

CDM's contribution to global climate action and secretariat initiative for increasing demand for CERs

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Background

- The CDM was established as a “flexible mechanism” by the Kyoto Protocol, to help ANNEX I Parties to meet their **emission reduction commitments**, while bringing **sustainable development benefits** to the CDM host countries.



Source:
<http://serendip.brynmawr.edu/exchange/node/11993>

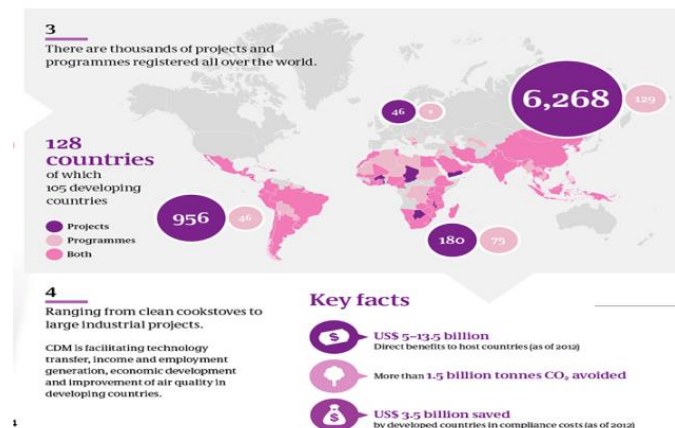
- It was the first undertaking of its kind in the world. The first truly global mechanism in a new carbon market.
 - No experience existed on the ground, no trail to follow, no manual.
 - ☐ Additional (would not happen without CDM incentive)
 - ☐ Environmental integrity (reductions are real)



Complexity was inevitable at start

Achievements of the CDM

- During its 10-year history, a first-of-its-kind approach to climate change mitigation under administration of the United Nations, CDM has been able to:
 - ✓ Develop 200+ methodologies in 25 different sectors
 - ✓ Establish 125+ Designated National Authorities
 - ✓ Accredite 40+ validators/verifiers (Designated Operational Entities)
 - ✓ Involve 4,500+ institutions in CDM projects
 - ✓ Establish four Regional Collaboration Centers (Africa, Latin America, and the Caribbean)
 - ✓ Develop countless CDM development experts worldwide
 - ✓ Develop an experienced secretariat



Achievements of the CDM in big numbers

- ✓ Over **7,750** registered projects and PoAs in **100** countries in **less** than 10 years = *average over 2 projects per day!*
- ✓ **155 countries** involved in the CDM = *over $\frac{3}{4}$ of the countries in the world!*
- ✓ **1.5 billion CERs** issued and **€4-20 billion** saved by EU ETS installations from 2008 to 2012 through CER purchases
- ✓ Approximately **US\$215 billion** investment in GHG reduction activities > total annual ODA flow in 2011
- ✓ **US190 million** contribution to the Adaptation Fund
- ✓ Around **200 GW** of **installed renewable energy capacity** = more than twice the total installed capacity of the UK



Achievements of the CDM

- But the CDM has even gone beyond that. It has:
 - Identified and initially addressed the **low hanging fruits** for mitigation, indicating a **clear way to get started and to continue** developing mitigation
 - **Developed capacity** to identify and develop those mitigation opportunities worldwide, and in the developing world in particular
 - **Placed climate change mitigation in the agenda** of developing countries, by requiring the establishment of DNAs with LoA procedures etc...



Achievements of the CDM

- It has also:
 - Built capacity of developing country authorities, some of which are now pursuing their own mechanisms based on experiences gained with CDM
 - Developed the interest of the private sector, mobilizing a very significant investment (US\$150 billion at least, with potential for more)
 - Demonstrated that global approaches to mitigation CAN work
 - Contributed to adaptation through the Adaptation Fund

CDM has delivered offsets, but also capacity, know-how, finance, adaptation funding and sustainable development co-benefits



A challenging market ...

- Low international ambition in reducing emissions
 - Low demand for CERs and current excess supply
 - CER prices dropped 95% in past few years
- Significant challenges in selling issued CERs
- Little incentive for new projects
- Many buyers looking for more than just the CDM as we know it
 - A net overall contribution to global mitigation
 - Assurance of sustainable development benefits



... calls for a plan

- New markets for CERs and CDM
- Opportunities to support broader objectives of climate change Convention by facilitating mitigation action
- Supports CDM's ability to deliver benefits to developing countries and real emission reductions globally



... calls for a change of plan: increasing demand

- Facilitate acceptance of CERs in **compliance markets**
 - Emerging trading schemes and ICAO
 - Emerging approaches (carbon tax, etc.)
- Enhance the use of CDM in **voluntary markets**
 - By governments and the UN
 - By private companies and NGOs
 - Sporting and conference events
- Develop CDM for delivering **mitigation finance**
 - Results-based finance
 - Nationally appropriate mitigation actions (NAMAs)



Potential of the CDM

- In addition:
 - CDM is primarily a **monitoring, reporting and verification (MRV)** system for mitigation actions, excellent for **results-based financing**
 - CDM has already undergone and overcome the trials and difficulties all new mechanisms must endure. **It has therefore passed the phase of the learning by doing and acquired more maturity**
 - CDM has **addressed most of the criticism** regarding transparency, responsiveness and processing time, and has taken on wide standardization and simplification. **It has evolved greatly.**
 - It can easily **contribute to net mitigation**, under revised provisions.
 - CDM is a multilateral mechanism, with the credibility and transparency required to ensure that reductions are real. **It has wide recognition. It is the model for new mechanisms.**

A mature, advanced and recognized mechanism with potential to contribute to further mitigation ambition and net mitigation.



Initials signs

- **ADP** invited governments to consider reducing the pre-2020 mitigation gap with CERs cancellation
 - Total gap by 2020 is estimated to be at least **20 billion tonnes** CO2 eqv
 - Potential supply from all registered CDM projects accumulated until 2020: **~8 billion CERs**
- **FIFA World Cup 2014** offsetting with CERs
- Carbon pricing initiatives considering use of CERs as offsets (e.g. Mexico, Costa Rica)
- Initial contacts with potential cancellers have been positive



Voluntary cancellation of CERs

Voluntary cancellation = destroying CERs so they may not longer be used for compliance

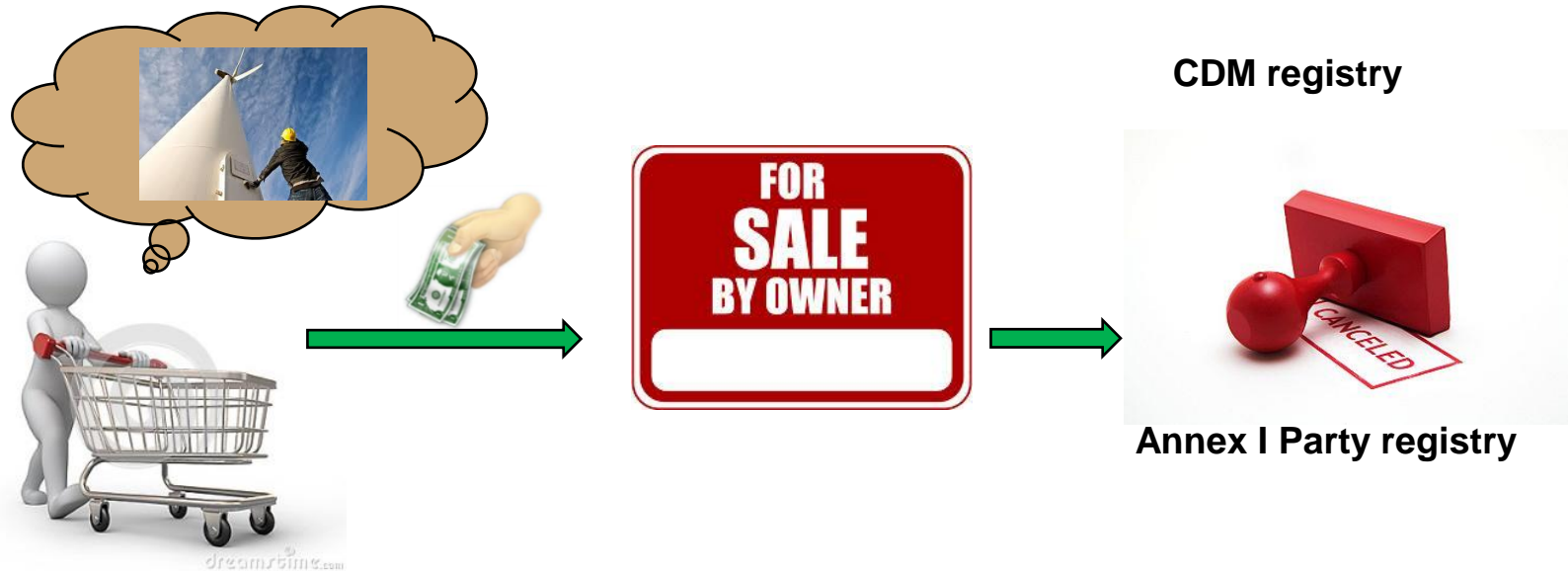
In practice, achieved by transferring CERs to a cancellation account in the CDM or a national registry



- Driven by a number of reasons
 - By organizations or individuals **showing leadership** by offsetting emissions
 - Increase **de facto mitigation** (in particular governments)
 - **Support** developing countries (finance, technology, capacity)
 - Contribute to closing the pre-2020 ambition gap
 - Preserve **investors' confidence** in UNFCCC mechanisms



Voluntary Cancellation – how to...



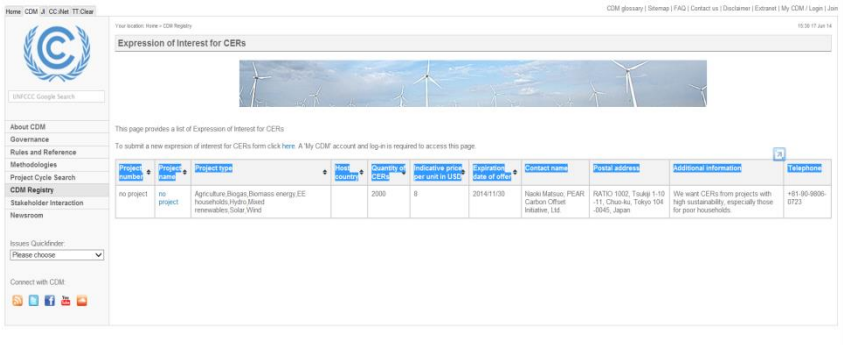
CERs may be cancelled in [any registry](#). If cancelled in the CDM registry, the UNFCCC will provide [an attestation](#).

Offering CERs available for voluntary cancellation

- Owners of CERs can [submit a list of CERs available for cancellation](https://cdm.unfccc.int/Registry/vcnotices/notices_list):

https://cdm.unfccc.int/Registry/vcnotices/notices_list

- Required information:
 - Project number
 - Project name
 - Project type
 - Host country
 - Quantity of CERs
 - [Indicative price per unit in USD](#)
 - Expiration date of offer
 - Contact name
 - Postal address, Website, Telephone



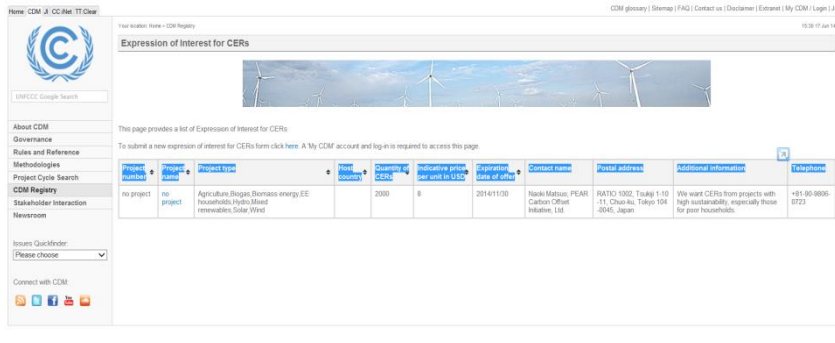
Project Number	Project Name	Project Type	Host Country	Quantity of CERs	Indicative price per unit in USD	Expiration date of offer	Contact name	Postal address	Additional information	Telephone
no project	no project	Agriculture/Bioenergy/Biomass energy/EE	Japan	2000	0	2016-11-30	Nick Matsuo, PEAR Carbon Offset Initiative, Ltd	RATCO 1002, Tsukiji 1-10-31, Chuo-ku, Tokyo 104-8545, Japan	We want CERs from projects with high sustainability, especially those for poor households.	+81 90-9800-0721



Finding CERs available for voluntary cancellation

- Buyers interested in acquiring CERs for voluntary cancellation can submit an **expression of interest for CERs**:

https://cdm.unfccc.int/Registry/vcnotices/eois_list



Project	Project name	Project type	Host country	Quantity of CERs	Indicative price per unit in USD	Expiration date of offer	Contact name	Postal address	Additional information	Telephone
no project	no project	Agriculture/Bioenergy/Biomass energy/EE	India	2000	8	2014/11/03	Nasik Matsuo, PEARL Carbon Offset Initiative, Ltd	RATCO 1002, Tsukiji 1-10 11, Chuo-Ku, Tokyo 104 2600, Japan	We want CERs from projects with high sustainability, especially those for poor households.	+81-05-9806-0723

- Required information:
 - Project number (optional)
 - Project name (optional)
 - Project type (optional)
 - Host country (optional)
 - Quantity of CERs
 - Indicative price per unit in USD**
 - Expiration date of offer
 - Contact name
 - Postal address, Additional information, Telephone



Make it easy, visible and recognized!

- Strengthen [communication and outreach](#) materials and actions;
- [Recognize](#) the voluntary cancellation of CERs;
- Establish an [information platform](#) about CERs that are available in the CDM Registry for voluntary cancellation;
- Develop a [simple online voluntary cancellation](#) of CERs.



In conclusion

- ❖ CDM is a successful ready-made tool, tested, improved and apt to **further evolve** as required.
- ❖ CDM has the potential to continue contributing to mitigation worldwide, both through offsets and **net mitigation**
- ❖ CDM is not only an offsetting mechanism, but also a fully developed **syst em for MRV of mitigation action** (and finance)
- ❖ CDM is the basis for mechanisms growing worldwide and could **link** all of them (**model** for new mechanisms)



Potential for continued contribution to mitigation and adaptation, with strong MRV, linking global markets and expanding mitigation action and delivery of finance