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Nurturing demand for CDM

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1. Procedural background

1. The 2014-2015 Business Plan for Clean Development Mechanism (CDM) includes the goal to nurture policies to broaden demand for, and participation in, the CDM. This goal is reflected in the 2015 Management Plan under section 3.2 (*Goal 2: Nurture policies to broaden demand for, and participation in, the CDM*), with specific activities, supporting this goal, defined. The Executive Board of 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. Purpose

2. The purpose of this information note is to update the Board about work undertaken to nurture demand in the period from 1 January to 30 April 2015.
3. The effort to nurture demand for the CDM and CERs includes several activities, as listed in the 2015 management plan (MAP), namely:
 - (a) Engagement with other intergovernmental organizations (IGOs);
 - (b) Nairobi Framework coordination;
 - (c) Regional collaboration centres' (RCC) operations;
 - (d) CDM Loan Scheme;
 - (e) Assisting policymakers/stakeholders in compliance markets;
 - (f) Development and promotion of the voluntary cancellation tool;
 - (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) Increased support to stranded projects.
4. 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 IGOs

5. The secretariat's engagement with other IGOs serves multiple purposes, including to build 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 interactions have taken place in the reporting period:
 - (a) Support and advice to specialized United Nations agencies responsible for climate negotiations within their areas of concern. This refers 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 UNFCCC secretariat and ICAO are both United Nations organizations and have agreed to share information and expertise so as to support Parties in their negotiations. In the reporting period, initial contacts have also 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;

- (b) Supporting the implementation of the United Nations Climate Neutral Strategy, including offsetting with CERs. 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, 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 practically become climate neutral, 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 since a year ago, with an estimated 18 to 20 United Nations organizations expected to be using CERs to become climate neutral by COP 21;
- (c) Cooperation with other IGOs to promote the use of CDM. Several IGOs have been engaged in the reporting period, including the World Bank, the Green Climate Fund (GCF), the International Organization for Standardization (ISO) and several international finance institutions (IFIs):
 - (i) In relation to the World Bank cooperation has focused on the Pilot Auction Facility for Methane and Climate Change Mitigation (PAF)¹ and Carbon

¹ PAF is a results-based payment mechanism which will set a floor price for future carbon credits in the form of a tradable put option, which will be competitively allocated via auctions. The PAF is backed by Germany, Sweden, Switzerland, and the United States of America. The facility has a capitalization target of USD 100 million. In a first phase, it will support projects that cut methane emissions at landfill, animal waste, and wastewater sites facing low carbon prices. The facility will initially target over 1,200 methane reducing projects which are at risk of decommissioning due to the low price of carbon credits.

Finance for Development (Ci-Dev).² These two initiatives utilize the full CDM project cycle and are proof of concept for recognition of the CDM as a mechanism to deliver climate finance. With valuable inputs from Ci-Dev for resolving methodological barriers to electrification, small-scale CDM methodologies widely used for developing PoAs were broadened and simplified to facilitate development of energy access/renewable energy/electrification projects through the CDM. Further work is ongoing to develop broadly applicable methodologies for electrification and residential thermal energy supply as mandated by the Board. PAF also received technical assistance on options to use the Kyoto registry system for the purposes of tracking redeemable CERs and advice on how the secretariat could assist with information on the implementation of the scheme;

- (ii) With regard to the GCF, secretariat-to-secretariat interactions have taken place to elaborate potential areas of cooperation with regard to how the CDM may support the implementation of mitigation projects supported by the GCF. GCF priorities include low-emissions energy and electricity production, transport, buildings, cities, industries, energy-efficient appliances, land use and agriculture as priority areas. Approved CDM methodologies in these areas and their characteristics and the due process that went into developing them were shared with the GCF secretariat. A list of projects in the CDM pipeline segregated into these areas was also provided to the GCF secretariat. Ongoing efforts by the Board (through MAP 2015 projects) to simplify methodologies in these areas were also communicated;
- (iii) Several IFIs including the World Bank, the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the Global Environment Facility (GEF) and the GCF are part of a working group (IFI WG) 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 was invited to contribute to the work of the IFI WG and made contributions 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;
- (iv) At the invitation of ISO, the secretariat provided inputs to the ISO TC 207 SC7 strategic plans to develop standards in the area of mitigation. This input serves to explain what the CDM has already achieved;
- (v) The secretariat has also carried out a mapping exercise to assess over 30 programmes/organizations active in climate financing to assess the

² The fund size is USD 125 million, and is supported by the United Kingdom, Sweden and Climate Cent Foundation (Switzerland). The fund mainly focuses on private-sector-led energy access programmes for households/community-scale programmes for technologies such as off-grid systems (solar home systems, solar lanterns), biogas digesters, mini grids, on-grid extension programmes, cookstove programmes, water purification and/or filtration. Currently 15 programmes are in the pipeline for support which rely 100 per cent on CDM methodologies for calculating emission reductions; the monitoring and verification framework of the CDM is the main pillar for payments under Ci-Dev.

potential for engaging with them to promote the use of the CDM in the context of results-based finance.

3.2. Assisting policymakers/stakeholders in compliance markets

6. 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.
7. 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 with regard to the following issues:
 - (a) Using the CDM within a carbon taxation system to support domestic mitigation projects (in South Africa and Mexico);
 - (b) Supporting the new South Korean emissions trading system by converting CERs into Korean Carbon Units through the CDM voluntary cancellation procedure (Republic of Korea);
 - (c) Providing input on the mitigation potential of CDM projects in relation to developing nationally appropriate mitigation actions (NAMAs) and intended nationally determined contributions (INDCs) (Colombia, Indonesia, Trinidad and Tobago and several African countries, including Benin, Burkina Faso, Ghana, Ivory Coast, Mali, Niger, Senegal, Ethiopia, Zambia, and Uganda).
 - (d) Sharing information with research groups and policymakers about how the CDM may be used to enhance mitigation ambition (Australia, Canada, European Union, Germany, Norway);
 - (e) Contributing information about existing CDM projects and their potential to support domestic mitigation efforts (China, India, Iran).

3.3. Development and promotion of the voluntary cancellation tool

8. At its eighty-third meeting the Board was provided with an update on the progress in developing the voluntary cancellation tool. In parallel with this work, the secretariat is undertaking outreach and promotion work, both to encourage the use of the voluntary cancellation tool once it is operational, and to more broadly promote the voluntary cancellation of CERs. Activities undertaken in the reporting period that have contributed to nurturing demand for the CDM and CERs include:
 - (a) Aligning the promotion of the CDM and CERs within the UNFCCC secretariat's wider effort to encourage action towards climate neutrality. Development of a Climate Neutral Now web page as the landing space where anyone (an individual, organization, company, city, etc.) can find information about why and

how to become climate neutral, including by voluntarily cancelling CERs. The web page will be officially launched at the same time as the voluntary cancellation tool (see below);

- (b) Outreach to potential climate-neutral forerunners through letters, calls and in the margins of meetings, to seek their commitment to use CERs to become climate neutral. Priority is given to global sector organizations and prominent companies within sectors that have been assessed as having potential to voluntarily cancel CERs. If these companies can be enticed to initiate action, there is a good chance that other organizations in their sectors will follow suit. These include, among others, cement, steel, automobile manufacturing, telecommunications, postal services, aviation, rail transport, the United Nations system itself, cities, and large events such as the FIFA World Cup and the Olympic games. For each sector, background research is conducted to understand trigger points for arguing in favour of the use of CERs, to identify suitable contact points, and for sequencing of contacts. A number of well-known and respected personalities have also been invited to become climate neutral in their personal capacity, by also cancelling CERs. Outreach to such personalities is coordinated with the secretariat's Groundswell and Momentum for Change efforts, as well as with the United Nations Department of Public Information in New York, United States, which is responsible for the United Nations goodwill ambassadors. The objective is to have a set of prominent companies, organizations and personalities that are reducing their climate footprints by voluntarily cancelling CERs, by the time of the official launch of the voluntary cancellation tool and the Climate Neutral Now website;
- (c) Design of a public communication campaign to highlight and promote voluntary cancellation as means to reduce one's climate footprint and move towards climate neutrality. The campaign will be launched at the International Climate Neutral Day on 22 September 2015 (which is in the Climate Week and one year after the People's Climate March in New York) when both the voluntary cancellation tool and the Climate Neutral Now website will be officially launched. The communication campaign may include engaging forerunners and partner organizations (as third-party endorsement) in media and op-ed opportunities, in social network communications, in a potential launch event, and the like. Communications will also be organized to achieve a media peak, including by utilizing the full range of UNFCCC communication channels, media and communications contacts of partner organizations and forerunners. Dedicated information materials (videos, web postcards, infographics, etc.) including a graphic template will also be developed to accompany and brand the communications. In this context, the idea of a dedicated CDM logo is also being considered, which would be submitted for consideration by the Board;
- (d) As requested by the Board at its eighty-third meeting, research has also started on options for offsetting COP 21 with CERs from the voluntary cancellation tool, as well as having individual high-profile participants offset their climate footprints at the COP 21 venue;
- (e) Discussions with business and NGO initiatives promoting increased climate action, such as the B Team and the Science Based Targets initiative, with the aim of aligning the messaging to also better recognize the role of offsets in the form of voluntary cancellation of CERs. While not all groups are convinced about

the rationale for promoting offsets, there is an emerging consensus to focus on the need for increased climate action and to refrain from criticizing specific aspects of other initiatives carrying the same main message. This is important in terms of how the public conversation about increased action towards COP 21 is captured.

3.4. Support to subsidiary bodies

9. The Board and the secretariat are seeking opportunities for highlighting the potential of the CDM within the UNFCCC negotiations. In the reporting period, only one formal negotiation session was held, namely the eighth part of the second session of the Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP 2-8). On that occasion the Chair of the Board presented a strong message about the potential of the CDM to support enhanced pre-2020 action, at the dedicated meeting on the ADP Technical Examination Process.

4. Impacts

10. The activities described do nurture the demand for the CDM and CERs. The expected impact is a significant increase in voluntary cancellations of CERs by the end of 2015, as well as increased recognition of the potential of the CDM to be used above and beyond its role as an offsetting tool under the Kyoto Protocol. The activities conducted are within the approved budget in the MAP 2015.

5. Subsequent work and timelines

11. Activities to nurture demand for the CDM and CERs will continue as approved in the CDM MAP 2015, with the next update to be provided to the Board at its eighty-seventh meeting.

6. Recommendations to the Board

12. The secretariat recommends that the Board take note of these developments and provides any guidance as may be suitable.

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Document information

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