# The evolving environment for the CDM - and its potential future applications

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#### The emerging operating environment

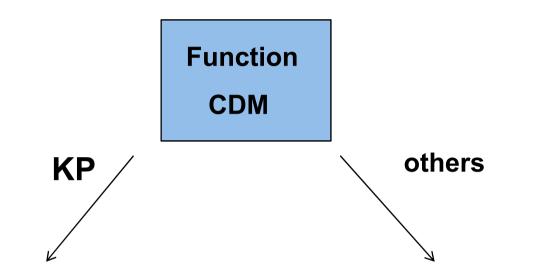
#### **Paris Agreement**

- i. Global peaking of emissions asap, rapid reductions thereafter, global balance by the second half of the century
- ii. Making finance flows consistent with a pathway towards low greenhouse gas emissions development

These new agreed aims mark a fundamental shift from the policy landscape in which the CDM first emerged

However that does not mean that the CDM cannot play a strong role in this new operating environment





- certifying quantified mitigation
- sustainable development

- providing a trusted basis for offsetting of emissions or emission limitation obligation
- providing a trusted recognition of the outcomes of mitigation activities



#### **CDM** infrastructure

#### Infrastructure:

- i. A third-party verification process
- ii. Connect registry systems
- iii. Databases related to the status of projects, programmes and credits
- iv. Standards for quantifying, monitoring, assessing, verifying and reporting mitigation outcomes

Maintaining this infrastructure requires continued use of the certification service provided by the mechanism



### Identification and classification of other uses and users of the CDM

- Providing flexible means to countries, sectors or entities to comply with emissions reduction or limitation obligations
- Certifying the outcomes of the enhanced deployment of climate finance; and/or
- Providing visibility, legitimacy and recognition of voluntary contributions to climate neutrality



#### Providing flexible means to countries, sectors or entities to comply with emission reductions or limitation obligations

Potential users	Potential application
National governments	Demonstration of progress towards or achievement of Nationally Determined Contributions (NDCs) or recognition of activities implemented as part of an NDC
Public and private entities with compliance exposure under established or emerging systems	Compliance with regional, national or subnational emission trading schemes
Aviation operators with compliance obligations under International Civil Aviation Organization (ICAO) proposed market-based mechanism	Compliance with international commitments



### Certifying the outcomes of the enhanced deployment of climate finance

Potential users	Potential application
Asset managers, investors and issuers of commercial paper, such as bonds, that aim to mitigate GHGs	Certification of the mitigation outcomes of financial products
The Green Climate Fund and the Global Environment Facility multilateral, regional and national development banks,	Certification of the mitigation outcomes of activities supported by international climate finance, including those financing climate resilience



## Providing visibility, legitimacy and recognition of voluntary contributions to climate neutrality

Potential users	Potential application
Individuals, organizations, corporations and event organizers	Offsetting and recognition of own action
Cooperation agencies of donor countries such as KFW/GIZ, SEA, NORAD, SIDA	Visibility and recognition of delivered outcomes as financed



#### Recommendations from the Board to CMP (1)

- Invites the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement, at its first session, to consider the future role of the CDM, or elements thereof, in the context of the Paris Agreement;
- Invites Parties to consider the use of CERs as a compliance instrument in emissions trading schemes;
- Encourages aviation and maritime companies to commit to reducing emissions from their operations, including through the immediate voluntary cancellation of CERs;



Recommendations from the Board to CMP (2)

- Requests the Board and the secretariat to engage with the financial and investment communities to promote the use of the CDM as a tool for the measurement, reporting and verification of green securities;
- Invites the COP to request the operating entities of the Financial Mechanism to consider using the CDM as a tool for the measurement, reporting and verification of mitigation activities, as appropriate;
- Requests the Board, in consultation with the operating entities of the Financial Mechanism, to explore means of simplifying the application of the CDM for activities that are funded by the Financial Mechanism;



#### Recommendations from the Board to CMP (3)

- Encourages Parties, public and private entities and citizens to contribute to the reduction of global emissions by supporting additional emission reductions achieved via the online voluntary cancellation platform;
- Invites development agencies and multilateral development banks to use the CDM, or elements thereof, to verify the mitigation impact of their supported activities, as appropriate.
- Encourages aviation and maritime companies to commit to reducing emissions from their operations, including through the immediate voluntary cancellation of CERs;



#### United Nations Framework Convention on Climate Change



