further develop CDM rules/requirements and supervise implementation of the CDM

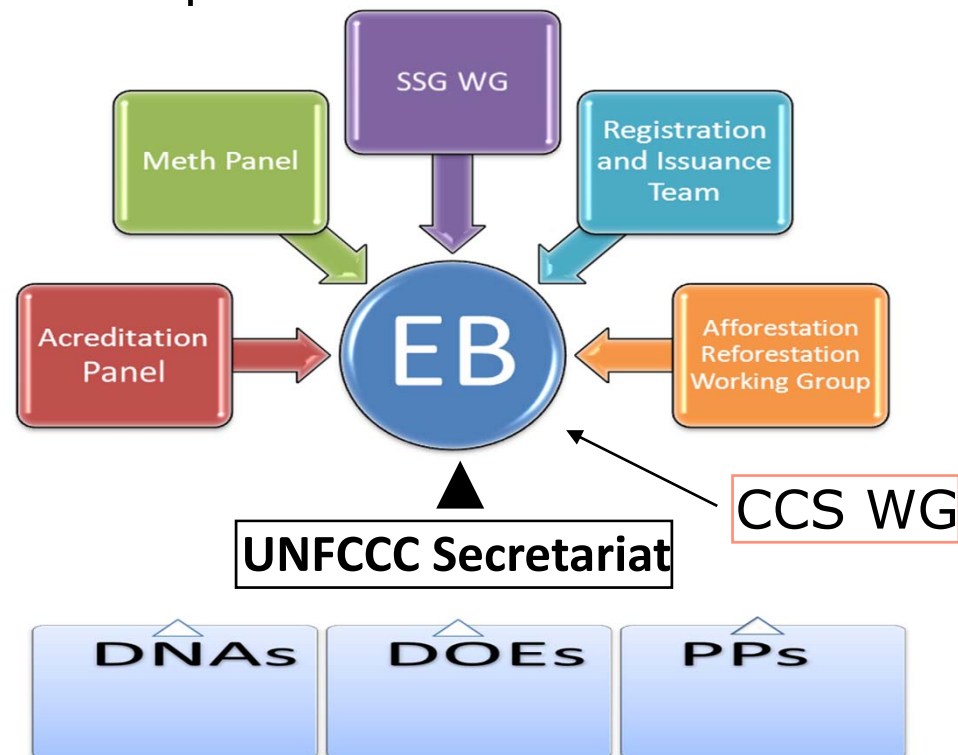
EB supported by technical panels, working groups and secretariat

Other actors are:

- **Designated National Authorities (DNAs),**

- Designated Operational Entities (DOEs)

- Project participants (PPs)



UNFCCC secretariat

- Based in Bonn since 1996
- Provides support to the Parties of the UNFCCC
- Lawyers, economists, scientists, engineers, negotiators, administrators
- Organises negotiation sessions, prepares background documents, compiles emission data, supports regulatory body of international carbon market
- Around 450 staff



What is happening to the CDM?



- The first commitment period of the Kyoto Protocol ended in 2012.
- Some Parties have agreed to enter a **second commitment period(CP2)** 2013-2020 .
- CDM continues until at least the end of the second commitment period – 5 or 8 years.
- EU will continue to be the principal buyer of CERs
- EU has set restrictions on what type of CERs they will buy
- New market mechanism framework is being discussed by Parties and CDM could be a basis for this



DNAs – Sphere of influence



**Market-Based
Mechanism**

- ✓ Attract public sector investment
- ✓ Support better livelihoods and environments
- ✓ Incentivize private-sector participation
- ✓ Undertake outreach activities at national level by increasing awareness of key initiatives, such as loan scheme



Keeping up-to-date with CDM

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