Status of the negotiations on the CDM reform


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Building on CDM success and experience

**Full potential for issuance for 2014–2020**

**Residual demand for 2014–2020**

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**OVERALL CDM SUCCESS**

- 1,400+ MtCO$_2$e reduced = annual emissions of Japan
- 7,700+ projects and PoAs registered in less than 10 years = average of over 2 projects per day
- US$130 billion investment in GHG reducing activities > total annual ODA flow in 2011
- €4–20 billion (US$6–28 billion) saved by EU ETS installations from 2008 to 2012 through CER purchases
- Around 200 GW of installed renewable energy capacity = more than twice the total installed capacity of the UK
- 155 countries involved in the CDM = over 3/4 of the countries in the world

*Source: World Bank 2014 State and Trends of Carbon Pricing*
CDM as part of policy tool kit for 2°C World

* Harmonized 90% range of recent reference scenarios from the literature.
Timeline of CDM reform negotiations

- Review of M&P started in 2013 following Decision 3/CMP.1
- **Warsaw (Nov 2013)**
  - First round of negotiations at SBI 39 → Note by the co-chairs
  - CMP9 requested UNFCCC secretariat to prepare a technical paper on issues related to possible changes to M&P for consideration at SBI 40
- **Bonn (June 2014)**
  - Progress and converging views on supply-side improvements
  - But conclusion not reached primarily due to controversy on ‘net mitigation’
  - SBI 40 produced Second note by the co-chairs and Draft conclusions by the chair
  - Requested a technical paper on net mitigation and other remaining issues
  - Invited EB to identify options for CDM evolution to generate substantial net emission reductions
  - Requested the secretariat to prepare draft M&P based on SBI 39 and 40 outcomes
- **Lima (Dec 2014):** SBI 41 to continue the consideration of this agenda sub-item taking into account the documents above
Broad direction of CDM Reform

• **CDM as a multi-purposed tool**
  – Deliver results-based climate finance
  – Help meet national targets
  – Use as offset in domestic carbon pricing schemes
  – Link with NMMs allowing net mitigation and scaling up
  – MRV of mitigation outcomes
  – Technology transfer and capacity building activities

• **Increase CDM inclusiveness and impact**
  – Allow developing countries full access to CDM for meeting their NAMAs or for commitments under other instruments
  – Multi-country project activity
  – Reduce complexity and transaction costs
    • Standardized baselines
    • Simplification of project cycle and methodology
  – Promote access for low-income countries
  – Target untapped potential (e.g. transport and buildings)
  – Allow local stakeholders to comment on verification reports
Challenges ahead (some examples)

• Applicability of existing CDM infrastructure and MRV for mitigation actions that are beyond the current coverage
  – city-wide, economy-wide, policy-level instruments
• Readiness and capacity in sectors with limited scope under the CDM
• Comparability and consistency with other mechanisms
• Requirements for new rules and procedures that may be beyond CDM negotiations
• Clarification on—and options for—addressing net mitigation
  – Definition, quantification, and operationalization (likely case-specific)
  – Treatment of leakage under CDM
• Costs and lead time associated with clarifying these issues
• Swift actions on converging views ➔ broadening CDM access particularly in low-income countries
Thank you!

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