

Sixth CDM Roundtable

CDM Policy Dialogue Report and recommendations

Bonn, Germany, 12 October 2012



The mandate

- ❖ CDM Policy Dialogue, established by the CDM Executive Board, and launched at the United Nations Climate Change Conference held in Durban, South Africa, in 2011 by the EB Chair and Executive Secretary of UNFCCC
- ❖ Objective was to make recommendations on how best to position the CDM to respond to future challenges and opportunities, and how to ensure the effectiveness of the CDM in contributing to future global climate action
- ❖ The Panel was tasked with ensuring an independent, inclusive and transparent process, and taking a bird's eye view of the system and its challenges



Panel members

Mohammed Valli Moosa (Chair),
former Environment Minister,
South Africa

Joan MacNaughton (Vice Chair),
President of the Energy Institute,
Global Advisor Sustainable
Policies, Alstom

Luciano Coutinho, President,
Brazilian Development Bank

Maggie L. Fox, President & CEO,
The Climate Reality Project

Ross Garnaut, Professor of
Economics, Australian National
University

Prodipto Ghosh, Distinguished
Fellow, The Energy and Resources
Institute - TERI

Yolanda Kakabadse, President,
World Wide Fund For Nature



Margaret Mukahanana, Permanent Secretary, Ministry of
Tourism and Hospitality Industry of Zimbabwe

Paul Simpson, Chief Executive Officer, Carbon Disclosure
Project

Nobuo Tanaka, Global Associate for Energy Security and
Sustainability, The Institute of Energy Economics, Japan


Changhua Wu, Greater China Director, The Climate Group

Approach

- Focus on **dialogue** with stakeholders:
28 official meetings + numerous informal consultations in all regions and with all stakeholder groups + submissions through website.
- Underpinned by **research** in 22 priority areas:
 - Impact of the CDM to date
 - Governance and operations of the CDM
 - Future context in which the CDM could operate
- Deliberations by the Panel in three face-to-face meetings and many on-line meetings.



Research questions

1. Should the CDM contribute to net mitigation of greenhouse gas emissions?
2. Does the CDM allow annex I parties to increase their mitigation ambition by reducing mitigation costs?
3. Has the CDM contributed to sustainable development? Should it?
4. Is the contribution of CDM to increased energy security in developing countries a significant factor to consider in future operations of CDM?
5. To what extent does CDM contribute to technology transfer?
6. To what extent does CDM leverage new and additional financing for mitigation?
7. Should the CDM aim at increasing the regional distribution of projects and mitigation activities? If so, how?
8. To what extent has the lack of standardized baselines and accounting for suppressed demand resulted in distortions in the CDM mechanisms?
9. Can the project cycle be further streamlined to improve efficiency and reduce costs? How can it be done?
10. Should the current validation/verification model be reformed? If so, how?
11.  Should the methods for determining additionality be changed? If so, How?
11. Should the EB be professionalized in terms of composition and conduct? If so, how?
12. How should the major points of dispute regarding the registration/issuance appeals process be resolved?
13. Should the current requirements for stakeholder consultation be strengthened? If so, how?
14. What should be the role of the CDM under each of the plausible future scenarios for the international carbon market?
15. In light of the emergence of other carbon mechanisms, what is the CDM's comparative advantage? What role, if any, should CDM play in improving standards for carbon mechanisms around the world?
16. In light of the emergence of new carbon markets outside of the UNFCCC and EU ETS what role, if any, should CDM play in directly issuing credits to these markets?
17. Without prejudging global negotiations, how could CDM promote useful learning-by-doing on REDD+?
18. Without prejudging global negotiations, how could CDM promote learning-by-doing on sectoral mitigation?
19. Should project-by-project offset generation, as currently carried out in the CDM, remain part of the future climate mitigation architecture?
20. Should the CDM remain embedded in the United Nations / UNFCCC? If so, who should operate it?
21. How has the world has changed since Kyoto (1997)?

Consultations



Timeline

Sep 11	EB64: Decision to establish CDM PD
Oct 11 – Jan 12	Call for public input (71 responses)
Oct 11 – Jan 12	Selection of Panel members
Nov 11	Official launch of CDM PD @ COP17
Jan 12	Opening www.cdmpolicydialogue.org
14-15 Feb	First panel meeting, Bonn
12-14 March	First stakeholder meeting (China)
25 March	Research programme finalized
March-April 12	Researchers identified and contracted (MoU and SSA)
March – May	17 official stakeholder meetings
30-31 May	Second Panel meeting, Frankfurt
June - July	11 more official stakeholder meetings (last one in India)
June - July	Finalization of research reports
24-26 July	Third & final panel meeting, Johannesburg
Aug	Drafting final report
Aug-Sep	Editing, translation & lay-out of report & research reports
10 Sep	EB69: Presentation of report
11 Sep	Press conference & official release of report
End Sep	Release of all research reports
Oct-Dec	Dissemination and follow-up towards COP 18

CLIMATE CHANGE,
CARBON MARKETS AND THE CDM:
A CALL TO ACTION

Report of the High-Level Panel on the CDM
Policy Dialogue



Outcome of the CDM Policy Dialogue

The full report is available at:

www.cdmpolicydialogue.org

All supporting research and
consultation reports will be
available at the same web
site from end of September

What do carbon markets bring?

The Panel adopted an open agenda including questioning the rationale for, and fundamental principles of, the CDM and carbon markets.

Findings

- Carbon markets allow nations to meet their mitigation targets in a flexible and cost-effective manner → should allow for more ambitious mitigation targets
- 1 billion CERs issued. US\$3.6 billion in savings for Annex I.
- In developing countries, CDM has built capacity to realize the potential for mitigation in nationally appropriate ways
- CDM has mobilised significant private sector investments

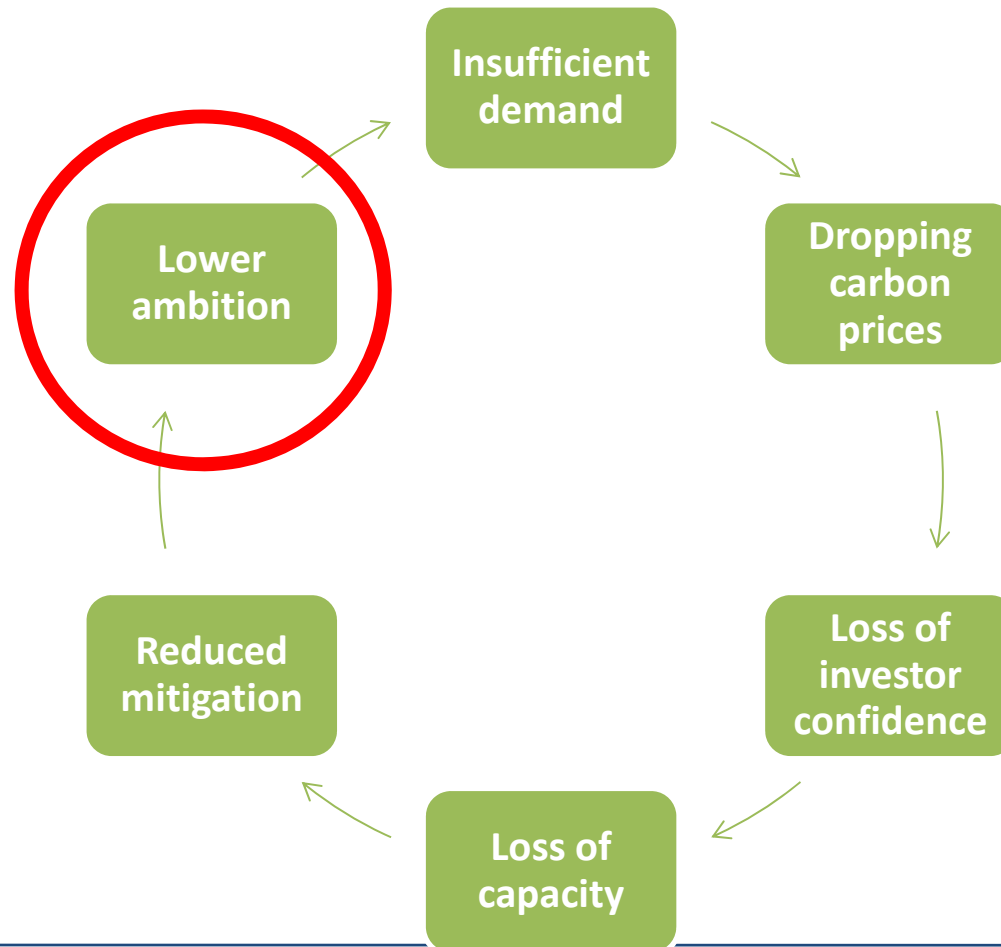


Three reasons to act

1. The Earth's climate system is on a precipice, with staggering impacts of climate change already felt around the world
 2. International climate action falls short of what is needed to avoid potentially unmanageable consequences
 3. Global carbon markets are rapidly collapsing
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Collapse of carbon markets



Recommendation 1: Urgently address the immediate crisis of demand

- Increase mitigation ambition
- Ensure access to CDM
- Purchase and cancel part of overhang of CERs.
- Establish reserve bank to stabilize the market.
- Take care in expanding CER supply, pending restoration of realistic prices.



Recommendation 2: Develop new approaches to enhance mitigation impact

- Develop and test sectoral approaches in CDM
- Develop and test project-based and national/sub-national REDD+ programs
- Develop and test approaches to achieve net mitigation impact
- Stop registering projects involving gases with low marginal costs of abatement



Recommendation 3: Set robust standards to enable linking and harmonization

- Develop standards that anticipate the needs of emerging market-based mechanisms.
- Collaborate with other market-based mechanisms around common functions
- Ensure comparability among standards across market-based mechanisms
- Establish a common registry function that tracks mitigation outcomes effectively and avoids double counting
- Improve regulatory engagement and outreach efforts



Recommendation 4: Support the rapid implementation of the Green Climate Fund

- Promote use of CDM standards and methodologies in accounting for payments for verified results.
- Apply the standards and methodologies developed under the CDM as a way to facilitate the implementation of mitigation activities supported by GCF.



Recommendation 5: Implement standardized methods for assessing additionality

- Increase use of standardized approaches e.g. performance benchmarks in assessment of additionality.
- Use positive lists to simplify additionality assessments for project types and contexts where there is low risk of non-additionality.
- Ensure that focus of incentives constantly shifts to next generation of technologies, in order to drive technological change.



Recommendation 6: Ensure that CDM projects help to achieve sustainable development

- Assess SD contribution of projects in a transparent, inclusive, and objective manner.
- Report, monitor, and verify sust. development impacts throughout the lifetime of a CDM project.
- Enhance safeguards against negative sustainable development impacts.
- Enable host country to withdraw approval of CDM projects
- Provide support to host country to perform the above functions.



Recommendation 7: Strengthen co-benefits and enhance the scope of energy technology

- Encourage projects with high co-benefits, including through simplifying requirements, standardizing registration and issuance procedures, and positive lists
- Explore cooperation with other international institutions and financial mechanisms in support of co-benefits generated by CDM projects.
- Promote greater take-up of new energy technologies in the CDM
- Stimulate collaborative technology development and local technology innovation.



Recommendation 8: Encourage greater access to the CDM by under-represented regions

- Prioritize projects in developing, non-high-income countries with very few projects that have issued CERs.
- Enhance accounting of suppressed demand for energy services
- Accelerate development of standardized parameters and simplified procedures for household-level services and public services.
- Introduce new grant scheme and expand loan scheme
- Mobilize finance to build capacity for hosting projects in underrepresented countries.
- Share experiences and best practices, within regions.



Recommendation 9: Rethink existing governance arrangements

- Reorient EB Board towards policy and strategy issues, while delegating project specific and technical decision-making to the Secretariat.
- Adopt accountability framework between EB and Secretariat
- Develop and implement robust codes of conduct for all members of the CDVI governance structure
- Revise criteria for composition of EB
- Limit membership of EB to two three-year terms.
- Evolve towards more decentralized system of operation



Recommendation 10: Improve stakeholder interactions and public engagement

- Improve accessibility and respond to stakeholders
- Designate contact person or “account manager” within Secretariat for stakeholders in respect of individual cases,
- Adopt strategic communications policy
- Establish guidelines for local consultation procedures to ensure local community stakeholders are consulted on project activities.



Recommendation 11: Establish mechanisms for appeals and grievances

- Implement appeals mechanism for registration and issuance decisions.
 - Both positive and negative rulings should be appealable.
 - Appellate body to be independent from EB and appointed by the CMP.
- Establish grievance mechanism, at national levels, for local stakeholders to address environmental and social concerns and resolve issues emerging after registration of a project



Recommendation 12: Promote regulatory certainty and streamlining

- Designate a champion to identify and propose streamlining
- Digitize and automate workflows to facilitate transparency and consistency.
- Increase the use of standardized approaches in validation and verification procedures.
- Strengthen training and communication with DOEs in order to ensure a common understanding of rules
 - Parallel training for project developers should also be provided.
- Revise rules and procedures only at pre-defined points to build confidence and consistency in rules.



What did the EB say?



- “Take note of the report”
- Thank the panel for their work
- Highlight to CMP
- Request secretariat to review what actions the EB can respond to



Next steps



- Release of research reports
- Letter from chair to all parties
- Outreach by Panel members individually
- Highlighting at various events
- At Doha: Referred to in EB report to CMP, Dedicated side event, referred to high-level segment
- Reflected in CDM MAP...



Outcome?



Inform and support decision makers about CDM, about carbon markets, inspiring new international linkages between new markets and instruments.

Contribute to the objectives of the UNFCCC



Dialogue about the CDM – moving onwards & upwards!

