

**CDM-EB87-AA-A02**

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# Nurturing demand for the CDM and CERs

Version 01.0



**United Nations**  
Framework Convention on  
Climate Change

## **COVER NOTE**

### **1. Procedural background**

1. The clean development mechanism (CDM) 2014–2015 business plan (CDM-EB76-A01) includes the goal to “nurture policies to broaden demand for, and participation in, the CDM”. This goal is reflected in the 2015 CDM management plan (MAP) (CDM-EB81-A01) under section 3.2 (“Goal 2: Nurture policies to broaden demand for, and participation in, the CDM”), with specific activities defined to support this goal. The CDM Executive Board (hereinafter referred to as the Board), at its eighty-first meeting, requested the secretariat to provide regular updates about efforts to nurture demand for the CDM and its certified emission reductions (CERs).
2. At its eighty-fourth meeting the Board took note of an update on support provided to nurture demand for the CDM and CERs and requested the secretariat to continue its efforts while giving special attention to the use of the CDM in the aviation sector and by the Green Climate Fund. The Board also took note of an information note on the use of the CDM infrastructure in other fields and reiterated the need for outreach and proactive engagement to increase awareness on how the CDM infrastructure can be used in other fields.

### **2. Purpose**

3. The purpose of this information note is to update the Board on additional work that has been undertaken in 2015 to nurture demand for the CDM and CERs, and to provide suggestions for how relevant activities may be further strengthened in the 2016 MAP.

### **3. Key issues and proposed solutions**

4. This information note provides information about activities carried out in 2015 and proposed follow-up activities in 2016 for work related to:
  - (a) Engagement with other intergovernmental organizations, including the United Nations system and international finance institutions;
  - (b) Outreach to international civil society and business organizations;
  - (c) Support to integrating the CDM in policymaking at national and international levels;
  - (d) Operation and further development of the online platform for voluntary cancellation of CERs (VC platform);
  - (e) Outreach and communication activities in support of the CDM and voluntary cancellation in general, and of the VC platform in particular;
  - (f) Support to negotiations under the Ad Hoc Working Group on the Durban Platform for Enhanced Action.

**4. Impact**

5. The activities for nurturing demand for the CDM and CERs in 2015 as described in this note will be completed on time and within budget as outlined in the 2015 MAP.

**5. Subsequent work and timelines**

6. This note proposes a number of activities that may be implemented as part of the 2016 CDM management plan. It is proposed that a concept note be presented to the Board at its first meeting in 2016.

**6. Recommendations to the Board**

7. The Board is invited to take note of the information provided in this note, and to provide further guidance as it sees fit.

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## **1. Procedural background**

1. The clean development mechanism (CDM) 2014–2015 business plan (CDM-EB76-A01) includes the goal to “nurture policies to broaden demand for, and participation in, the CDM”. This goal is reflected in the 2015 CDM management plan (MAP) (CDM-EB81-A01) under section 3.2 (“Goal 2: Nurture policies to broaden demand for, and participation in, the CDM”), with specific activities defined to support this goal. The Executive Board of the CDM (hereinafter referred to as the Board), at its eighty-first meeting, requested the secretariat to provide regular updates about efforts to nurture demand for the CDM and its certified emission reductions (CERs).
2. At its eighty-fourth meeting the Board took note of an update on support provided to nurture demand for the CDM and CERs and requested the secretariat to continue its efforts while giving special attention to the use of the CDM in the aviation sector and by the Green Climate Fund. The Board also took note of an information note on the use of the CDM infrastructure in other fields and reiterated the need for outreach and proactive engagement to increase awareness on how the CDM infrastructure can be used in other fields. The Board requested the secretariat to conduct this work in the context of nurturing demand for the CDM and CERs, in particular in the areas of results-based finance and emerging compliance uses and to provide the Board with information on the status of the use of the CDM in policies being implemented by countries. The Board, through its MAP 2015, requested the secretariat to provide an update on the use of the platform for voluntary cancellation of CERs.

## **2. Purpose**

3. The purpose of this information note is to update the Board on additional work that has been undertaken in 2015 to nurture demand for the CDM and CERs, and to provide suggestions for how relevant activities may be further strengthened in the 2016 MAP.
4. The effort to nurture demand for the CDM and CERs includes several activities, as listed in the 2015 MAP, namely:
  - (a) Engagement with other intergovernmental organizations (IGOs);
  - (b) Nairobi Framework coordination;
  - (c) Operations of regional collaboration centres (RCCs);
  - (d) CDM Loan Scheme;
  - (e) Assisting policymakers/stakeholders in compliance markets;
  - (f) Development and promotion of the UNFCCC online platform for voluntary cancellation of certified emission reductions (hereinafter referred to as the VC platform);
  - (g) Support to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP);
  - (h) Support to subsidiary bodies;

- (i) Support to stranded projects.
5. Items (b), (c), (d) and (i) in the above list are reported separately to the Board. Since no session of the CMP has taken place in the reporting period, item (g) is not reported. This report therefore focuses on items (a), (e), (f) and (h).

### **3. Update**

#### **3.1. Engagement with other intergovernmental organizations**

6. The secretariat's engagement with other IGOs serves multiple purposes, including building understanding and support for the use of the CDM and its CERs beyond its use as an offset mechanism under the Kyoto Protocol. Three types of interaction have taken place in the reporting period, as discussed in the subsections below.

##### **3.1.1. Support and advice to specialized United Nations agencies responsible for climate negotiations within their areas of concern**

7. The secretariat has provided support and advice to the International Civil Aviation Organization (ICAO) and the International Maritime Organization (IMO). ICAO is set to take a decision in 2016 about the use of a global market-based measure in the aviation sector, to be implemented from 2020. The most recent estimate of the potential annual demand for offsets from the international aviation sector is between 443 and 596 million tonnes of carbon dioxide equivalent (CO<sub>2</sub> eq) per year by 2035. The accumulated demand from 2012 to 2030 alone would exceed 2 billion tonnes of CO<sub>2</sub> eq. The CDM is one of the offset instruments that are being considered in ICAO. At the ICAO Global Aviation Partnership on Emission Reductions (E-GAP) seminar on 16 and 17 September 2015 in Montreal, Canada, the secretariat presented the VC platform as an easy way for the aviation sector to directly access voluntary cancellation of CERs. This was well received and several follow-up discussions are now taking place with larger aviation sector companies and sector associations about cooperation to use the VC platform pre-2020.
8. In addition, the UNFCCC secretariat and ICAO, which are both United Nations organizations, have agreed to share information and expertise to support Parties in their negotiations related to the use of market-based measures for aviation. The secretariat has also participated in the ICAO Global Market-based Measure Technical Task Force to help negotiators understand the potential that the CDM has for operationalizing an aviation sector market-based measure.
9. Initial contacts have been made with IMO. The maritime sector is comparatively less advanced in its work to address its greenhouse gas (GHG) emissions, and is not likely to address this issue proactively until after the twenty-first session of the Conference of the Parties (COP). However, the IMO itself has decided to "walk the talk" by offsetting its own climate footprint retroactively from 2008 onwards. In the meantime, the first climate neutral port, the Port of Gothenburg, has joined the Climate Neutral Now initiative (refer to section 3.5) and will be climate neutral from 2016 onwards, including through voluntary cancellation of CERs.
10. The secretariat anticipates continuing close cooperation with both ICAO and aviation sector stakeholders in 2016 to further support the use of the CDM and CERs in the aviation sector, including through the VC platform, both pre- and post-2020. The

secretariat also proposes that it should continue liaising with IMO to identify opportunities to encourage the use of the CDM and CERs to help address the climate footprint from international maritime transport.

### **3.1.2. Support for the implementation of the United Nations Climate Neutral Strategy, including offsetting with CERs**

11. The United Nations System Chief Executives Board for Coordination in 2007 adopted a policy for all United Nations organizations to move towards climate neutrality by measuring, reducing and – if possible – offsetting their climate footprint. The implementation of this policy is coordinated by the inter-agency Environment Management Group (EMG), which is effectively supported by the United Nations Environment Programme (UNEP). UNEP and the UNFCCC secretariat agreed in 2014 to cooperate to further encourage other United Nations organizations to become climate neutral, including by offsetting with CERs from the CDM. In the reporting period, UNEP and the UNFCCC secretariat have jointly supported other United Nations organizations in understanding how they can become climate neutral in practice, including options for purchasing CERs in the United Nations system. This has met with a positive response and the number of United Nations organizations that have declared that they will become climate neutral has more than doubled in the past year, with an estimated 18 United Nations organizations expected to be using CERs to become climate neutral by COP 21. In the reporting period, the United Nations Secretary-General himself and his office have also received support from the UNFCCC secretariat to assist with voluntary cancellation of CERs to offset their entire climate footprint from 2011 to 2015.
12. On the occasion of the launch of the VC platform in New York on 22 September 2015, the EMG agreed to a proposal from the UNFCCC Executive Secretary, seeking to further accelerate the implementation of the United Nations climate neutral commitment to be fully implemented already by the end of 2016. This would send a strong signal both about the commitment and ability of the United Nations system itself to “walk the talk” on climate change, and about the recognition of the CDM as the global standard for international offset mechanisms. The secretariat proposes that it should continue to support this effort through communication and outreach, and expert advice to other United Nations organizations about the CDM and CERs.

### **3.1.3. Cooperation with international finance institutions**

13. The secretariat has engaged with several international finance institutions (IFIs) to promote the use of the CDM. This includes, in particular, exploring and facilitating the use of the CDM as a tool for results-based finance (RBF), and outreach and promotion of voluntary cancellation of CERs as a means to achieve voluntary climate targets.
14. Activities undertaken to support the use of the CDM for RBF includes an analysis and mapping of the current and past use of the CDM by multilateral and national development banks and funds in order to prioritize engagement with key actors in the delivery of results-based climate finance. Among the number of prioritized climate finance institutions, the Green Climate Fund (GCF) and the World Bank were given special attention for support.

15. In respect of the GCF, the secretariat has explored a number of avenues to support the use of the full-cycle CDM within funding proposals to be submitted to the GCF. This has included engaging with:
  - (a) GCF Accredited Entities to show how the full-cycle CDM could be included within funding models;
  - (b) The GCF Secretariat to build shared knowledge of the measurement, reporting and verification (MRV) capabilities available in the CDM for use by GCF-funded projects and programmes;
  - (c) Current CDM project participants and National Designated Authorities, principally through the project support function of the RCCs, to support the development of funding proposals.
16. It has been noted that many stakeholders still see a difference between climate finance as delivered through the GCF and the carbon market, with which they chiefly associate the CDM. This has led to views that the CDM, as it stands today, is too cumbersome and complex, requiring a level of rigour in MRV that may be different to that which is required by the GCF (whose ex post impact monitoring requirements are still unclear). In the absence of a clear signal from the GCF, Accredited Entities are reluctant to build the use of CERs into their GCF funding structures.
17. With respect to the World Bank, the secretariat has supported, through knowledge-sharing and advice, the use of the CDM as a RBF tool within the Carbon Initiative for Development (Ci-Dev) and the Pilot Auction Facility for Methane and Climate Change Mitigation (PAF). Both these initiatives have now successfully demonstrated that the full CDM project cycle is suitable as a ready-made RBF instrument, and both the World Bank and the secretariat are seeking to build on these experiences in communicating about the potential of the CDM to other audiences.
18. The International Finance Institutions Working Group (IFI WG), which includes institutions such as the World Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Global Environment Facility and the GCF, is undertaking work to harmonize the methods for GHG quantification applied to projects supported by IFIs, in particular in renewable energy, energy efficiency and transport sector projects. The secretariat is contributing to the work of the IFI WG to promote better understanding of approaches tested, refined and implemented under the CDM in these areas. The working group has agreed to use CDM grid emission factors as the first choice and is interested in contributing to the development of CDM standardized baselines.
19. Discussions have also been initiated with a number of financial institutions to explore options for using the CDM as a de facto standard for ensuring the environmental integrity of green bonds. There are significant opportunities for positioning the CDM in this context, which may be considered for follow-up as activities under the 2016 MAP.
20. The secretariat suggests that efforts to promote and demonstrate how the CDM may be voluntarily used by IFIs, especially as a tool for RBF and MRV, should continue in 2016 as the role of international climate finance and the methods used by IFIs is likely to remain high on the international climate agenda.



### **3.2. Cooperation with international civil society and business organizations to promote the use of the voluntary cancellation platform and the CDM**

21. A key strategy for the promotion of the VC platform in 2015 has been to engage sector associations to encourage them to cooperate with the secretariat in promoting voluntary cancellation of CERs among their members. Sector organizations with which the secretariat is now working in partnership include the International Aviation and Transport Association, the International Post Corporation and the International Union of Railways. In 2015 discussions have also been initiated with the World Business Council for Sustainable Development (WBCSD), the International Telecommunications Union, the International Council of Chemical Associations, the International Council of Mining and Metals, the World Steel Association, the World Travel and Tourism Council, the Airports Council International, and the International Organization of Motor Vehicle Manufacturers. The experience so far has been that base manufacturing industries (steel, cement, motor vehicles) are less open to actually engage in this type of activity, while more consumer-exposed sectors (transport, communications, etc.) are open and keen to cooperate in promoting the use of the VC platform as a means to help the sector address its climate footprint.
22. Looking ahead, the secretariat proposes to continue this work in 2016 to both implement joint communication and outreach activities with sector organizations that have agreed to support this work, and to continue reaching out to additional sector associations so as to associate the VC platform and the climate neutral vision with an increasing number of corporates globally.
23. Taking stock of the fact that consumer-exposed sectors are more open to the idea of offsetting and using the VC platform to this end, and following recommendations by the Board at its eighty-fifth and eighty-sixth meetings, it is also proposed that an effort be made in 2016 to directly target consumers at their points of purchase of different goods and services and/or at other junctions of interaction, such as in social media. As it is clear that there is a wide difference between different consumer groups in terms of culture, age, gender, economic situation, education, information, communications and behavioural drivers, the chosen target group(s) and approach to reach them will have to be based on a carefully crafted strategy, involving external experts or expert organizations, as may be required. At the same time, some “quick wins” may be possible if already-confirmed partners, for example in travel and tourism, can be engaged to get their members to use the VC platform at their sales or service venues, for example offsetting terminals in airports and railway stations, or links on their websites.
24. The secretariat has also associated the promotion of the CDM with the United Nations Global Compact, by partnering with the Caring for Climate initiative (C4C). Through this partnership, Global Compact and C4C invite the secretariat to present Climate Neutral Now and the VC platform at relevant events and in joint communications. Conversely, the secretariat encourages private sector organizations that it engages to also join C4C, which is promoting climate action and good corporate governance in climate issues, very much in line with the overall UNFCCC objectives. This partnership also facilitates coordination with C4C other strategic partners, such as CDP, UNEP Finance Initiative, the Climate Group, the United Nations Foundation, WBCSD, the Prince of Wales’s Corporate Leaders Group, the B Team, the Science Based Targets initiative, and the Principles for Responsible Investment initiative.

25. Building on the achievements and noting that the VC platform is now finally available for public use, it is proposed that:
- (a) The cooperation with international business organizations be continued and expanded in 2016, both to allow the momentum to build, helping partner organizations reach the companies in their sectors to use the VC platform, and to bring in additional sectors and organizations to follow suit;
  - (b) A dedicated effort be undertaken to identify and reach out to individuals directly, or via customer-facing companies and organizations, to make voluntary cancellation of CERs through the VC platform a mainstream activity.

### **3.3. Assisting policymakers/stakeholders in compliance markets**

26. The secretariat is, as a matter of regular operations, engaging with, advising and supporting a wide range of negotiators, policymakers and other stakeholders involved in the UNFCCC process. In some aspects of this work, the potential role of the CDM and other market-based approaches features prominently, for example in relation to international transfer of mitigation outcomes, and in supporting domestic policymaking. In this context the secretariat regularly reviews significant policy developments related to the use of market mechanisms, which is also the basis for the quarterly reports on carbon market updates submitted to the Board. This work also underpins other MAP products, such as the project on considering the use of the CDM infrastructure in other fields.
27. In the reporting period, the secretariat has responded to requests for information about the potential of the CDM to support different aspects of policy implementation. Such aspects include the use of the CDM as a tool to introduce carbon pricing at national or sector levels (in emission trading schemes or together with other policy measures); as a tool for identifying emission reduction projects at national/regional levels; as a standard for linking carbon markets in different jurisdictions; and as a financing tool for emission reduction activities. Information and support is not limited to providing accurate and up-to-date information on the CDM in the context of recent developments, but sometimes also includes more direct support and interaction, often provided through the RCCs.<sup>1</sup> In the reporting period an increased level of interest in the CDM in relation to the development of intended nationally determined contributions (INDCs) has been noted, in particular from African and Asian countries, but also to some extent from European and South American countries.
28. In order to be able to respond to such requests for information in a consistent and efficient manner, the secretariat is continuously monitoring and analyzing policy developments among key carbon markets (developing or in existence), identifying potential needs and opportunities where the CDM may contribute. The secretariat is also regularly preparing presentations, briefing notes, speeches, etc. for relevant events where the UNFCCC is represented. The Board is kept informed through the quarterly reports, and is also directly involved in this effort when appropriate, for example in interactions with the GCF Board.

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<sup>1</sup> Refer to evaluation of RCCs, presented at EB 86.

29. In this way a large number of policymakers have been informed about the potential of the CDM and have received help to understand the options that the CDM can provide. In some cases this has led to the CDM becoming part of the national policy approach in different ways. For example, support was successfully provided to the Republic of Korea on how to match CERs through voluntary cancellation to domestic offset units in the Korean emission trading scheme (ETS), to South Africa on design options for its national climate policy, and to Mexico for how the CDM can help implement its carbon tax scheme (although this remains an outcome to be confirmed).
30. The experience of the secretariat to date indicates that many jurisdictions are interested in developing a national carbon pricing/market and wish to learn from the CDM experience. However, due to the lack of clear signals from CMP about the future of the CDM pre- and post-2020, many policymakers are hesitant to use a tool that they fear may be phased out over the years to come. In a few cases, the willingness to incorporate the CDM in national policymaking has been hampered by lingering prejudices held against the CDM, where the market crisis is wrongly perceived as a failure of the instrument.
31. Considering that the Paris agreement is likely to insert new energy and momentum into national climate policymaking for the next several years, it is anticipated that proactive engagement with, and support to, national policymakers will need to continue in the years to come.

### **3.4. Development of the online platform for voluntary cancellation of certified emission reductions**

32. The work to develop the VC platform was initiated at the seventy-ninth meeting of the Board, with a final decision to develop the platform taken at the eighty-first meeting. The Board has since been kept abreast of developments at every Board meeting, and has provided valuable direction and guidance about functionalities and design options for the VC platform. At its eighty-sixth meeting, the Board took note of an update on the launch of the “Online platform for voluntary cancellation of certified emissions reductions” and provided additional guidance for the continued development of the platform. This included both measures to increase the availability of CERs in the platform, and measures to increase its user-friendliness.
33. In order to encourage CDM projects to make their CERs available on the VC platform, the secretariat has undertaken a dedicated outreach campaign in the second half of 2015. This included an initial generic information e-mail sent to all CDM project focal points (FPs), followed by a more specific e-mail to CDM projects with CERs in the CDM registry. This was then followed by direct phone calls to more than 600 FPs. This effort generated a list of some 150 projects indicating that they are interested in using the platform. At the launch of the VC platform on 22 September 2015, however, only a handful of projects had made a total of some 250,000 CERs available on the platform. There are several explanations for this situation:
  - (a) Due to the compressed development schedule for the VC platform, it was only possible to put CERs on the platform from about a week before the official launch. This indicates that there was simply not enough time before the launch to build a more significant stock of CERs in the VC platform;

- (b) Currently, there are about 230 million CERs in the CDM registry. However, the Share of Proceeds (SOP) has not yet been paid for about 160 million of these CERs. Since the current market price is lower than the SOP, many FPs are unwilling to even consider paying SOP, even if the current price on the VC platform is considerably above both market prices and the SOP cost. In addition, in the current design of the VC platform, CDM projects need to have the SOP paid for all their issued CERs in order to put any CERs on the platform;
- (c) Other reasons for why CDM projects are not (yet) making more use of the VC platform, as discovered during the secretariat's effort to call CDM projects, include:
  - (i) Inactive projects: Even though they have CERs in the CDM registry, some projects have closed down or effectively been abandoned (from a CDM perspective) for some years already and there is nobody looking after related matters anymore. Even if the official FP (or institution) can still be contacted, the actual staff member (individual) responsible has in many cases left the organization, and with him/her the institutional knowledge;
  - (ii) Failure to update the Modalities of Communication: In many cases the contact details that the secretariat maintains for each CDM project have not been updated by the project participants, and therefore these projects did not receive the information sent about the VC platform;
  - (iii) Several project participants (PPs) need to approve the use of the VC platform: In cases where a CDM project involves several PPs, the FP needs to get the approval of all PPs for putting CERs on the VC platform. This can be a time-consuming process in some cases, and an impossible one for projects where one or several PPs have left or abandoned the CDM project;
  - (iv) Several CDM projects have already established contracts with different buyers of their CERs. Even though the CERs are still in the CDM registry, they are not available for voluntary cancellation in the platform;
  - (v) Inability to use the VC platform: Some larger institutional FPs (e.g. international development banks, often acting as FPs for large numbers of CDM projects, such as the World Bank acting as Trustee for the Adaptation Fund) are not able to use the VC platform, either because they:
    - Are not able to receive payment through the existing means of payment (PayPal);
    - Have a "know your customer" requirement, making it impossible for them to make their CERs available on the VC platform for immediate voluntary cancellation by "anybody" (prior to due diligence can be conducted);
    - Do not want to handle a large number of small transactions, as the VC platform may generate, for reasons of cost efficiency;
  - (vi) Some FPs in developing countries are also not able to receive payment through PayPal or credit cards.

34. In response to the above causes for the low number of CDM projects making use of the VC platform, the secretariat is undertaking the following activities:
- (a) Secretariat staff members have been assigned to follow up personally with each project that has indicated interest in using the VC platform, but has not yet made its CERs available on the platform. This follow-up will continue until either the project has started using the VC platform, or has communicated that it does not intend to use the platform;
  - (b) Acknowledging that the VC platform was not yet available at the time of previous outreach and communication to CDM projects, there is now cause to again send information to all CDM projects inviting them to visit the VC platform and take note of the price at which CERs are sold. As success tends to breed success, an increasing number of voluntary cancellations in the VC platform is also likely to increase the interest by CDM projects to use the platform;
  - (c) The secretariat also intends to promote the platform through the designated national authorities (DNA), requesting DNAs to support the outreach to CDM projects, and providing each DNA with a package of ready-made materials that can be used for contacting the CDM projects in their respective countries;
  - (d) An additional means of payment – bank transfer – is being introduced to the VC platform. This will allow those FPs, who cannot make PayPal or credit card payments, to use the platform. It will also allow FPs who have a “know your customer” requirement to conduct due diligence before accepting payment. This measure thus expands the functionalities of the platform to allow more users, but at the same time diversifies not only the payment options, but also the functionalities of the VC platform;
  - (e) The Adaptation Fund is unique in the CDM registry in that the Fund receives a percentage of CERs from every CDM project that for which CERs are issued. It therefore has a large number of CERs in the registry (in late October 2015 approximately eight million CERs) but no large quantities from any individual projects. While it is possible for the secretariat to also make the Adaptation Fund’s CERs available in the platform, not project-by-project but as a unique seller of “mixed CERs”, the World Bank, as the Adaptation Fund’s trustee, has decided that it would not be able to handle the type of numerous small transactions that the VC platform would generate. The Adaptation Fund Board has therefore requested that Adaptation Fund CERs be posted in the platform as a separate category (i.e. separate from the usual description of project types, country of origin, etc.) and that prospective buyers be informed of the minimum amounts that can be purchased from the Adaptation Fund, and that a prospective buyer has to contact the World Bank to purchase such CERs. This is technically easy to do, but will add a functionality to the VC platform to help promote the use of Adaptation Fund CERs, not only for direct cancellation but possibly for other purposes as well.
35. The VC platform is being modified to allow CERs from issuances for which the SOP has been paid to be put on the platform, even if the SOP has not been paid for all CERs from that project. This is a modification that removes a barrier (see para. 33(b) above) for significant numbers of CDM projects to put CERs on the platform.

36. Finally it should be noted that the interest for using the VC platform is also linked to the market price for CERs. At the end of the first commitment period true-up period (18 November 2015) the large number of first commitment period CERs in the CDM registry (approximately 150 million CERs) will have no other possible uses than voluntary cancellation, either through the VC platform, or through the CDM registry's manual cancellation procedure. The price signal for first commitment period CERs will thus be entirely generated from the CDM registry.
37. On the user side of the platform improvements are being implemented in the remainder of 2015, including:
- (a) A history page will be added to list all transactions, thereby allowing the public to see the level of use of the VC platform;
  - (b) The PayPal plug-in has had some technical problems, which in some cases have complicated or prevented transactions. This is now being addressed;
  - (c) Improved reporting capability to allow the Board and secretariat to better track the activities on the platform;
  - (d) A number of performance optimizations – identified during the penetration test of the VC platform – are being implemented that will improve efficiency but will not be distinctly visible;
  - (e) Minor design and information improvements in terms of layout and placing of information at the welcome page and project description pages.
38. Additional improvement options have been identified but need further work before their feasibility can be confirmed, and therefore they may only be carried out in 2016. Such options include:
- (a) The possibility of adding further payment methods. While PayPal, credit card payment and bank transfer will all be implemented in 2015, there may still be possibilities to add other payment methods to increase coverage in certain regions (e.g. Africa and China). It should be noted, however, that it is not a given that such methods are compatible with a system that operates globally, where multiple vendors have shops and sell to multiple buyers, and where the operator (the secretariat) does not act as a funds distributing agent for the vendors (as is the case, for example, with Amazon);
  - (b) The possibility of automating voluntary cancellation transaction approval in the CDM registry. This is still a manual process;
  - (c) The possibility of allowing PPs, who are not FPs, to sell CERs from their pending account;
  - (d) Options to provide project-specific information in a more comprehensive and user-friendly format than the current official project documentation may offer;
  - (e) The possibility of purchasing CERs from more than one provider in a single session.
39. The work on regular operation and further technical development of the VC platform is proposed to be included as a regular task in the 2016 MAP. 'Regular operation' in this

context refers to registering and authenticating user accounts (on both the supply and demand side); overseeing daily operations and smooth functioning of the VC platform; approving voluntary cancellation requests in the CDM registry; and troubleshooting any problems that may emerge.

### **3.5. Promotion of the online platform for voluntary cancellation of certified emission reductions**

40. At its eighty-sixth meeting, the Board took note of an update about past and planned activities in 2015 to promote the VC platform, including activities planned for COP 21/CMP 11. The Board emphasized the need for continuing and expanding the promotion of the VC platform. As outlined above, the promotion of the VC platform is part of the wider efforts to promote the CDM and the voluntary cancellation of CERs more but also warrants dedicated activities, which are expected to continue in 2016. In particular, the following elements are expected to continue to build attention to, and use of, the VC platform:
- (a) Alignment between the VC platform and the secretariat's wider effort to encourage action towards climate neutrality, including the Climate Neutral Now initiative and web page. This may be further enhanced in 2016 when the role of collaborative climate action above and beyond commitments made under the Paris agreement may become even more important. Climate Neutral Now also provides the natural link between the VC platform, Global Compact and its strategic partners, and the United Nations system's own climate neutral effort;
  - (b) Outreach to, and cooperation with, international business and sector associations, with the aim of engaging them in promoting the VC platform to companies and organizations in their sector, and in particular to their own membership. As indicated above, it is proposed that an increased focus be placed on consumer-facing sectors including, for example, the travel industry, sports, and event organizers;
  - (c) There is a clear opportunity to continue encouraging high-profile companies, organizations and individuals to become climate neutral and use the VC platform, thereby attracting additional attention to it. As established in 2015, the use of the platform does not translate into an endorsement by the Board or the secretariat of the company/organization/individual. Only the voluntary cancellation action is recognized;
  - (d) Further integrating the outreach and communication about the opportunity for voluntary cancellation through the VC platform in the secretariat's regular communications and other initiatives aimed at encouraging collaborative climate action by non-state actors. This includes development and delivery of aligned outreach materials, delivery at key events, as well as improved visibility of the VC platform on the UNFCCC and partner organizations' websites. The use of social media networks will also be an integral part of the public communication campaign, which was launched together with the launch of the VC platform, to highlight and promote voluntary cancellation as a means to reduce one's climate footprint and move towards climate neutrality.

### **3.6. Support to negotiations under the Ad Hoc Working Group on the Durban Platform for Enhanced Action**

41. The Board and the secretariat are seeking opportunities to highlight the potential of the CDM within the UNFCCC negotiations. In the reporting period, three sessions of the Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP 2-9, 2-10, 2-11) took place, as well as the forty-second sessions of the Subsidiary Body for Implementation and the Subsidiary Body for Scientific and Technological Advice. The role of market-based approaches in general, and of the CDM in particular, remains on the agenda, and the invitation of COP 19 to Parties to use CERs to close the pre-2020 mitigation gap is still referred to in the negotiations. However, with the very tight time frame to achieve a successful Paris agreement, opportunities to officially highlight in the negotiations the role of voluntary cancellation of CERs have been limited. Instead, the secretariat has highlighted the potential of the CDM and voluntary cancellations of CERs primarily in side events and informal discussions with delegates.

## **4. Impacts**

42. The activities for nurturing demand for the CDM and CERs in 2015 as described in this note will be completed on time and within budget as outlined in the 2015 MAP. The impacts from these activities include:

## **5. Subsequent work and timelines**

43. This note also provides suggestions for continued work in 2016. Such activities, if approved, should be reflected in the 2016 MAP, and in most cases may be carried out as operational activities rather than as dedicated projects
44. At its eighty-sixth meeting, the Board decided to keep the same objectives in the 2016 MAP as were included in the 2015 MAP, including the objective to nurture demand for the CDM and CERs. Based on activities carried out in 2015 under this objective, this note has identified a number of activities that could gainfully serve to further nurture demand for the CDM and CERs in 2016. These include:
- (a) Continued engagement with ICAO and IMO to support the CDM being used to help these sectors address their climate footprint, with a focus on the ICAO market-based measure in 2016;
  - (b) Continued support to the United Nations system to move towards climate neutrality with CERs as the only recognized offset type;
  - (c) Collaboration with IFIs to explore and promote the use of the CDM as an RBF and MRV tool, including the use of the CDM within the context of the GCF, and as a tool for defining the environmental integrity of green bonds;
  - (d) Continued proactive reporting and analysis of relevant policy developments concerning the use of market approaches in international and national policymaking; responding to requests for information and support from policymakers on how the CDM may be integrated in policy development and implementation of INDCs;



- (e) Enhancing the collaboration with international sector and business associations with the aim of cooperating with them in promoting the CDM and voluntary cancellation of CERs to their sectors and membership;
  - (f) Developing and implementing a strategy for reaching consumers, directly or via consumer-facing companies and organizations, to make voluntary cancellation of CERs through the VC platform a mainstream activity;
  - (g) Continued operation of the VC platform, including improvement work to increase the number of CDM projects and CERs available on the platform, and to explore and implement, as may be suitable, further improvements to different aspects to the platform;
  - (h) Dedicated communication, outreach and promotion of the CDM and the VC platform, including through social media, outreach to high-profile companies, organizations and individuals, and through coordination with other activities promoting cooperative climate action by non-state stakeholders.
45. While much of the above activities can be assessed and described in more detail at this time already, other activities, such as outreach to consumers and consumer-facing organizations, would require a more elaborate strategy. For such activities, it is proposed that a concept note be presented to the Board at its first meeting in 2016.

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### Document information

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