



# CDM Fact Sheet

## Leveraging private finance, delivering verified results



### Context

Finance will be a central pillar of the 2015 climate change agreement. Parties want transformation of investment patterns, from brown to green. Consensus is forming around a few guiding principles. The need for:

- Deployment of significant public funds that leverage private investment
- Transparency in investment delivery and outcomes
- Country ownership to ensure climate finance supports national development priorities.

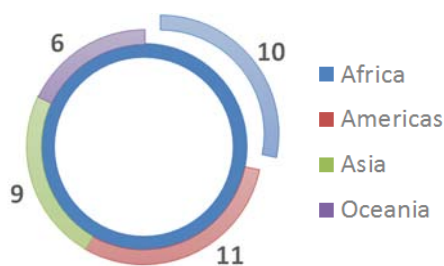
The Executive Board of the Clean Development Mechanism (CDM) wants to ensure that Parties are aware that:

**The CDM is an effective tool, already at Parties’ disposal, that delivers on Parties’ key principles.**

### Leveraging additional finance for climate action

The CDM provides top-up, supplemental financing that makes low-emitting projects competitive against cheaper but more polluting alternatives. The projects are primarily financed by resources outside the CDM. Analysis of CDM activities has shown that:

**The CDM has leveraged, and can continue to leverage, private investment 10 times the public funds allocated.**



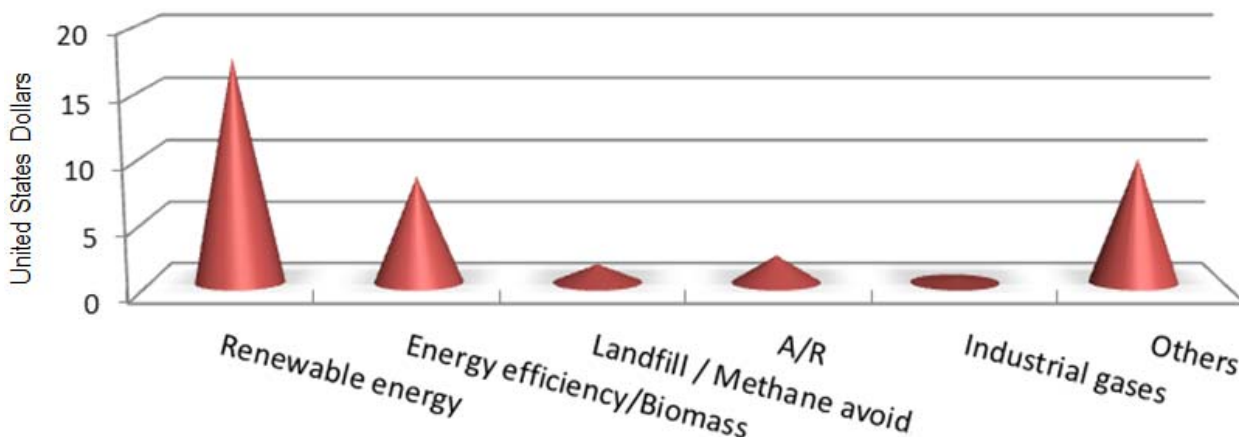
1 USD of public money invested in the CDM results in, on average, 10 USD in private sector investment. The average amount that can be leveraged through the CDM varies by region.

### Number of dollars leveraged per public dollar spent on the CDM

The analysis was done on CDM activities that have issued certified emission reductions (CERs). It assumed an average CER price of 5USD used in project planning.

Deeper analysis by sector indicates that the multiplier effect is significantly greater in those sectors most closely associated, by many Parties, with having more significant sustainable development co-benefits, in particular:

**CDM investment in renewable energy projects leverages investment 18 times the price of the CERs purchased.**



**Delivering verified results**

The CDM has catalyzed the design and implementation of 7,800 projects and programmes in 107 countries. In just over a decade:

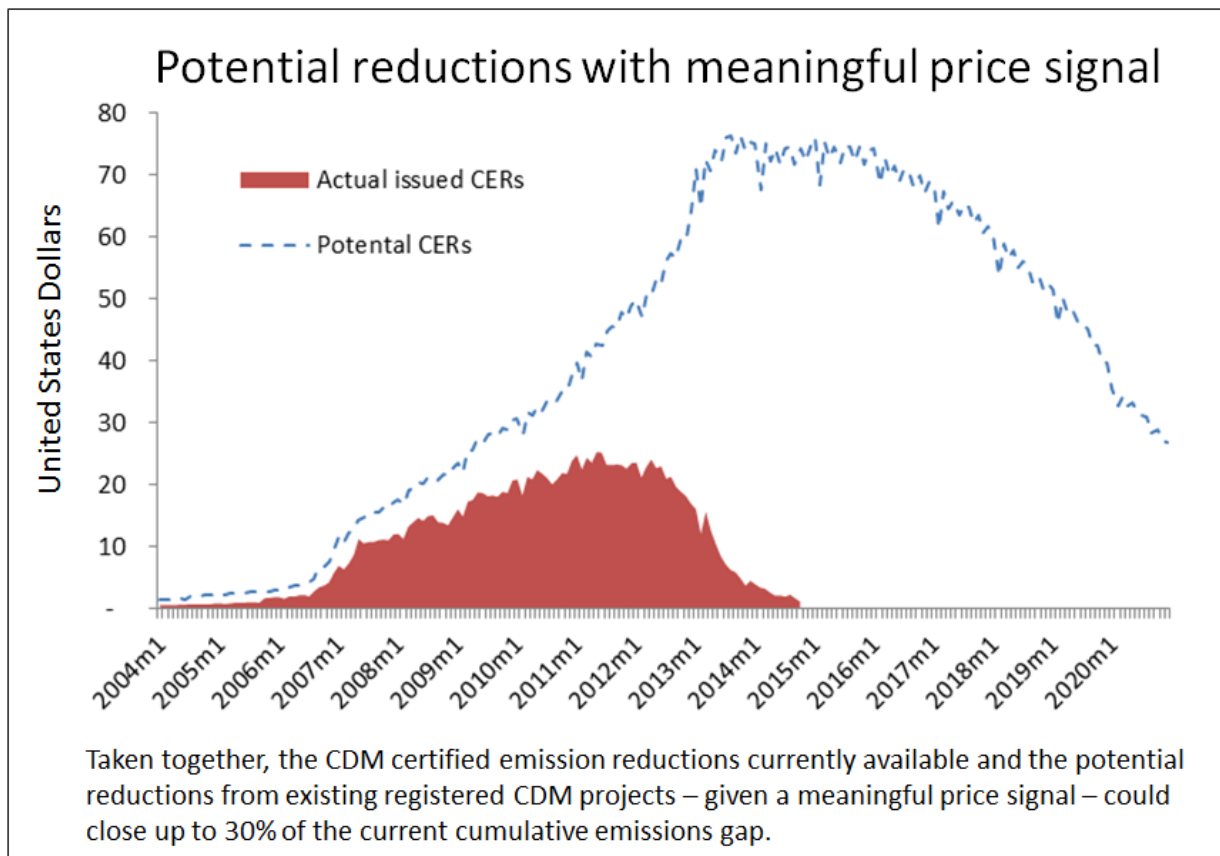
**The CDM has reduced or avoided 1.5 gigatonnes of CO2 equivalent.**

These emission reductions have been verified by independent, third-party entities, ensuring that projects and programmes have been correctly implemented and have delivered the intended reductions.

Experience shows that it takes several years to develop emission reduction projects to the stage where they are ready to be deployed. In CDM this process has been going on for over a decade.

Any new instrument being considered for establishment will take several years to create a pipeline of projects comparable to the pipeline that already exists in the CDM.

**The CDM has a significant pipeline of projects ready for quick expansion or deployment given a meaningful price signal.**



### Ensuring country ownership

Every CDM project and programme registered by the CDM Executive Board has been approved by the host country, which is required to attest that the project contributes the country’s sustainable development goals.

**134 developing country Parties have established CDM national authorities to assess and approve projects and programmes.**

While the initial years proved to be a significant “learning-by-doing” process, these authorities are now well established and mutually supportive through global and regional fora.

In the coming years, ensuring country ownership of CDM activities and priorities could be greatly enhanced through the framework of NAMAs and nationally determined contributions, as these define more precisely national priorities for climate action. They could provide domestic policy and political guidance to designated national authorities.

### Deploying resources through a tool that works

Parties agree it is essential that significant public funds be deployed to mobilize private investment in transformative climate action. This investment and action must be at a scale sufficient to limit global temperature increase to below 2 or 1.5 degrees C.

The initial capitalization of the Green Climate Fund is a significant step toward that goal. The CDM Executive Board encourages Parties to consider the advantages of deploying resources through the CDM to scale up climate action now.

**The CDM can ensure mobilization of private sector investment that is verifiable, country owned and focused on national priorities.**

Analysis by the UNFCCC secretariat shows that committing USD 2 billion per year through a CER purchase programme with a USD 5 floor price in the period 2015-2020 could leverage more than USD 120 billion in additional green investment and contribute to the elimination or prevention of 1.8 billion tonnes of CO<sub>2</sub> equivalent of greenhouse gases: a significant contribution to closing the emissions gap and financing transformation. If the same level of investment were focused on the renewable energy sector the leveraged rate of finance could be over USD 210 billion.

### CDM a tool with many uses

The CDM was created to give countries some flexibility in how they meet their obligations under the Kyoto Protocol and to assist countries to achieve their sustainable development goals. The mechanism, with its strengths for monitoring, verifying and validating emission reductions and climate action, has many uses in the international response to climate change:

- As a results-based financing tool, allowing donors to target investment and verify results
- As a generator of trusted, comparable units – CERs – to link emerging emissions trading systems
- As a climate finance tool, to deliver on nationally appropriate mitigation actions
- As a tool in support of domestic climate policies
- As a sustainable development and adaptation tool.
- As a scaled-up market mechanism under the 2015 agreement.

**The CDM is a tool with many uses essential for the success of the international response to climate change.**

### Where can I find more information?

For more information about the CDM: <http://cdm.unfccc.int>



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