

The background of the slide is a photograph of numerous blue metal drums, likely for industrial liquids or gases, stacked in rows. The drums are slightly out of focus, creating a sense of depth. The text is overlaid on this background in a white, bold, sans-serif font.

RCC Kampala: An introduction

CDM Experience: The story so far

**The future of CDM I: Options for
Scaling Up, Standardized
Baselines, PoAs etc.**

**The future of CDM II: Climate
Financing initiatives for the CDM
Discussion**

The future of CDM II: Climate Financing initiatives for the CDM

National Workshop on Clean Development Mechanism (CDM) as Global mitigation tool

09 -10 March 2015

Lilongwe, Malawi

Tim Cowman & Brenda Rwamahe

UNFCCC Regional Centre Kampala





CDM Demand

CDM in the wider climate finance landscape

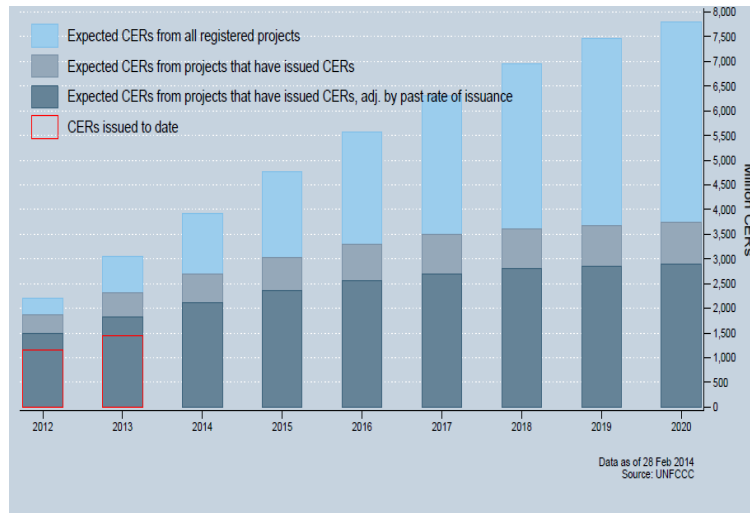


CDM Demand

CDM in the wider climate finance landscape

Potential of the CDM

- Facing challenging times: due to **domestic policy decisions** and **lacking ambition**, supply exceeds demand in the carbon markets.
- CER prices dropped 95% in past few years. Current price ~0.10 Euros/CER. Difficult for most projects to continue the project cycle.
- But the CDM has much potential:



8 billion
tons



Demand

1. CERs for **compliance** purposes

- ✓ Existing demand
- ✓ Emerging trading schemes
- ✓ Emerging approaches (carbon tax, etc.)

2. CDM for **voluntary** purposes

- ✓ Increase voluntary mitigation action by countries
- ✓ Private companies and organizations
- ✓ Events

3. CDM as a key tool for monitoring, reporting and verifying (**MRV**) outcomes of mitigation **finance**

- ✓ Results-based finance



The components

CERs for compliance purposes

- ✓ Existing demand
- ✓ Emerging trading schemes
- ✓ Emerging approaches (carbon tax, etc.)

The CDM is an internationally-endorsed mechanism that provides robust, ready-made infrastructure and high-quality fungible credits to support climate-friendly development.



China, Mexico, South Korea, South Africa?



COUNTRIES

- Mexico, South Africa, Chile, China etc
 - a) Using or proposing to use CERs as a potential offset for tax



INDUSTRIAL SECTORS

ICAO under pressure to act. Due to the nature of their emissions they have little abatement potential and therefore will need to rely on offsets or allowances

- a) Demand placed at anywhere between 100m and 600 m tonnes per annum post 2020



The components

2. Enhance use of CDM for **voluntary** purposes

- ✓ Increase voluntary mitigation action by countries
- ✓ Private companies and organizations
- ✓ Events

The CDM offers a comprehensive selection of quality UN-certified credits that improve lives in developing countries by incentivizing climate friendly development.

- Voluntary cancellation of CERs;
- Sustainable Development Tool (SD Tool).



Voluntary cancellation of CERs

- However, the use of CERs is not limited to compliance markets

Concept of “**voluntary cancellation**” = effective removal of a CER from further use or transfer.



- Voluntary cancellation can be done for a number of reasons:
 - ✓ By organizations or individuals wishing **to show leadership** by **voluntarily offsetting**
 - ✓ Increase **de facto mitigation** (in particular by governments)
 - ✓ **Support** developing countries (transfer of finance, technology, capacity building, etc.)
 - ✓ Contribute to closing the pre-2020 ambition gap
 - ✓ Preserve **investors' confidence** in UNFCCC mandated mechanisms
 - ✓ **Online platform** being discussed.



The components

3. Further develop CDM key tool for monitoring, reporting and verifying (MRV) outcomes of mitigation finance

✓ Results-based finance

CDM is a ready-made, reliable, UN-recognized tool that offers a transparent means to monitor, report and verify mitigation outcomes.

- ❖ CDM is not only an offsetting mechanism, but also a fully developed system for MRV of mitigation action (and finance)
- ❖ CDM is primarily a monitoring, reporting and verification (MRV) system for mitigation actions, excellent for results-based financing



Funding Opportunities

Private sector led / executed energy access programs

Household level / community scale programs

- Biogas,
- Solar Home Systems,
- Micro/Mini Hydro, etc.

Priority countries

- African LDC Countries (e.g. Uganda, Rwanda, Zambia, Malawi, Tanzania, Ethiopia, DRC, Sierra Leone, Liberia)

Projects to start deliver CERs as early as 2015

- Work with country partners (DNAs, Rural Electrification Agencies, etc.) to identify projects with good potentials
- Call for proposals targeting projects with strong private sector engagement

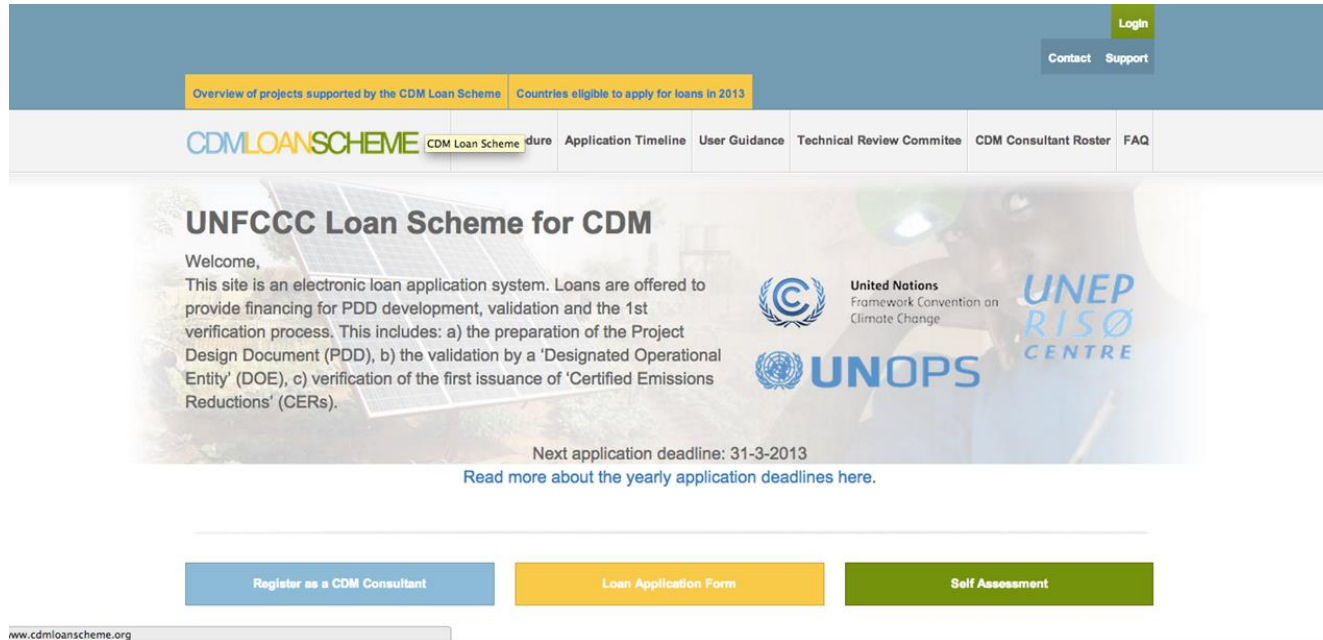


EXAMPLE: Rural electrification Uganda, Household level energy access Ethiopia



Funding Opportunities

❖ CDM Loan Scheme



The screenshot shows the homepage of the CDM Loan Scheme. At the top, there is a navigation bar with links for 'Login', 'Contact', and 'Support'. Below this, a banner area features the 'CDM LOAN SCHEME' logo and a list of links: 'CDM Loan Scheme', 'Application Timeline', 'User Guidance', 'Technical Review Committee', 'CDM Consultant Roster', and 'FAQ'. The main content area is titled 'UNFCCC Loan Scheme for CDM' and includes a welcome message, a description of the loan application process, and logos for the United Nations Framework Convention on Climate Change (UNFCCC), UNOPS, and the UNEP Risk Centre. A notice states the next application deadline is 31-3-2013, with a link to read more about yearly application deadlines. At the bottom, there are three buttons: 'Register as a CDM Consultant', 'Loan Application Form', and 'Self Assessment'. The website URL 'www.cdmloanscheme.org' is displayed at the very bottom.

Overview of projects supported by the CDM Loan Scheme | Countries eligible to apply for loans in 2013

CDM LOAN SCHEME | CDM Loan Scheme | Application Timeline | User Guidance | Technical Review Committee | CDM Consultant Roster | FAQ

UNFCCC Loan Scheme for CDM

Welcome,
This site is an electronic loan application system. Loans are offered to provide financing for PDD development, validation and the 1st verification process. This includes: a) the preparation of the Project Design Document (PDD), b) the validation by a 'Designated Operational Entity' (DOE), c) verification of the first issuance of 'Certified Emissions Reductions' (CERs).

United Nations Framework Convention on Climate Change
UNOPS
UNEP RISK CENTRE

Next application deadline: 31-3-2013
[Read more about the yearly application deadlines here.](#)

[Register as a CDM Consultant](#) | [Loan Application Form](#) | [Self Assessment](#)

www.cdmloanscheme.org

To fill the gap for financing for the CDM-related cost of project development.

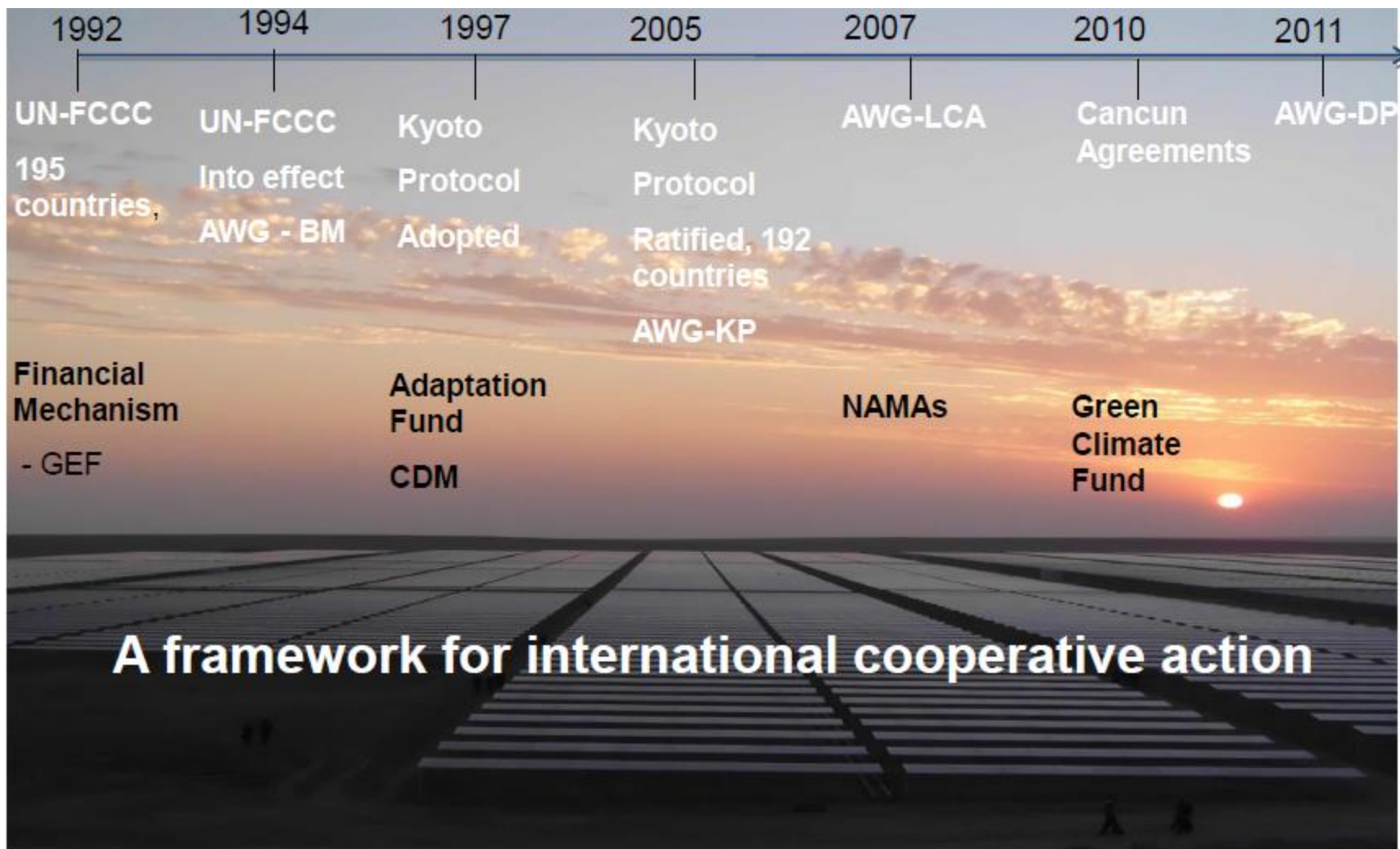
- Development of PDD, Validation, First verification

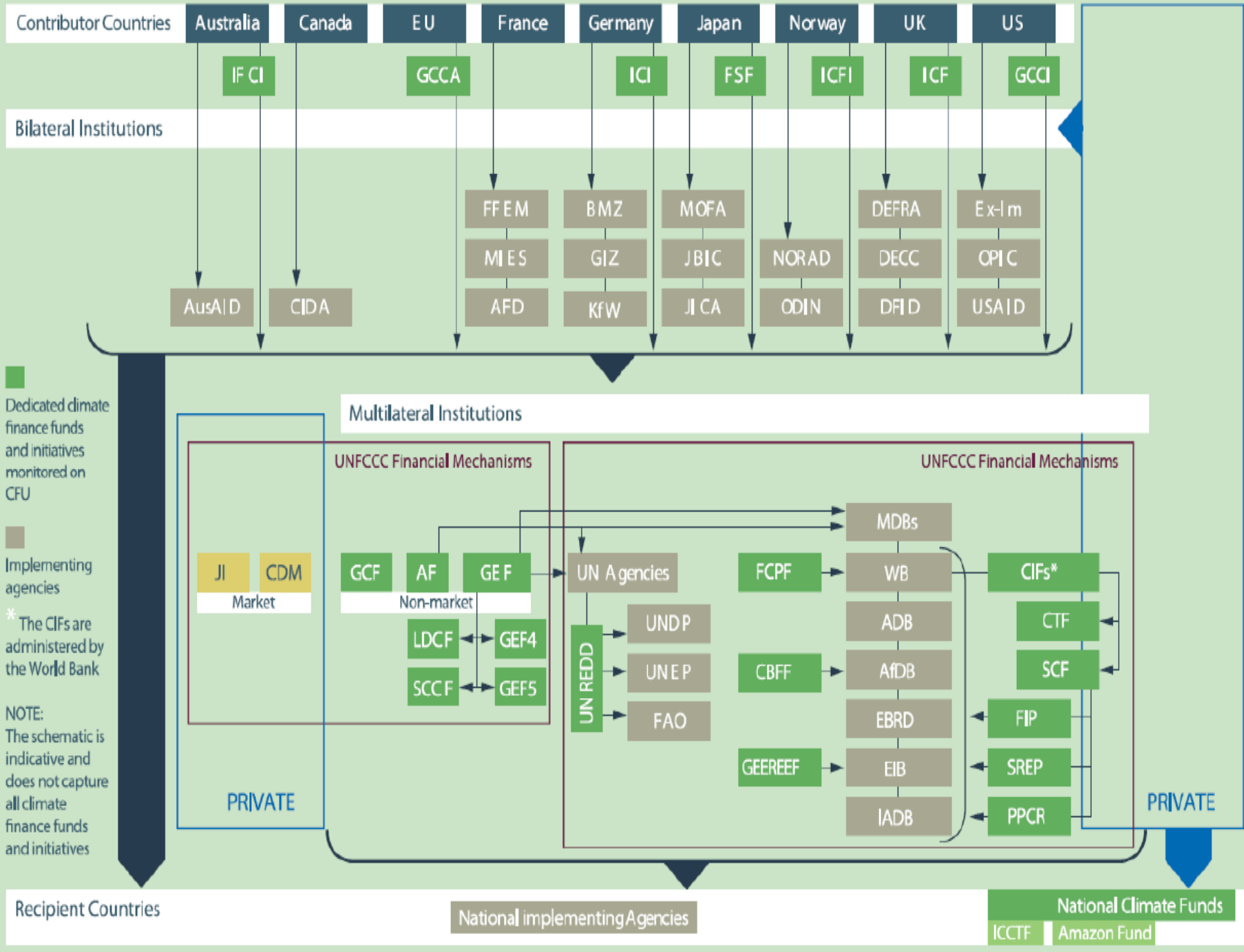




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CDM in the wider climate finance landscape





EXAMPLE 1: PoAs as the basis of NAMAs?

- **What are NAMAs**
- Nationally Appropriate Mitigation Actions **by developing country Parties** in the context of sustainable development, **supported and enabled by technology, financing and capacity building**, in a measurable, reportable and verifiable manner aimed at achieving a deviation in emissions relative to business-as-usual emissions in 2020.
- **Why?**
- Conceived in 2007 (Bali): under the Convention
- Reflect the divergent views between developed and developing countries on the future
- a) Is action is developing countries supported or unilateral
- Reflect divergent views among developing countries on the means of action



EXAMPLE 1: PoAs as the basis of NAMAs?

Reflects:

- Desire of developing countries to take nationally appropriate action to contribute to global efforts
- Desire of developed country Parties to cooperate in implementation of real action

PoAs to NAMA e.g

- DelAgua – Cookstove PoA in Rwanda
- Uganda – institutional cookstove PoA, Standardied baseline (PoAs)
- Uganda – NEMA composting



EXAMPLE 2: CDMs role in INDCs?

Durban Outcome 2011 (Decision 1/CP.17)

- Agreement applicable to all by 2015 to be effective from 2020
- Enhanced mitigation ambition before 2020

Doha Outcome 2012

- Second commitment period for KP (2013-2020)
- Closure of AWG-KP and AWG-LCA



EXAMPLE 2: CDMs role in INDCs?

Warsaw decision:

- All Parties invited to come forward with Intended Nationally Determined Contributions (INDCs) well before COP21 in Paris (December 2015)
 - Assistance by developed Parties and IGOs [2d]
- Information to be submitted with INDC to be identified by the ADP by Lima (December 2014)
- Elements of a draft negotiating text to be agreed by Lima



EXAMPLE 2: CDMs role in INDCs?

Warsaw decision:

- Technical Expert Meetings (TEMs) launched to investigate options with high mitigation potential
- Parties invited to use CDM to enhance pre-2020 ambition
- Initial capitalization of the Green Climate Fund



EXAMPLE 2: CDMs role in INDCs?

Lima

- COP decision on information for INDCs
- COP decision on enhanced pre-2020 action
- Elements of a draft legal agreement

Paris

- Legally binding agreement
- COP decisions giving affect to the agreement
- COP decisions on enhancing pre-2020 cooperation



SWITZERLAND 1st Submitted INDC

Credits from market mechanisms: Switzerland will realize its INDC mainly domestically and will partly use carbon credits from international mechanisms.

- **Use of carbon credits with high environmental standards:** Switzerland will use carbon credits from international mechanisms that deliver real, permanent, additional and verified mitigation outcomes and meet high environmental standards. Quality criteria which are at least in line with those of Switzerland's current national legislation will be applied. Switzerland intends to use the CDM. In this context, Switzerland supports the revision of its modalities and procedures to fit in the new climate regime. Switzerland also intends to use, as appropriate, the new market mechanisms under the Convention (NMM, activities under the FVA).

CASE STUDY: ADDIS LIGHT RAILWAY - ERC, ETHIOPIA?

CDM Regional Collaboration Centre, Kampala