

Climate Change: Role of the Clean Development Mechanism

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3 June 2009

Kyoto Protocol | Background

Main features:

- **Legally binding targets** for emissions of six major greenhouse gases in industrialized countries during first commitment period, 2008-2012
- New **international market-based mechanisms**, creating a new commodity: carbon

The Kyoto Protocol mechanisms | Background

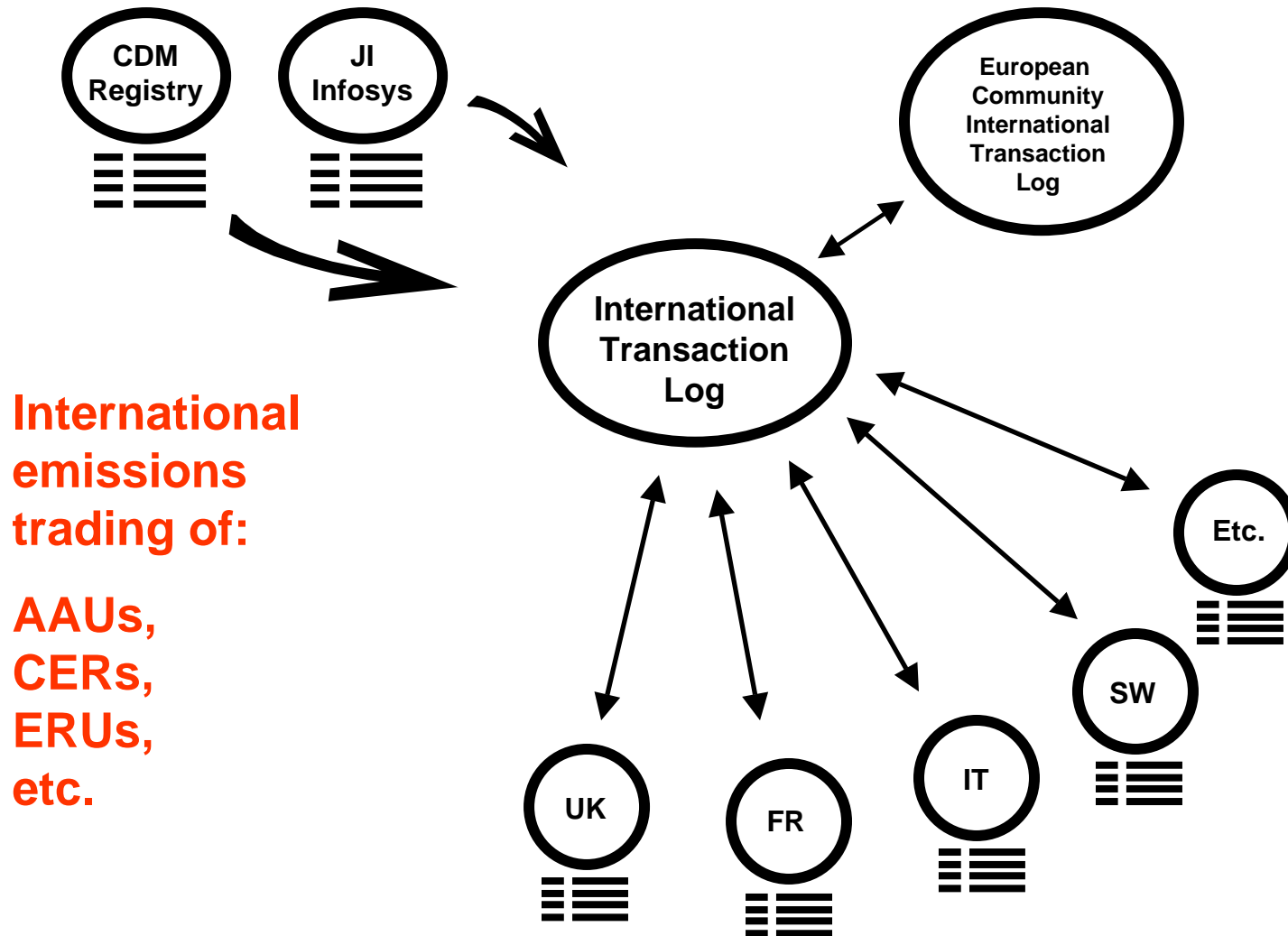
From innovative idea . . .
to projects on the ground

Three market-based mechanisms

- International emissions trading (Article 17)
- Clean Development Mechanism (CDM) (Article 12)
 - Emission reduction projects in developing countries
- Joint Implementation (Article 6)
 - Emission reduction projects in any country with a commitment under the Kyoto Protocol

The Kyoto mechanisms | Essential market architecture in place

- International emissions trading (Article 17)



CDM | Background

- Clean Development Mechanism (CDM) (Article 12) Emission reduction projects in developing countries
 - CDM assists countries to achieve sustainable development goals, creates incentive for investment, provides additional support for adaptation
 - CDM projects produce certified emission reductions (CERs)
 - CERs are saleable/tradable units that can be used for compliance with KP targets
 - 2% of issued CERs go into Adaptation Fund (WB trustee, recently made first sale: 600,000 CERs, average price EUR12.17)

CDM | Operating details

- A CDM project must provide emission reductions that are **additional** to what would otherwise have occurred.
- The projects must qualify through a rigorous and public **registration and issuance** process.
- Approval is given by the **Designated National Authorities. 139** Parties have established their DNA.
- The mechanism is overseen by the **CDM Executive Board**, answerable ultimately to the countries that have ratified the Kyoto Protocol.

CDM | Key documentation and benchmarks

- **2001: Decision 17/CP.7** (Marrakech Accords): Modalities and procedures for a clean development mechanism are adopted by the COP to facilitate a prompt start of the CDM, the CDM Executive Board is created.
- **2005: The Kyoto Protocol** enters into force on 16 February
- **2005: Decision 3/CMP.1:** The Modalities and procedures for a clean development mechanism are endorsed by the CMP in Montreal in December
- **2006: The Nairobi Framework** was welcomed by the CMP at its second meeting, in **decision 1/CMP.2**. The Framework was initiated by UNDP, UNEP, World Bank Group, African Development Bank, and UNFCCC with the specific target of helping developing countries, especially those in sub-Saharan Africa, to improve their level of participation in the CDM.

CDM | Project cycle

Regulated mechanism overseen by
Executive Board assisted by

Panels

Working groups

Registration and issuance teams

UNFCCC secretariat

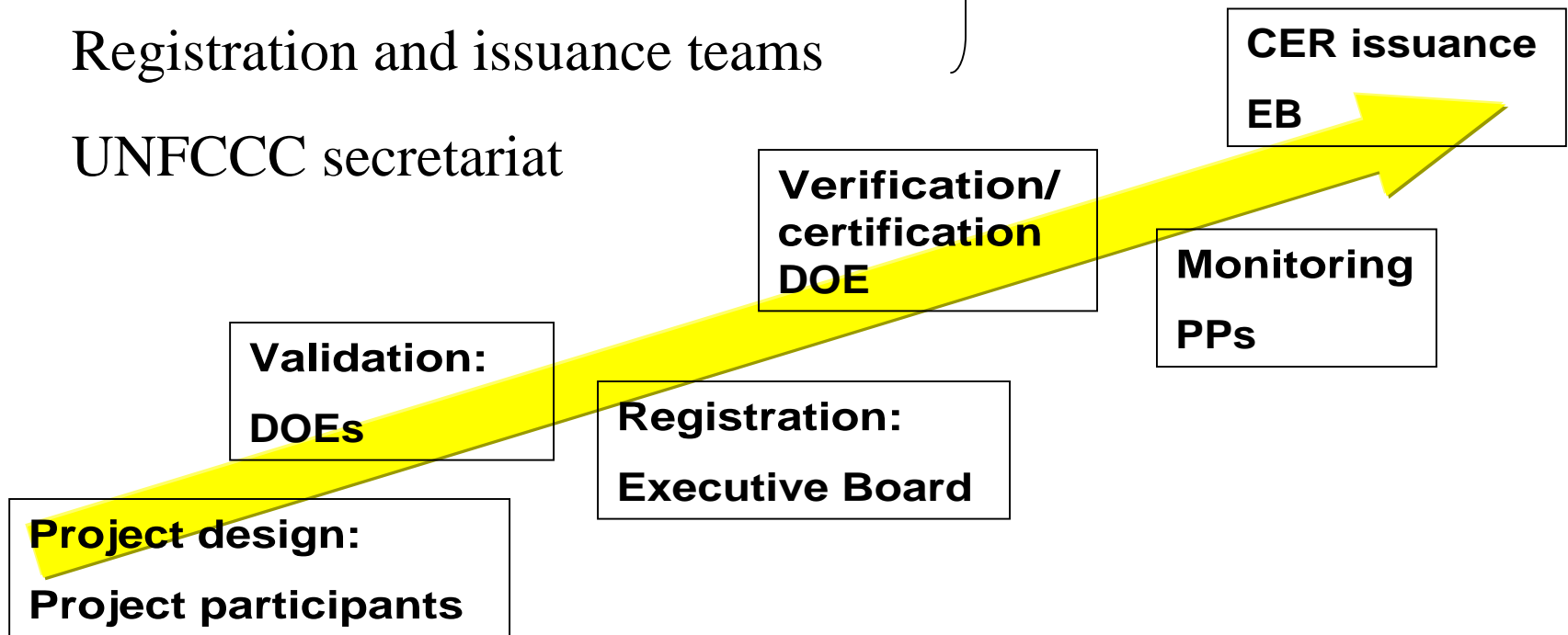
Emission reductions:

Real

Measurable

Verifiable

Additional



CDM | Key players

- **Project Participants**
- **Designated Operational Entities (DOEs):** A DOE under the CDM is a legal entity or an international organization accredited by the CMP to undertake the processes of validation as well as verification and certification of a CDM project activity,
- **Designated National Authorities (DNAs):** The DNA in addition to providing information on relevant national policies and possible resources needed in the elaboration of a CDM project activity also provides a letter of approval of the project activity, which is a key document for the registration of a project.
- **CDM Executive Board:** The CDM Executive Board supervises the CDM, under the authority and guidance of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), and is fully accountable to the CMP.
- **UNFCCC Secretariat:** supports the CDM EB

CDM | A mechanism with global reach

1643 registered projects in

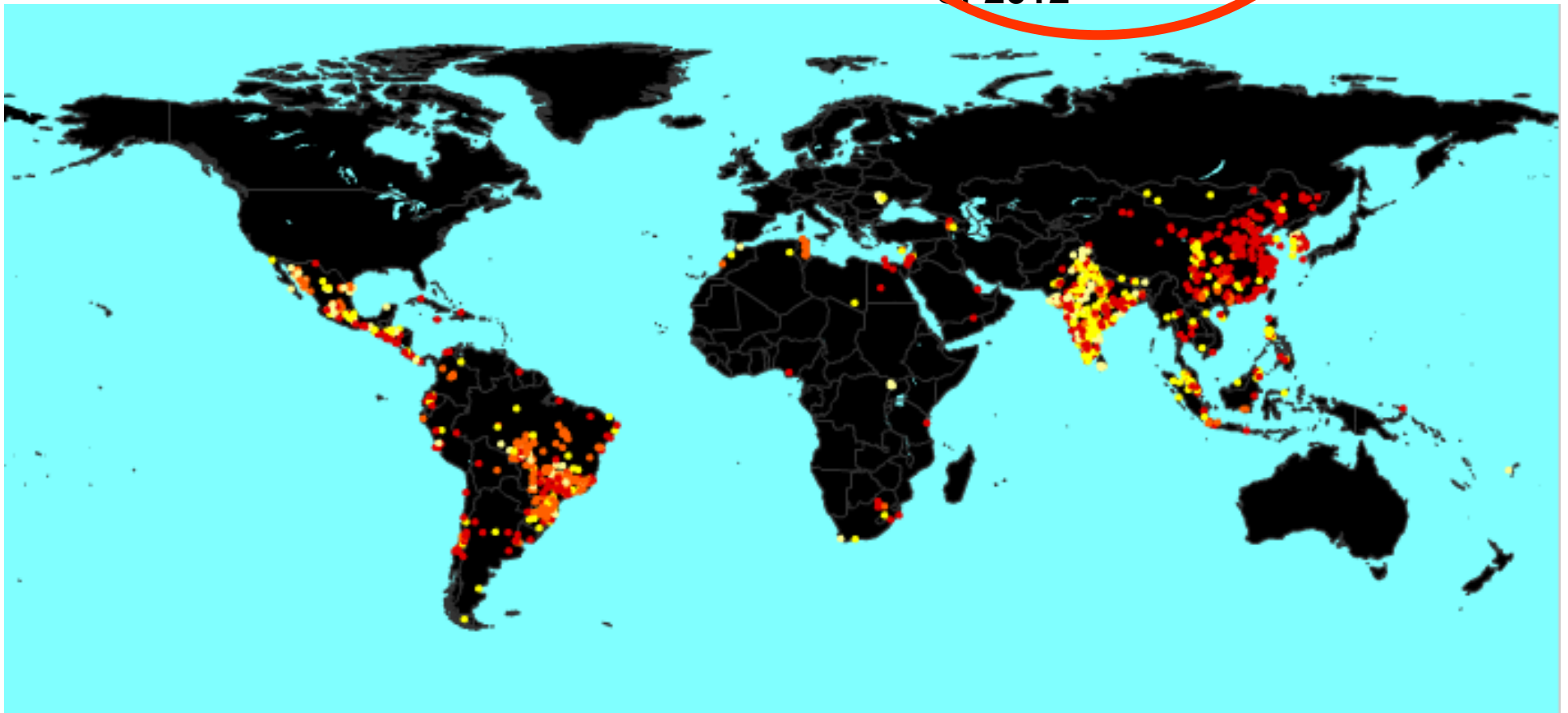
55 countries

Plus **> 2600** more projects in pipeline

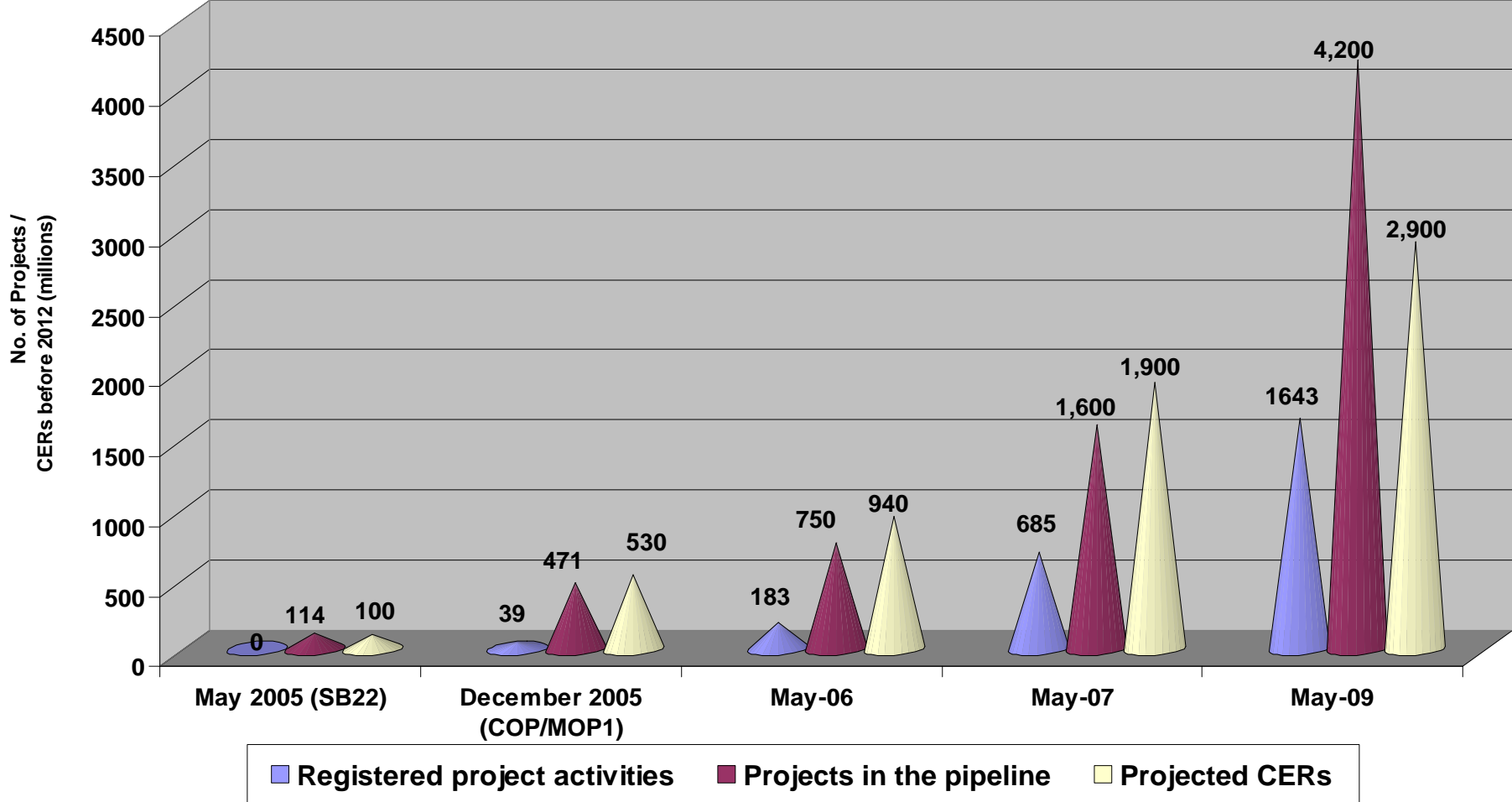
287 million CERs issued to date

>2.9 billion certified emission reductions expected to the end of 2012

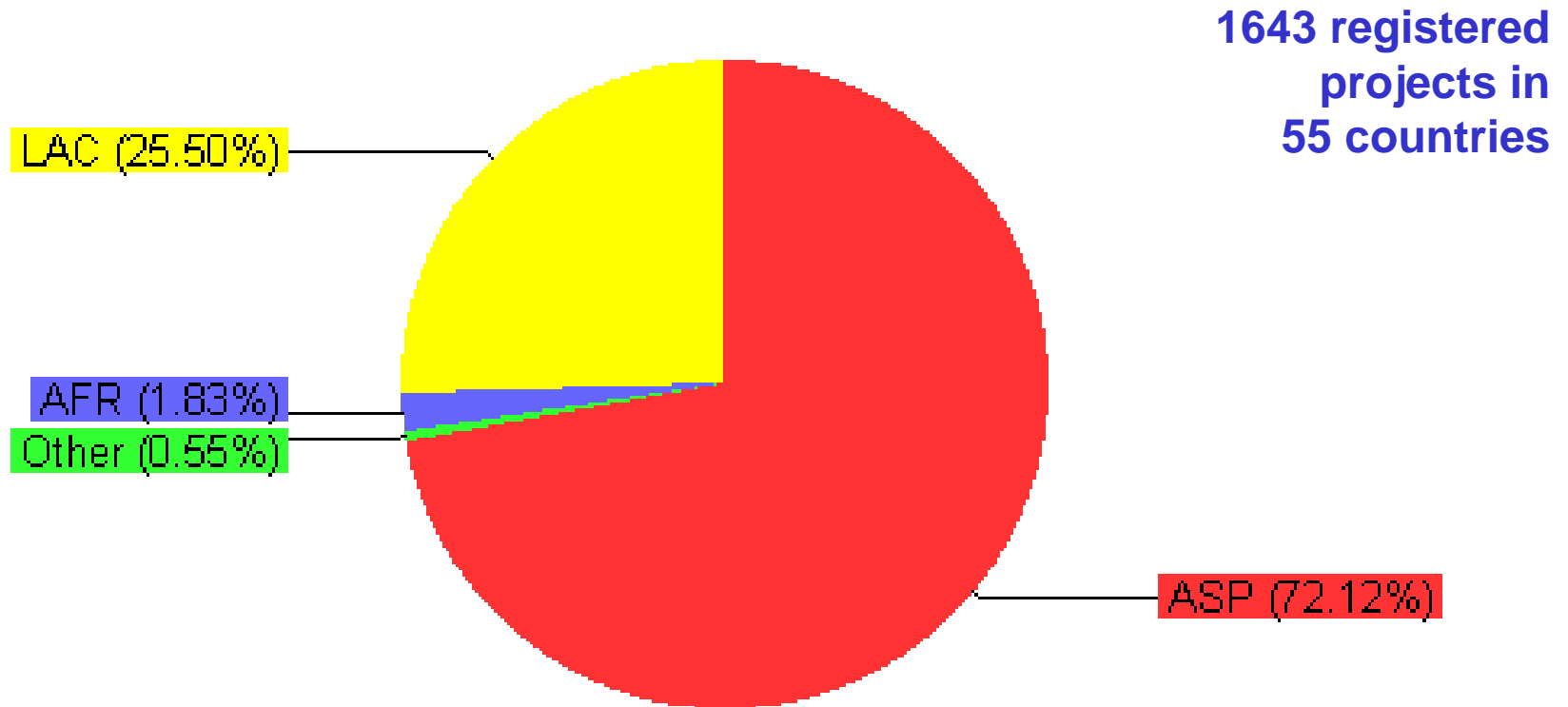
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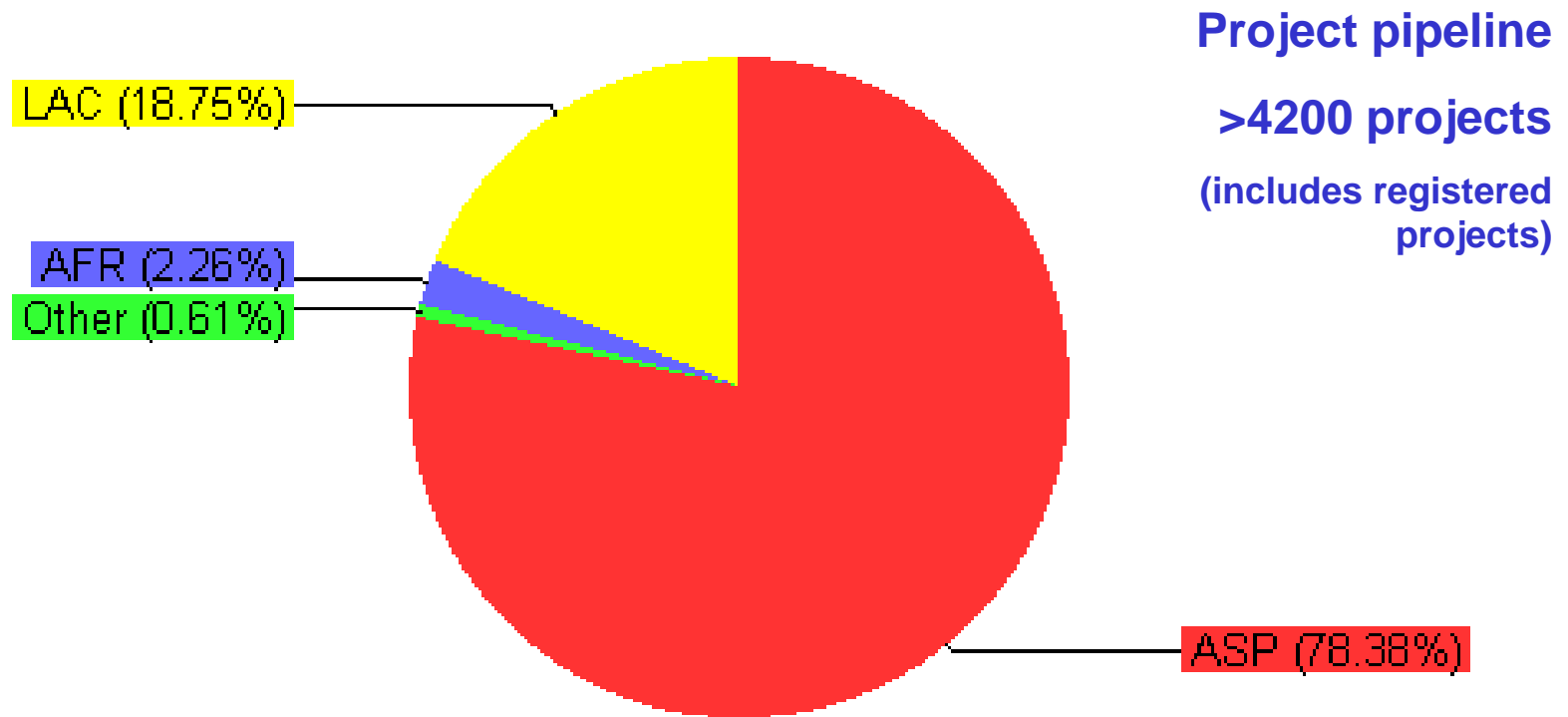
CDM | Rapid, accelerating growth



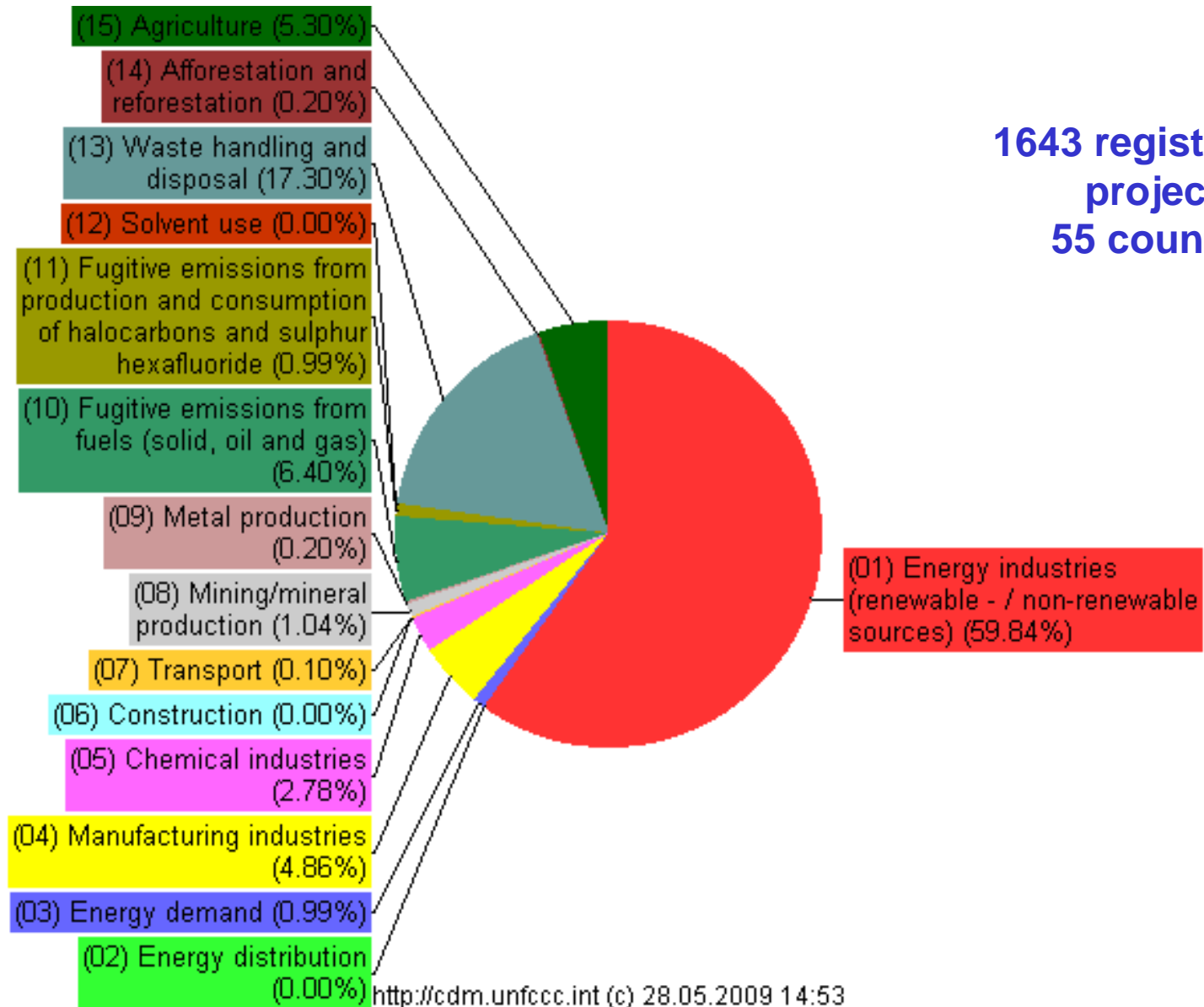
CDM | Registered project activities, by region



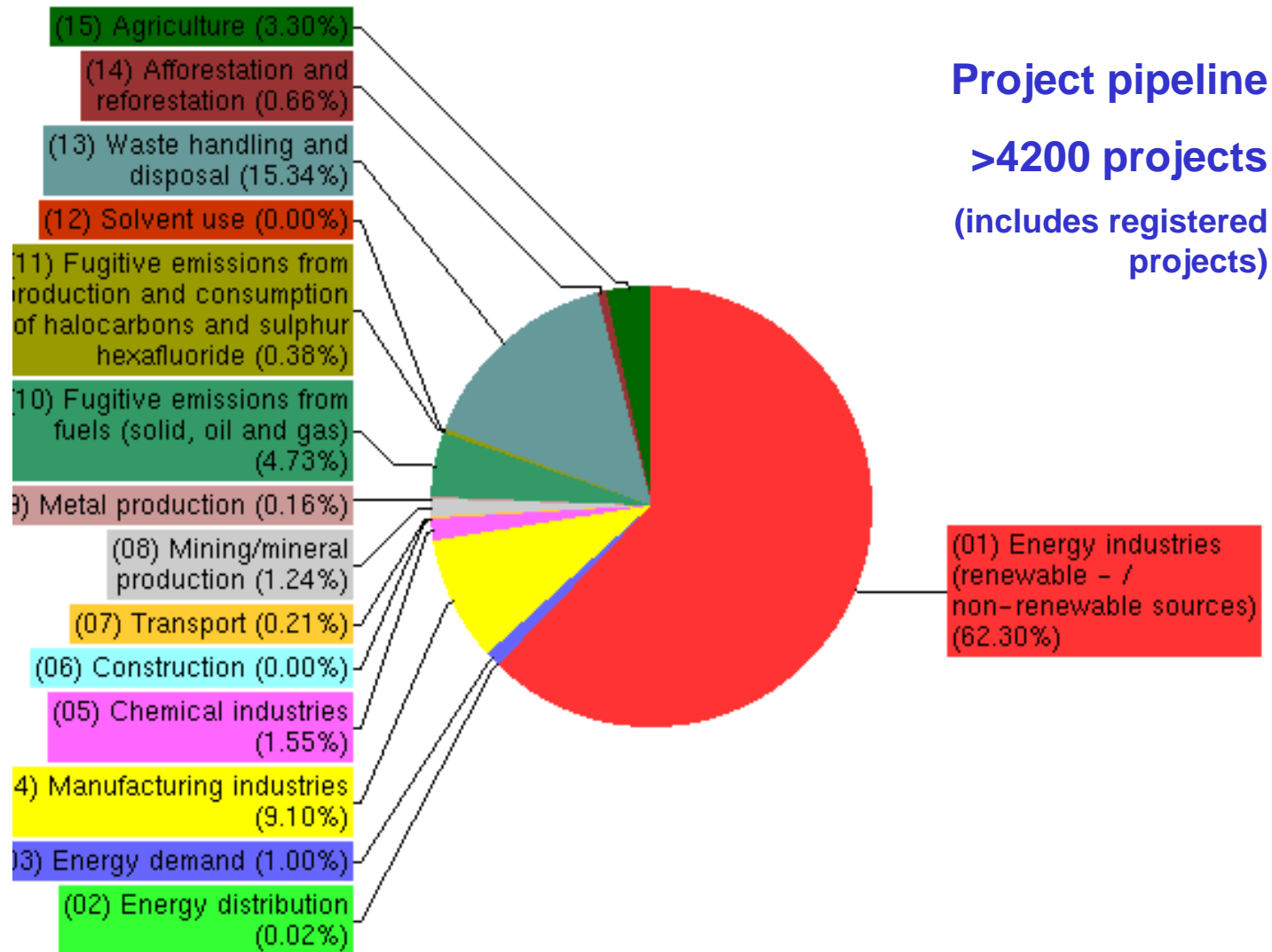
CDM | Project pipeline, by region



CDM | Registered project activities, by scope



CDM | Project pipeline, by scope



CDM | Stimulating investment

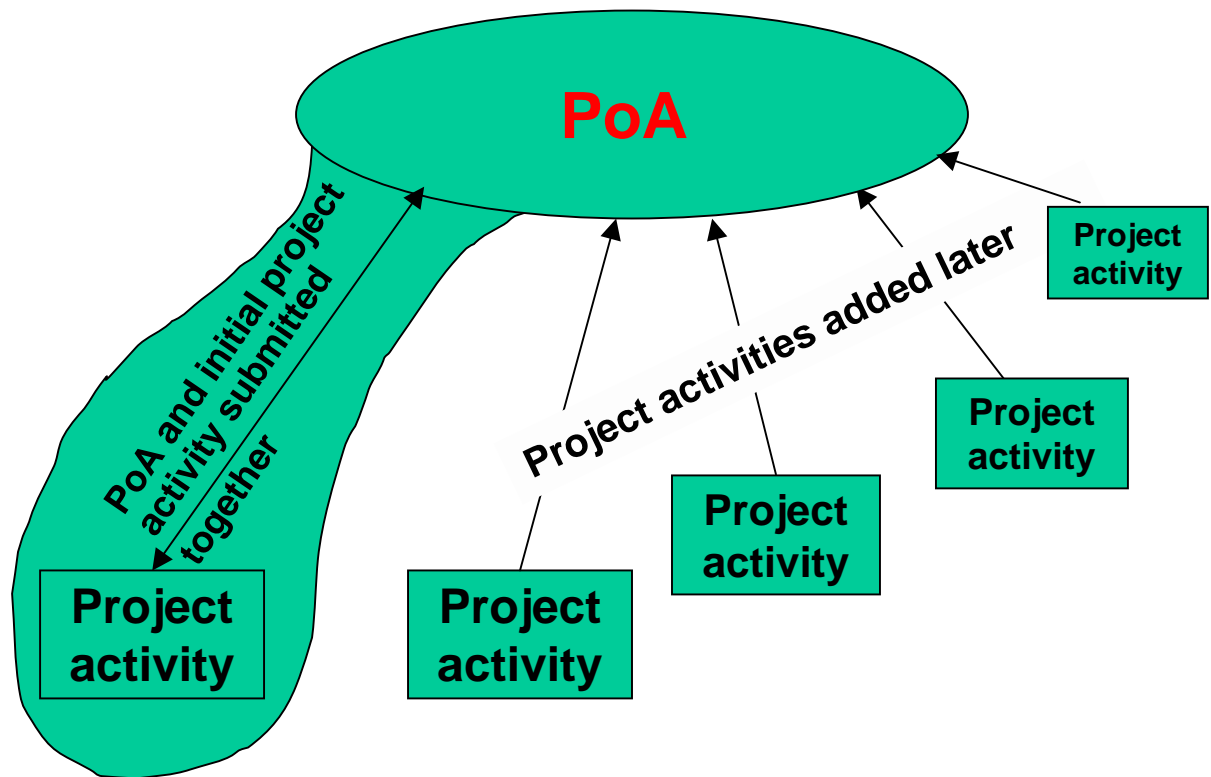
- CDM projects that entered pipeline in 2007 expected to result in USD 45.9 billion in capital investment.
- In 2007 the CDM leverage USD 33 billion in Clean Energy investment. This is considerably more than was made available through official development assistance.

Programmes of activities

- **Can extend to one or more countries**
 - Letter of approval from each host country and AI country
 - Letter of approval states a PoA, and hence each project activity under it, contributes to SD of host country
- **Project activities**
 - Can involve more than one baseline and monitoring methodology
 - Can have staggered start dates
- **PoA duration 28 years maximum**
 - Crediting period of project activities in the PoA: 10-year fixed, or 7 years, renewable twice, as per “Procedures for Renewal of a Crediting Period of a Registered CDM project activity”, limited by duration of the PoA.

Programmes of activities

- A private or public entity implementing any policy/measure or stated goal requests registration of PoA with one project.
- Other project activities added later, according to proposed process for inclusion.



The outcome from Bangkok, March 2008

Parties said:

Emissions trading and project-based mechanisms should continue



UNITED
NATIONS



**Framework Convention
on Climate Change**

Distr.
LIMITED

FCCC/KP/AWG/2008/L.2
4 April 2008

Original: ENGLISH

AD HOC WORKING GROUP ON FURTHER COMMITMENTS
FOR ANNEX I PARTIES UNDER THE KYOTO PROTOCOL
Fifth session
Bangkok, 31 March to 4 April 2008, and Bonn, 2–12 June 2008

Agenda item 3 (a–d)

Analysis of means to reach emission reduction targets and identification of ways to enhance their effectiveness and contribution to sustainable development
Emissions trading and the project-based mechanisms
Land use, land-use change and forestry
Greenhouse gases, sectors and source categories
Possible approaches targeting sectoral emissions

**Analysis of means to reach emission reduction targets and identification of
ways to enhance their effectiveness and contribution to
sustainable development**

Draft conclusions proposed by the Chair

. . . and could be appropriately improved.

Due attention should be paid to promoting:

- environmental integrity of the Kyoto Protocol
- contribution of the mechanisms to sustainable development

. . . and could be appropriately improved.

The AWG agreed to consider:

- Possible improvements with regard to scope, effectiveness, efficiency, accessibility, contribution to sustainable development, capacity to generate co-benefits and the transfer of technology
- How to address, where applicable, the definitions, modalities, rules and guidelines for the treatment of LULUCF in the second commitment period
- How approaches targeting sectoral emissions could be used by Annex I Parties as a means to reach their emission reduction targets

Thank you

More information

cdm.unfccc.int

CDM Bazaar

<http://www.cdmbazaar.net/>