How mitigating actions can be measured and compared through the use of CDM

African Regional Workshop on Carbon Finance 11 &12 April 2015



CURRENT AND FUTURE CONTEXT

- Much more mitigation actions are needed from now up to 2020
- Economic instruments contribute in providing flexibility
- Several economic instruments are needed to harness the full mitigation action potential (market as well as non market mechanisms)
- Carbon finances will be the main driver of the mitigation activities needed to be implemented to fill the pre 2020 gap



CURRENT AND FUTURE CONTEXT

- Climate finance institutions increasingly employs RBF
- Parties recognized the importance of consistent and rigorous MRV regardless of the source/ type of financing
- All the pricing instruments will require robust MRV instruments for international recognition
- The CDM as a MRV instrument, if provided required new capabilities, could serve the prompt start operation of the climate finances and by doing so contribute in filling the pre 2020 gap
- It can also serve the post 2020 instruments for incentive creation



Requirement under FVA

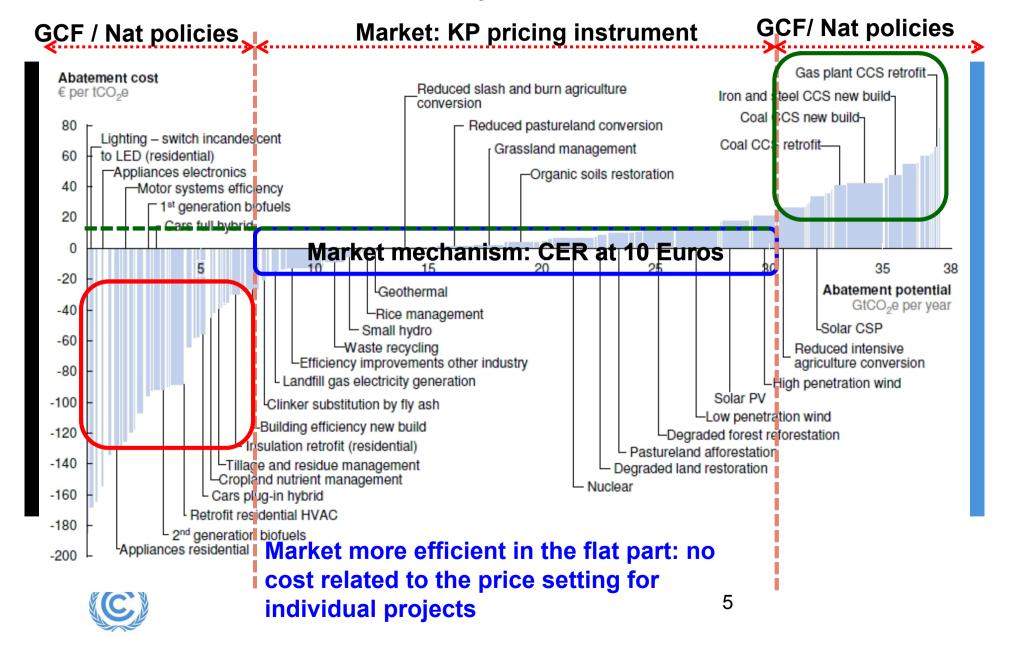
Decision 1/CP.18

- 41. Acknowledges that Parties, individually or jointly, may develop and implement various approaches, including opportunities for using markets and non-markets, to enhance the cost-effectiveness of, and to promote, mitigation actions, bearing in mind different circumstances of developed and developing countries;
- 42. Re-emphasizes that, all such approaches must meet standards that deliver real, permanent, additional and verified mitigation outcomes, avoid double counting of effort and achieve a net decrease and/or avoidance of GHG emissions;

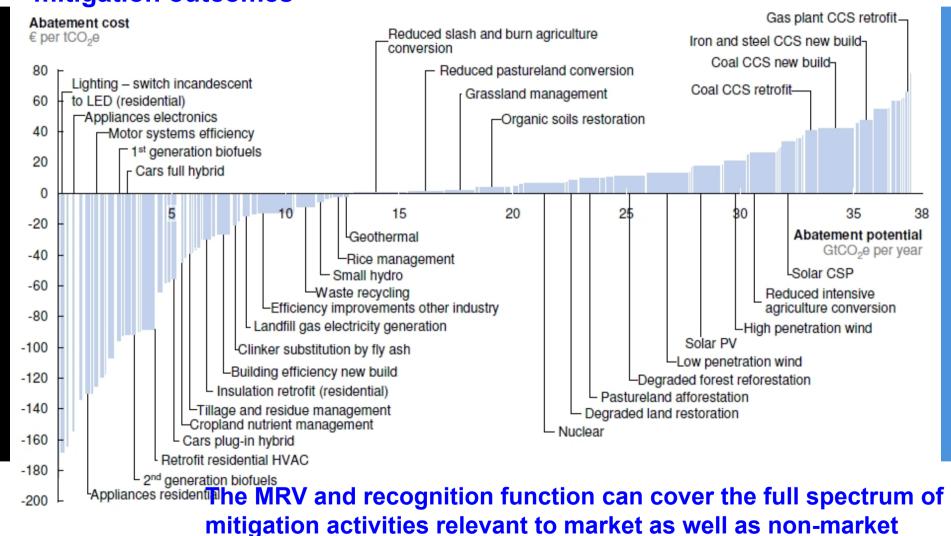


Why various approaches for incentivizing are needed

V2.1 Global GHG abatement cost curve beyond BAU – 2030



V2.1 Global GHG abatement cost curve beyond BAU – 2030 Why one MRV instrument is enough for internationally transferable mitigation outcomes



CDM as a MRV/recognition instrument

CDM modalities & procedures CDM EB

MRV/recognition instrument: *generation of the carbon unit*

- CERs are generated following requirements of the CDM M&P
- One ton of CO2 is one ton of CO2 regardless of:
 - a) its abatement cost;
 - b) what the CER will be used for;
 - c) the incentive for action.

KP or other RBF rules e.g. GCF rules

Instrument for creation of incentives:

Incentive that gives value; use of the carbon asset

- Gives value to the carbon unit that become a carbon asset
- As a commodity, the carbon asset can have different values and can be used for different purpose, e.g. for compliance under the KP or for cancellation under Result-based finance (RBF).

1 ton of CO2 reduced



1 ton of CO2 recognized through 1 carbon unit issued



Carbon unit transformed into carbon asset



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Conclusion

CDM MRV instrument

Is internationally accepted

Has a fully operational assessment apparatus

Has accreditation system for third party validators/verifiers

Has registry for issuing and tracking credits

Is used across the world as the source of rules for mitigation activities

Enjoys a unique political legitimacy



Conclusion

It could serve several pricing instruments under/beyond the KP

There is no need for more than one MRV and recognition instrument for all internationally transferable mitigation outcomes using international public finance and/or seeking international recognition

- This will ensure comparability of impact of mitigation action
- This will address double counting / double incentives
- This is one solution for linking without race at the bottom
- This could be the "common accounting and tracking rules system" that will safeguard environmental integrity and avoid double counting of internationally transferable mitigation outcomes of cooperative arrangements



THANK YOU FOR YOUR ATTENTION

