The CDM: lessons learnt, opportunities and challenges

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Opportunities & Benefits
CDM provides the largest pipeline of projects and programmes at different stages (registered and/or implemented or not)

- 7,747 projects and 298 PoAs registered
- CERs issued: 1.75 billion
- Furthermore the potential supply from all registered and issuing CDM projects until 2020: ~3 billion CERs (cumulative) which is an important figure when talking about early action measures in the aviation sector

- Wide coverage: 16 sectors; projects in 95 countries
- Two approved aviation related methodologies
Benefits of the CDM

Up and running: No lead time /upfront cost to establish new programmes
Existing infrastructure, projects and units, ready to supply

Ten years of experience (project, regulatory framework, etc.): look to the CDM development shows that it is a learning system

No need to reinvent the wheel: Any scheme for mitigation action will face similar challenges (assessment; quantification; consistency; transparency; comparability etc.)

Strong fungibility as the CDM is used by Parties, Development banks and funds, Sub-national jurisdictions, Businesses, Individuals, etc.
Benefits of the CDM

**Scalable:** Demonstrated ability to register 3,300 projects per year (worth 3.6 Gt in emission cuts over 10 years).

**Buyers/Users free to set own criteria:** (quantitative/qualitative criteria): EU for exa. Has excluded certain projects like REDD+, nuclear power, HFC and has set additional requirements to large hydropower

May this happen under CORSIA?

**Existing pool of expertise built over the years** which can be easily scaled-up again: inside and outside UNFCCC sec.

**Accessible to all:**

The **voluntary cancellation** procedure allows all types of stakeholders to use the CDM:
Benefits of the CDM

- **International oversight under UNFCCC parties** which can be trusted by third parties and which can be used and further developed multilaterally (*avoids bias of standards set by funder or seller*)
  - Strong international recognition
  - Best positioned with its register to tackle double counting under UNFCCC
  - Issuance of units by independent body (CDM Executive Board), unlike private standards or JI track I (in the latter case the host Party may issue the appropriate quantity of ERU for its project)
  - National participation by national authorisations.
  - Highest geographical coverage by any scheme
Final thoughts on opportunities

• The CDM has the supply, the technical systems, offers unrestricted access and flexibility to users: CDM can provide all certificates needed for the initial phases of CORSIA, even with vintage limitations.

• The challenge is: the CDM can be used for non-compliance purposes (NDC, MRV of climate finance, green bonds etc.) thus the question of double counting is highly relevant.

• If pre-2020 early action is allowed in ICAO, CDM can offer a prompt and sufficient volume of CERs for post-2020 obligations of airline companies under CORSIA.

• CORSIA’s pre-2020 early action through voluntary cancellations of CERs can also contribute to “enhanced action prior to 2020” that is encourage by the Paris Agreement (para. 106 of 1/CP.21).

• CDM is MRVed by independent entities.
Lessons learned
Lessons learned in the CDM

• International oversight is fundamental to credibility, trust and transparency
  o Ideally suited for demand from multilateral sources

• Stakeholder engagement:
  o Private sector engagement is essential for the mobilization of activities
  o Need for continued engagement with a broad range of stakeholders

• Common approaches are preferred over fragmented approaches
  o Economies of scale
  o Availability to all jurisdictions
  o Comparability

• Use of existing elements / infrastructure can save time/effort
Lessons learned in the CDM

✓ Concerns expressed by third parties relate to a small range of projects / project types especially with regard to additionality questions

✓ Despite these problems CDM contributed to awareness rising that CO₂ emissions have a price and helped to pave the way towards global pricing models

✓ Some sectors are more difficult to mobilize than others (projects that have high MAC)

✓ Need for greater standardization, objectivity and simplicity while ensuring environmental integrity (e.g. standardized baselines), esp. with regard to additionality assessment (negative lists)

✓ Continuous improvement of the scheme (learning by doing approach) – strong governance system is must.

✓ Supply would not be a constraint if there is right price signal.

✓ Avoid wind fall profits, even if they have the highest environmental integrity.
Challenges
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• Post-2020 future of CDM is not clear
  o Obligations under the CORSIA starts in 2021
  o Transition of elements of CDM to Article 6 mechanism was proposed and discussed at COP22
  o Visibility for new investments vs. post-2020 uncertainty

• Risk of double counting needs to be addressed (this not a CDM only problem).
• A blot in the beginning of the CDM system cannot be considered as failure of whole system – But robust rules prevail for reputation management.
• Expectation management.
• Limited mobilization of small-scale projects, despite enormous potential
Thank you for your attention

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