Review of the Clean Development Mechanism

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Purpose of the review

- Enhance the **environmental integrity** of the CDM
- Improve its **governance**
- Foster **synergies** with other market mechanisms
- Integrate **recent developments** of the climate regime
Process for the review

• Take into account the experience and lessons learnt so far with the CDM, JI and national climate policies

• Incremental approach to the revision of the CDM modalities and procedures:
  • Increase consistency between market mechanisms, both under KP and Convention
  • Synergies and harmonization of rules and structures across mechanisms
  • Efforts to streamline and simplify rules and procedures
Demand/supply, access to the CDM (1)

- Increase demand for CERs by allowing full access to the CDM to all countries, i.e. incl.:
  - to developed countries without commitments in CP2
  - to developing countries for meeting their NAMAs, if they wish to use CERs (e.g. in an ETS)

- For the above-mentioned countries, need for:
  - adequate accounting rules to ensure consistency (e.g. landing point vs. carbon budget)
  - procedures for surrendering and cancelling CERs to avoid double-counting
Demand/supply, access to the CDM (2)

- Extend **access** to the CDM, because there is **broad confidence** in the contribution of the CDM to global mitigation action since the CDM is regulated by a **set of common rules**

- **Increase mitigation action** by all Parties under the Convention, in the context of the ambition process under the **Durban Platform** (ADP)

- Reduce **supply** from some CDM project types whose **additionality** and environmental integrity is highly questionable
Synergies with other mechanisms (1)

Competences and tools of the CDM to be used for other mechanisms (JI, FVA, NMM, finance):

- **Expertise** of project developers, DOE, DNA, EB, Panels, Secretariat
- Large corpus of methodologies, standards, tools
- Infrastructure, ITL
- Accreditation procedure, appeal process
- **Net emission reductions**
- Sectoral approaches (experience with PoAs, standardization)
Synergies with other mechanisms (2)

Advantages:

- **Efficient** use of resources
- Increased *environmental integrity*
- **Consistency** across mechanisms
- Comparability among activities, *fungibility* of carbon markets
- **Avoid double-counting**
  - between mechanisms and among countries
  - between mitigation purposes and climate finance (ex. cancelling CERs as contribution to climate finance)
Standards, environmental integrity (1)

Withdrawal or suspension of LoAs when projects violate national regulations / international treaties or are in contradiction to sustainable development

- **Safeguards** to ensure that there is *certainty* for investment by the private sector:
  - Clear and transparent process
  - Conditions to be defined by a DNA in the LoAs or in its national procedures for issuing LoAs

- **Objectives:**
  - Credibility and environmental integrity of the CDM
  - Encourage project participants to better take care of sustainable development and interests of local communities
Standards, environmental integrity (2)

Improvement of the assessment of additionality:

• **Standardized** approaches such as performance benchmarks

• **Conservative** approach when setting reference levels in order to take into account uncertainties

• Inclusion of **evolving conditions** (e.g. context related to a country, use of technologies) in the baselines, which must be regularly reviewed and updated
Standards, environmental integrity (3)

• Reassessment of mitigation impact of some project types with perverse incentives or leakage
  ➢ Alternative instruments to market-based instruments (non-market approach)
  ➢ Example for HFC-23 installations: finance measures for phasing down HFCs in a cost-effective way in order to maximize both protection of the ozone layer and climate change mitigation

• Better MRV of sustainable development impacts
  ➢ Promotion of the development of projects with high co-benefits (e.g. simplified requirements)
Governance (1)

Governance of the EB

• Less politicized

• **Independent**, no conflict of interests: no negotiating mandate under the UNFCCC

• Political issues should be deferred by EB to CMP

• Composition: include representatives of the **private sector and NGOs** (without extending the size of EB)

• **Professionalization**: Chair/Vice-Chair elected on a full-time basis, other members at least half-time

• Transparent process for selecting candidates

• Qualifications and relevant background
Governance (2)

Appeal process against decisions of the EB

- Strengthen **consistency** and transparency of the decision-making process
- Same appeal process for CDM and JI
- Appropriate **safeguards** and procedures, so that the appeal process is not inefficiently overburdened and does not block the implementation of projects