

Climate Finance Instruments

- A global overview



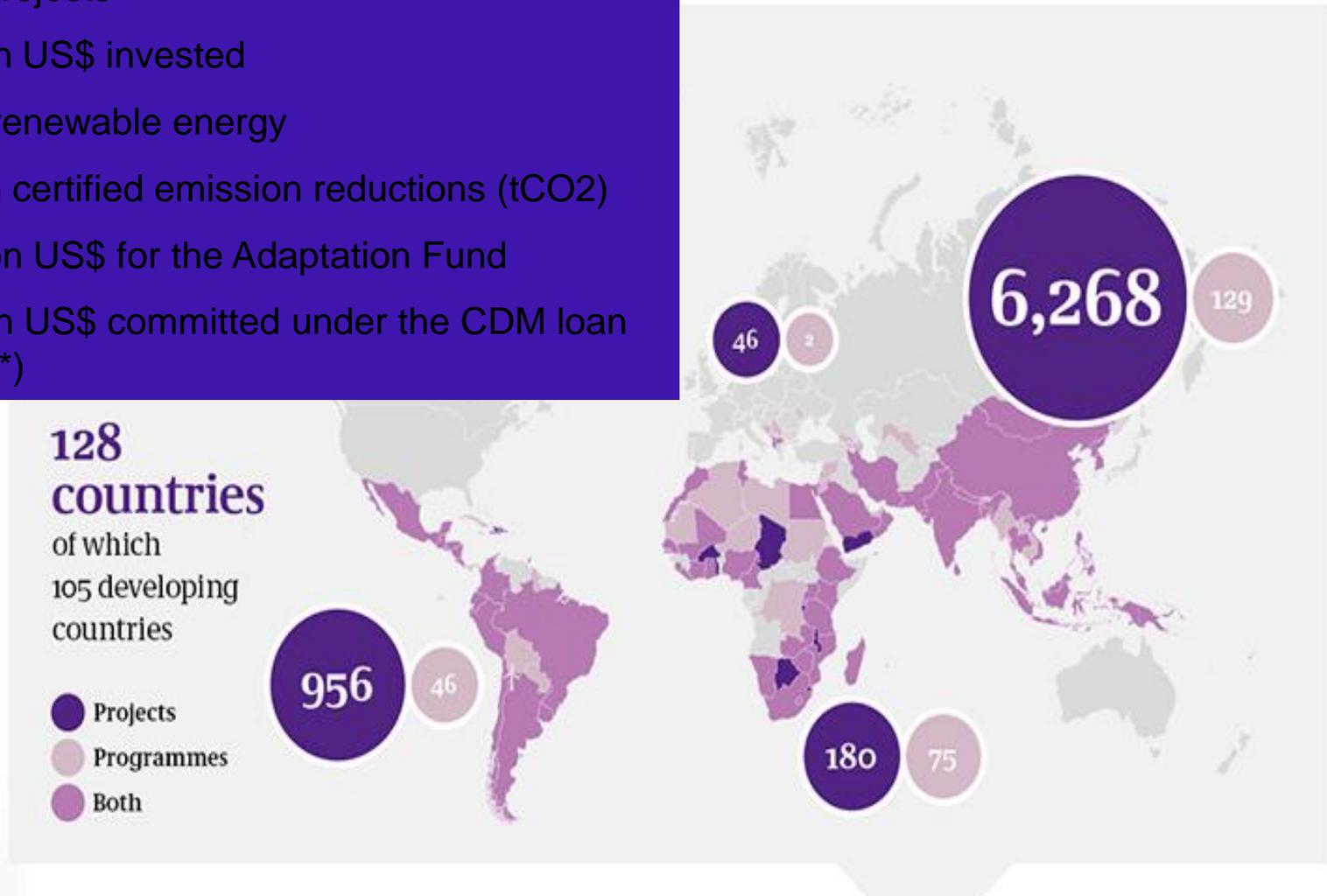
OUTLINE

- 1) CDM – history and achievements
- 2) POA – scaling down, scaling out and scaling up
- 3) NAMA – where does it fit?
- 4) Applying financing mechanisms



1) The CDM in numbers

> 7,500 projects
315 billion US\$ invested
110 GW renewable energy
2.2 billion certified emission reductions (tCO₂)
188 million US\$ for the Adaptation Fund
> 5 million US\$ committed under the CDM loan scheme (*)



128
countries
of which
105 developing
countries

- Projects
- Programmes
- Both



(*) CDM loan scheme for consultancy, validation or verification. Next window: 30/09/2014

1) CDM: created institutional frameworks that ...

- a) Developed **200+ tools (methodologies)** in 15 different sectors
- b) Established **125+ national authorities**
- c) Accredited **40+ validators/verifiers (certifiers)**
- d) Involved **4,500+ institutions** in CDM projects
- e) Developed **countless CDM development experts** worldwide



1) CDM: (cont'd)...

Project based nature allows

- a) Bottom-up development – developer driven
- b) Direct private sector involvement in design
- c) Extensive flexibility in approaches

However ...

- Does not easily account for or integrate national policy frameworks
- Requires oversight of many small-scale projects



2) CDM - Programme of Activities

Background

Decision 7/CMP.1 para 20

- “Project activities under a programme of activities can be registered as a single clean development mechanism project activity provided that approved baseline and monitoring methodologies are used that, inter alia, define the appropriate boundary, avoid double counting and account for leakage, and ensure that the emission reductions or net anthropogenic removals by sinks are real, measurable and verifiable and additional to any that would occur in the absence of the project activity”



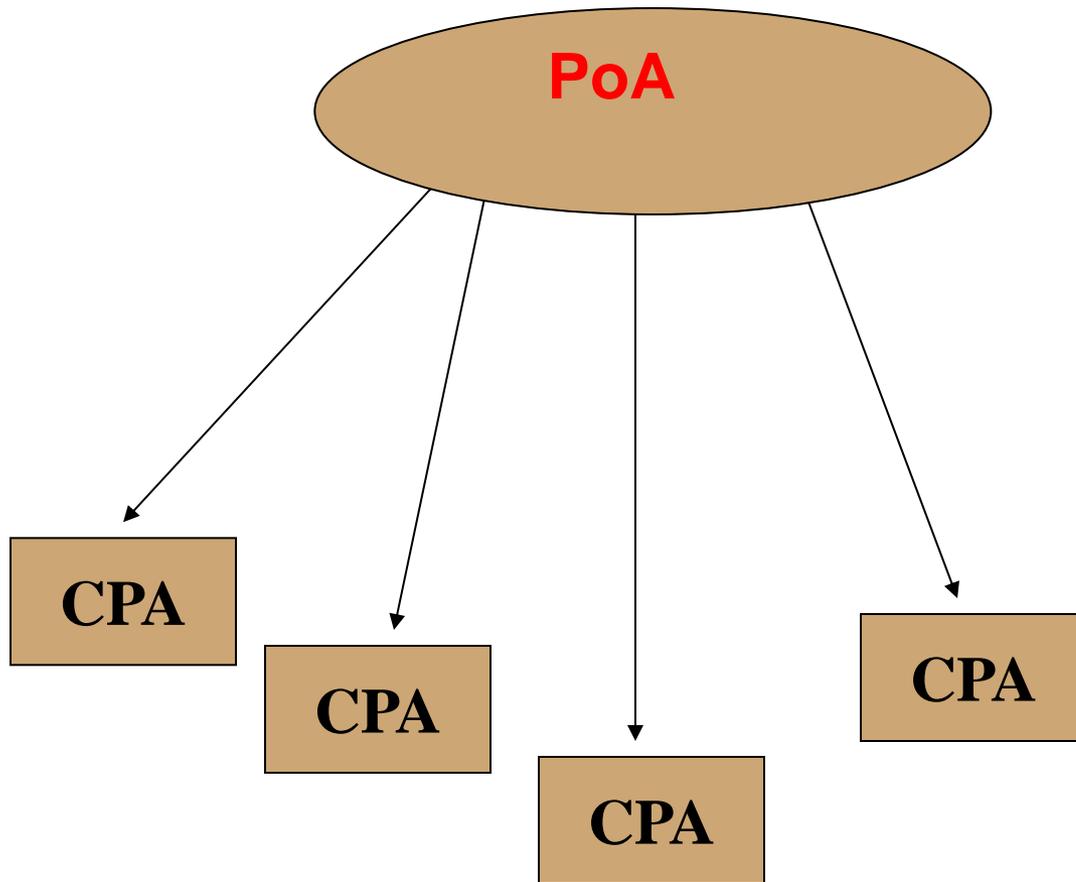
2) CDM - Programme of Activities

What is a POA?

- A PoA is a **voluntary coordinated action** by a private or public entity which coordinates and implements **any policy/measure or stated goal** (i.e. incentive schemes and voluntary programmes), which leads to anthropogenic GHG emission reductions or net anthropogenic greenhouse gas removals by sinks that are additional to any that would occur in the absence of the PoA, via an unlimited number of CDM programme activities (CPAs). [EB47, Annex 29, para 3]
- Therefore POA can be applied to any emission reduction concept:
 - a) Public entities may use the programmatic approach to implement a policy
 - b) Private entities may use the programmatic approach to implement a private objective



2) CDM - Programme of Activities: Structure



PoA constitutes of individual CDM project activities (CPAs), with no limits on CPAs under a PoA.

2) CDM - Programme of Activities Structure

How can a PoA be structured?

- There are no fixed rules regarding how a POA is to be structured.
- There are no specified size limits or criteria for CPA
 - a) CPA can be geographic (e.g. A certain city/province)
 - b) CPA can be timebound (e.g. All activities commencing in a certain year)
- The coordinating/managing entity (CME) is not restricted or defined
 - a) Important that the CME is directly involved in driving the implementation of the programme



2) CDM - Programme of Activities - Benefits

What are the benefits of this programmatic approach?

- Allows the promotion of a policy goal, e.g. improved efficiency standards
- Reduces the regulatory risks and uncertainties
- Transaction costs can be lowered:
 - a) Verification can be done on a collective basis and can utilize a sampling approach
 - b) Individual project developers do not need to be directly engaged in the CDM process
- Decentralizes decision making which can:
 - a) Speed up the approval process
 - b) Allow for the scaling-up of the emission reductions achievable through the CDM
- Allows the CDM to be used to achieve emission reductions in more diffuse sources (e.g. household and small commercial level, transport, agriculture)



3) Nationally Appropriate Mitigation Activities

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 in developing countries supported or unilateral
- Reflect divergent views among developing countries on the means of action



3) Nationally Appropriate Mitigation Activities

Reality

- Unlike CDM, NAMAs are not embedded within a legally binding commitment
 - ❖ No Governance structure
 - ❖ No binding rules – NATIONALLY APPROPRIATE
 - ❖ No obvious demand
- 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



4) Applying the instruments

