

CDM-EB99-AA-A01

Information note

Financing and use of the CDM by international finance institutions

Version 01.0



United Nations
Framework Convention on
Climate Change

TABLE OF CONTENTS	Page
1. PROCEDURAL BACKGROUND.....	3
2. PURPOSE	4
3. KEY ISSUES AND PROPOSED SOLUTIONS	4
4. IMPACTS.....	8
5. SUBSEQUENT WORK AND TIMELINES.....	8
6. RECOMMENDATIONS TO THE BOARD	8

1. Procedural background

1. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), at its eleventh session, encouraged the Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board) to explore opportunities for financing the CDM through international finance institutions (IFIs), such as the Green Climate Fund (GCF), taking into account the transparent and prudent management of the resources of the CDM, and report back to the CMP at its twelfth session (decision 6/CMP.11, paragraph 8).
2. The Board considered an initial information note at its eighty-eighth meeting and a follow-up concept note at its ninetieth meeting, on financing and use of the CDM by IFIs, which included a list of potential opportunities highlighted during the in-session workshop held at the forty-fourth session of the Subsidiary Bodies in May 2016.¹ The Board took note of the information note and requested the secretariat to prepare a revised concept note for the Board to consider at its ninety-first meeting, describing in particular the role of the secretariat in the proposed activities.
3. The Board, at its ninety-first meeting, considered a concept note² on the use of the CDM by IFIs, which detailed a list of activities, means of delivery and costs for supporting activities identified in the concept note. The Board requested the secretariat to initiate support for the activities listed therein.
4. The CMP, at its twelfth session, encouraged the Board to continue its activities in response to decision 6/CMP.11, paragraphs 7 and 8.³
5. The Board, at its ninety-fourth meeting, considered a concept note⁴ on the use of the CDM by IFIs. The Board agreed to support an additional activity involving a national development bank in a frontier financial market, recognizing benefits for national financial institutions in other countries.
6. The Board, at its ninety-seventh meeting (EB 97), considered a concept note⁵ on the use of the CDM by IFIs. The Board agreed to support two additional activities: one involving a national development bank in a frontier financial market; and the other a regional programme of work involving both national and commercial financial institutions in several countries.
7. The Board requested the secretariat to provide an update on the progress of support provided in 2018.
8. This note relates to *further developing the CDM as a key tool for monitoring, reporting and verifying the outcomes of mitigation finance*, as outlined in its CDM two-year business and management plan (BMAP) 2018-2019, in which the Board intends to establish the CDM

¹ <<http://cdm.unfccc.int/stakeholder/index.html>>.

² <<http://cdm.unfccc.int/UserManagement/FileStorage/7BL6UQ4DMSYZRN9JVEOTFG3A052HIC>>.

³ <<http://unfccc.int/resource/docs/2015/cmp11/eng/08a02.pdf#page=2>>.

⁴ <<https://cdm.unfccc.int/UserManagement/FileStorage/GWME0Z79CK1J5SPXLHYRUI6B8O3T4D>>.

⁵ <<https://cdm.unfccc.int/UserManagement/FileStorage/CAENSVLD92BP7IRM48W1UQ5XOGHKT6>>.

as an accepted delivery vehicle for development and climate financing (including via the GCF). This work contributes to goal 2 (“Nurture policies to broaden demand for, and participation in, the CDM”) and more specifically to objectives 2b (“Enhance the use of the CDM for voluntary purposes”) and 2c (“Further develop the CDM as a key tool for monitoring, reporting and verifying the outcomes of mitigation finance”), with resources assigned as reflected under “Use of CDM in climate finance” in table 6 on page 17 of the BMAP.

2. Purpose

9. Considering the CMP mandate and the Board’s ongoing work in exploring other uses for the CDM, the purpose of this note is to provide the Board with an update of the support provided by the secretariat, during the first quarter of 2018 (January 2018 to March 2018), for the activities described in the concept note, as presented at EB 97. Progress prior to this period was provided at EB 97.

3. Key issues and proposed solutions

10. Progress on the support of seven activities described in the concept note to the Board at its ninety-seventh meeting is described in table 1 below. The activities comprise actions, progress and results from support provided by the secretariat, and for the most part in collaboration with the five UNFCCC Regional Collaboration Centres (RCCs).

Table 1. Activities, actions, progress and results

Activities	Actions	Progress & results ⁶
1. Support for the development of CDM project financing via green bonds (Green Bond)	(a) Sharing information on the concept with market players, CDM project developers and DNAs; (b) Providing technical support on design specifics to ensure alignment of eligibility conditions for CDM project inclusion with investment requirements; (c) Disseminating information on the concept to prospective IFIs, credit-rating agencies and development banks, and DNAs; (d) Establishing links with other finance organizations and finance networks, and including outreach and web-based promotion.	<ul style="list-style-type: none"> A package of information on green finance/bond market and CDM shared with Namibia (Development Bank of Namibia) and Zambia (Development Bank of Zambia) as potential funding sources to raise capital to finance CDM projects; Representation made to African investors, asset managers and infrastructure funds on opportunities and finance for projects that mitigate greenhouse gas emissions including CDM at the annual Bonds Loan Sukuk Africa 2018; Support provided to the United Nations Development Programme (UNDP), Climate Mundial and Baker McKenzie who plan to implement a grid-connected solar energy programme for independent power producers in the Gambia for registration as a CDM programme of activities; CPAs shall be financed in

⁶ Reporting period from 01 January to 30 March 2018.

Activities	Actions	Progress & results ⁶
		<p>part via the green bond programme known as the Paris Climate Bond;</p> <ul style="list-style-type: none"> Workshop on “catalysing green finance in Africa” planned for the Africa Climate Week in April 2018, Nairobi, Kenya, in partnership with the African Development Bank, to showcase countries’ experience in green bonds with the aim of using the proceeds to finance CDM projects.
2. Finance for projects via crowd-investing and -funding platforms (Crowd-finance)	<p>(a) For CDM projects selected by the facilities, supporting the gathering of project details from project developers and portfolio managers interested in using the platforms;</p> <p>(b) Maintaining a direct relationship with platforms to ensure that projects suitable for crowd-investing are connected and benefit from crowd-funding and other innovative funding sources;</p> <p>(c) Establishing links with new platforms and other networks, including outreach and web-based promotion of the sources of finance and opportunities.</p>	<ul style="list-style-type: none"> Continued maintenance of relations with CDM projects interested in crowd-funding and assisted with project development on the CDM cycle, including advice on potential buyers of CERs; Fact sheets being compiled on the types and means of access of sources of finance and development opportunities for CDM projects, including information on the <i>green investment catalyst</i> process.
3. Support to the East African Development Bank (EADB)	<p>(a) Providing support to the EADB in setting up an operational and institutional framework for using the CDM in climate finance, also drawing examples and lessons from the other activities;</p> <p>(b) Assisting the bank in completing information on CDM projects, as identified by the bank as suitable opportunities for its climate finance programmes;</p> <p>(c) Assisting in the establishment of a climate finance desk at the EADB, including capacity- and expertise-building on the use of the CDM in climate finance.</p>	<ul style="list-style-type: none"> A suite of information provided to the bank on the design and set-up of an operational and institutional framework for accessing climate finance; Support provided to the bank during a process to recruit an environmental expert manager and a climate finance expert to assist the bank to create a climate finance desk; Approached intermediary financial institutions, including partners of the bank, to assist in identifying bankable CDM projects in the region.
4. Support to the West African	<p>(a) Providing support to the BOAD in setting up an operational and institutional framework for using</p>	<ul style="list-style-type: none"> Supported the set-up of the operational and institutional framework to include the use of

Activities	Actions	Progress & results ⁶
Development Bank (BOAD)	<p>the CDM in climate finance, also drawing examples and lessons from the other activities;</p> <p>(b) Assisting the bank in completing information on CDM projects, as identified by the bank as suitable opportunities for its climate finance programmes;</p> <p>(c) Assisting in the establishment of a green bond programme to finance CDM projects, including capacity- and expertise-building on the use of the CDM in climate finance.</p>	<p>CDM as a MRV tool to recognize the mitigation outcome of BOAD-financed low- carbon projects;</p> <ul style="list-style-type: none"> Completed the identification of a list of projects, among the BOAD's portfolio, as potentially "eligible green assets" that will be suitable for CDM development; Commenced the preparation and development of the BOAD Green Bond Framework to include provisions for use of the CDM for presentation to bank management and board in Q3/4 2018; Assisted in the compilation of a terms of reference for the instalment of a green bond programme advisor for the bank.
5. Support to the Infrastructure Development Bank of Zimbabwe (IDBZ)	<p>(a) Providing support to the IDBZ in setting up an operational and institutional framework for using the CDM in climate finance, including mainstreaming the CDM project cycle into the IDBZ's project development process;</p> <p>(b) Assisting in the establishment of a climate finance desk at the IDBZ, including capacity- and expertise-building on the use of the CDM in climate finance;</p> <p>(c) Providing technical support on design specifics to ensure alignment of eligibility conditions for CDM project inclusion with investment requirements;</p> <p>(d) Assisting the IDBZ in completing information on CDM projects as identified by the banks as suitable opportunities for its climate finance programmes and development of a green investment framework.</p>	<ul style="list-style-type: none"> Following the <i>green investment catalyst roundtable</i> held in December 2017, received endorsement and champion support for the work to be undertaken with the IDBZ from the permanent secretaries of the Ministry of Environment, Water and Climate and the Ministry of Finance; Solicited the support of the Development Bank of South Africa, which offered to provide support services in the set-up a climate finance facility/desk; Supported the bank in gaining approval from its executive committee on the approach and requirements for the set-up of the facility/desk in two separate sittings (IDBZ board approval expected on 29 March 2018); Supported the bank in drawing up a request for support from a UNDP fund for the establishment of a green investment framework to provide financing solutions to include CDM projects, and with the aim of scaling up capacity to support national efforts towards implementing Zimbabwe's nationally determined contribution.

Activities	Actions	Progress & results ⁶
6. Support to the Uganda Development Bank (UDB)	<ul style="list-style-type: none"> (a) Assisting in the establishment of a climate finance desk at the UDB, including capacity- and expertise-building on the use of the CDM in climate finance; (b) Providing technical support on design specifics to ensure alignment of eligibility conditions for CDM project inclusion with investment requirements; (c) Assisting the UDB in completing information on CDM projects as identified by the banks as suitable opportunities for its climate finance programmes, and development of a green investment framework. 	<ul style="list-style-type: none"> • Commenced initial engagements with the bank. It is understood that the bank is undergoing an international credit rating process expected to be completed in mid-2018, after which the bank will wish to start discussions on the establishment of a climate desk. The bank has also indicated a need to restructure equity positions into loans and has shown interest in green bonds, but is awaiting the credit rating before going ahead.
7. Loans and bonds for CDM projects in south east Asia (ASEAN)	<ul style="list-style-type: none"> (a) Supporting the identification of green loan and bond market actors that are interested in issuing green debt and bonds in at least two countries with mature capital markets and two in developing capital markets to include CDM project debt; (b) Raising interest in green loan and bond actors in providing refinancing for CDM projects through capacity-building activities to further enhance understanding of green loans and bonds for public and private sector bodies, including convening a green investment catalyst roundtable in the region, with relevant partners in 2018; (c) Providing technical support on design specifics to ensure alignment of eligibility conditions for CDM project inclusion with investment requirements; (d) Establishing links with other finance organizations and finance networks, and including outreach and web-based promotion. 	<ul style="list-style-type: none"> • Installed a senior finance expert and completed an action plan for ASEAN region. As part of the plan, initiated outreach in the Mekong region (Cambodia, Lao People's Democratic Republic, Myanmar), covering to date four commercial banks, one central bank and one microfinance institution, as well as several financial service providers (2 brokers, 1 credit rating agency, 2 guarantee providers) and four development partners in Thailand; • Work commenced on a <i>green investment catalyst roundtable</i> planned to convene and other relevant stakeholders in June in Singapore, in association with the Monetary Authority of Singapore, the Asian Securities and Financial Market Association, and UN-ESCAP.

4. Impacts

11. Financing and use of the CDM by IFIs can: (i) contribute to pre-2020 climate action; (ii) implement mitigation action that is verified, additional and internationally tracked; and (iii) contribute to the exploration of other uses of the CDM.
12. The work does not foresee any cost implications for the Board nor third parties/stakeholders.

5. Subsequent work and timelines

13. All the activities listed in Table 1 above have been initiated and are likely to continue throughout 2018.

6. Recommendations to the Board

14. The secretariat recommends that the Board take note of the progress of the support provided by the secretariat and in collaboration with the RCCs for the reporting period.

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