

CDM-EB88-AA-A02

Further development and promotion of the online platform for voluntary cancellation of CERs

Version 01.0



United Nations
Framework Convention on
Climate Change

COVER NOTE

1. Procedural background

1. The Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board) approved activities to further nurture demand for the CDM and its certified emission reductions (CERs) at its eighty-seventh meeting (EB 87) as part of the 2016 Management Plan for the CDM. The Board emphasized:
 - (a) The need to further develop the online platform for the voluntary cancellation of CERs (hereinafter referred to as the Voluntary Cancellation Platform) so as to make it more user-friendly and more visible in Internet searches as well as on the United Nations Framework Convention on Climate Change (UNFCCC) website;
 - (b) The urgency to further strengthen the promotion and outreach of the platform towards both the supply and demand sides.
2. By its decision 6/CMP.11, paragraph 5, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) requested the Board and the secretariat to facilitate access to the section concerning sustainable development in the project and programme design documents of the project activities and programme of activities (PoA) on the Voluntary Cancellation Platform.

2. Purpose

3. The purpose of this information note is to provide an update about activities being undertaken in response to the requests above, so as to seek the Board's guidance on the way forward.

3. Key issues and proposed solutions

4. This information note contains information about activities undertaken in response to the above requests. In addition to providing a snapshot of the current level of activities on the Voluntary Cancellation Platform, the note elaborates on:
 - (a) Measures proposed to increase the use of the platform, including:
 - (i) Additional means of payment
 - (ii) Express option for selecting certified emission reductions
 - (iii) Capability to be integrated into business systems
 - (b) Means for improving the supply of CERs on the Voluntary Cancellation Platform;
 - (c) Options for promotion and outreach to attract more users to the Voluntary Cancellation Platform.
 - (d) Options for facilitating access to the section concerning sustainable development.

4. Impacts

5. The improvements to the Voluntary Cancellation Platform are intended to increase the use of the Platform based on lessons learned during the first months of its use. This serves the dual purpose of increasing the amount of CERs being voluntarily cancelled, as well as further positioning the CDM as a mechanism that is easy to access and use in the post-2015 world.

5. Subsequent work and timelines

6. The secretariat will pursue the proposed improvements to the platform taking into account the feedback from the Board on this note. Improvements that require approval by the Board will be further elaborated and submitted to the Board for approval at a later meeting.

6. Recommendations to the Board

7. The secretariat recommends that the Board take note of the information contained in this document and provide feedback where relevant.

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1. Introduction

1. The Platform for Voluntary Cancellation of Certified Emission Reductions (hereinafter referred to as the Voluntary Cancellation Platform) was launched in September 2015 with the intention to facilitate the voluntary cancellation of certified emission reductions (CERs) generated by clean development mechanism (CDM). The Voluntary Cancellation Platform allows project participants with CERs in the CDM Registry to make them available to the public for voluntary cancellation. The users of the platform can select (based on host country, project technology type and/or CER price) the CERs they wish to cancel. To cancel these CERs they simply put them in their “shopping basket” and go to the checkout, where they pay with a credit card or PayPal. Immediately after the transaction is completed, the CERs are cancelled in the CDM Registry. Normally the user receives a certificate from the United Nations Framework Convention on Climate Change (UNFCCC) secretariat within two working days confirming how many CERs were cancelled, by whom, and for what purpose.

2. Current level of the use of the Voluntary Cancellation Platform

2. Currently, the Voluntary Cancellation Platform offers 706,000 CERs from 26 projects in 7 countries representing 7 different technology types. Only one project provides information on their sustainable development co-benefits through the Sustainable Development Co-benefit Tool (SD Tool)¹. Other projects report on their sustainable development benefits through their project design documents. Since the launch of the Voluntary Cancellation Platform, a total of 568 transactions have taken place, cancelling a total of 14,186 CERs at an average price of USD 1.88².
3. At the twenty-first session of the Conference of the Parties (COP 21) the secretariat conducted a promotion campaign to encourage delegates and other participants to use the Voluntary Cancellation Platform to offset their climate footprint from their participation in COP 21. This campaign was well covered in print and online media (over 25 news stories in 12 national and international media outlets). The estimated number of participants who had their COP 21 climate footprint offset through the Voluntary Cancellation Platform is 1,800. It should be noted that in many cases, climate footprints were offset as one transaction for several participants or entire delegations, why the number of transactions in the Voluntary Cancellation Platform cannot be used as an indicator for how many participants were offset through the Platform.
4. The level of use is still low five months after the launch of the Voluntary Cancellation Platform. There are several explanations for this. The root causes and the remediating measures being undertaken by the secretariat are described below.

¹ <<http://cdmcobenefits.unfccc.int/Pages/SD-Tool.aspx>>. The SD Tool enables users to showcase the sustainable development benefits of their project. The tool asks them to complete a survey about the co-benefits of their project. The results of this survey are used to create a detailed report that is then published on the UNFCCC website.

² Information as of 18 February 2016.

3. Measures to enhance the use of the Voluntary Cancellation Platform

5. Means for increasing the use of the Voluntary Cancellation Platform can be grouped under three headings:

- (a) Improve functionalities;
- (b) Increase the supply of CERs;
- (c) Improve promotion and outreach.

3.1. Improving functionalities of the Voluntary Cancellation Platform

6. The Executive Board of the CDM (hereinafter referred to as the Board) and the secretariat have already identified a number of potential features to make the Voluntary Cancellation Platform more user-friendly. The experience gained through the operation of the Voluntary Cancellation Platform for the first few months has generated additional insight and ideas for improvement, which the secretariat is now assessing.

3.1.1. Additional means of payment

7. While the current means of payment - credit cards and PayPal - cover a majority of global online transactions, these means of payment are not available in all parts of the world or may not be suitable for all kinds of buyers/sellers. For example, many development banks, acting as project participants in the CDM, are not able to receive payments through credit cards or PayPal. Many businesses and individuals in parts of Africa, Asia and Latin America do not have access to these payment means for making or receiving payments. Therefore the secretariat is looking into options for introducing additional means of payment, such as through bank transfer or mobile phone-based payment such as M-Pesa (East Africa), Swish (Scandinavia) or MyWallet (European Union).
8. However, there are practical and technical issues in introducing new payment systems to the Voluntary Cancellation Platform. Bank transfer payments usually take several days, which means that the cancellation of CERs is likely to be delayed accordingly. The instantaneous transaction feature of the Voluntary Cancellation Platform would thus be lost for this kind of payments, but in return the number of potential users would increase. Mobile phone payments on the other hand are instantaneous, but the technical and legal implications of using such relatively new systems may introduce unknown risks.
9. The secretariat is assessing the requirements for new means of payments and will seek the Board's guidance on the way forward once the specific challenges and potential solutions have been identified.

3.1.2. Express option for selecting certified emission reductions

10. One of the most frequent comments from users of the Voluntary Cancellation Platform to date is that the Platform is more difficult and time-consuming to use than they had expected, citing the requirement to select the project/host country/technology type before checking out. A comparison with other websites offering offsets online shows that

almost all of them offer offsets without specifying the project from which they are sourced. In contrast, only a small number of online offset providers also offer, in addition to an express option, an option to specify a project from which an offset is sourced. In addition, the integration of the Voluntary Cancellation Platform into other business applications (see section 3.1.3 below) would require that the selection of projects from which CERs are sourced can be replaced by an automatic selection of CERs to be cancelled (i.e. an “express option”).

11. The secretariat is therefore exploring options for introducing an express option in which users do not need to select the projects for which they cancel CERs; they can simply indicate the amount of CERs to be cancelled. This would be an additional option to, not a replacement of, the current process where users can search for CERs from specific projects, host countries and technology types. Issues that would need to be addressed include how to automatically select the CERs (e.g. randomly, according to price, or on a rotational basis among all projects) and how to offer a unified/common price for the CERs so that it would not fluctuate too much depending the project from which the CERs are sourced.
12. The secretariat will describe the available options and seek the Board’s approval for the way forward.

3.1.3. Capability to be integrated into business systems

13. Since the launch of the Voluntary Cancellation Platform, the secretariat has been approached by a number of global companies wishing to explore whether they can integrate the Voluntary Cancellation Platform into their own business systems. The common idea is that the Voluntary Cancellation Platform could be used as an add-on module in their own business systems to offer their customers the possibility to offset the climate footprint for the service or product they purchase. In this way these companies would effectively promote the voluntary cancellation of CERs through the Voluntary Cancellation Platform to their own customers. The rationale for these companies is that they would be able to offer climate neutral products/services to their customers, which they see as a competitive advantage.
14. The potential demand generated through such integration is significant. The secretariat is therefore exploring the technical, practical and legal aspects of making the Voluntary Cancellation Platform business system enabled. Essential requirements would include ensuring that the security and integrity of the Voluntary Platform and CDM registry is not compromised, that the platform only allows the voluntary cancellation of CERs (i.e. not trading, as this would clearly be outside the secretariat’s mandate), and that any integration features would be available for any company to use, so as to avoid that any company is given undue competitive advantage.
15. The secretariat will elaborate a proposal for if/how the Voluntary Cancellation Platform could become business system enabled for the consideration by the Board.

3.2. Increasing the supply of certified emission reductions in the Voluntary Cancellation Platform

16. As noted above, there are still only a few projects that offer CERs on the Voluntary Cancellation Platform. As reported in annex 2 of the EB 87 meeting report, there are several explanations, which can fit into the following categories:
- (a) Project participants/focal points are not able to use the means of payment currently offered in the Voluntary Cancellation Platform, either because of internal regulations (often the case with institutional investors) or because PayPal or credit card payments are not available in the country where the project participants reside;
 - (b) The Modalities of Communication (MoC) are outdated for the project and the former focal points or project participants cannot be reached to update the MoC, and the MoC do not allow for the partial issuance of CERs for the project participants who are interested in offering them on the Voluntary Cancellation Platform;
 - (c) Projects are no longer operational;
 - (d) Projects do not have CERs available for the Voluntary Cancellation Platform because:
 - (i) The CERs are already contracted for other purposes;
 - (ii) The CERs have already been forwarded to national registries; or
 - (iii) The CERs are not yet issued and the project participants are unwilling to pay their share of proceeds as they feel uncertain that they will be able to sell them/have them cancelled at a price higher than the issuance cost;
 - (e) Project participants are not aware or sufficiently convinced of the potential to get a better return on investment by offering their CERs on the Voluntary Cancellation Platform.
17. As a reference, out of 7,986 registered CDM project activities and PoAs, only 1,275 projects currently have CERs in the CDM Registry (257 million CERs in total). Among these, 629 projects have not yet paid their Share of Proceeds for a total of 190 million CERs (refer to para. 23 (d) iii above).
18. As mentioned above, the secretariat is actively exploring options for adding payment options for the Voluntary Cancellation Platform, which would address the first obstacle above. The secretariat is also reviewing if and how the MoCs could be simplified to allow them to be updated even if some of the former focal points/project participants may no longer be available. The secretariat is also continuing its active outreach to project participants and focal points to encourage them to offer CERs on the Voluntary Cancellation Platform. It is assumed that an increasing volume of successful voluntary cancellations at reasonable prices should attract additional supply. However, it is clear that the secretariat will have to proactively share this information with project participants who are not yet using the Voluntary Cancellation Platform.
19. It should be noted, however, that the main challenge for CDM and the CDM Platform is one of demand. Even with the above limitations, the potential supply of CERs on the

Voluntary Cancellation Platform is significant and would be able to rapidly respond to higher levels of demand should it materialize at the right price levels.

3.3. Outreach and promotion of the Voluntary Cancellation Platform

20. At EB 87 the Board requested the secretariat to enhance its outreach and promotion efforts, including by engaging external expertise on marketing if needed. The secretariat is working in parallel on several strands of work to strengthen its outreach for and promotion of the Voluntary Cancellation Platform.
21. The secretariat is continuing the Climate Neutral Now campaign to spread the three-step message of reducing, measuring and offsetting as the pathway to a climate-neutral planet in the second half of the 21st century. This is well aligned with the signals sent by the Paris Agreement, and there are good opportunities for further integrating Climate Neutral Now in the UNFCCC's overall messaging and encouragement of voluntary actions. The secretariat is continuing its efforts by reaching out to sector and/or business organizations and organizers of major cultural and sports events to encourage them and their clients and partners to become climate-neutral and thereby direct more traffic to the Voluntary Cancellation Platform. Opportunities for highlighting the campaign in conjunction with other related events during the year are being identified and pursued. The secretariat is also exploring the possibility of linking with national-level grassroots campaigns encouraging individuals to measure-reduce-offset and using the Voluntary Cancellation Platform as the default place to access offsets.
22. The secretariat is in discussion with international marketing and PR agencies to identify the potential scope, focus, impact and costs of a professional marketing campaign (including all aspects from strategy development to materials production to placement in media and advertising channels and finally to follow-up and assessment) in high potential markets. An indicative cost estimate for such a full scale campaign in three high potential countries/markets is in the range of 350,000 to 1,150,000 Euros. A budget has not been set aside in the CDM MAP for this purpose, but would require additional allocations to be made.
23. Based on advice provided by external marketing experts, the design of the Climate Neutral Now website will be updated in the first half of 2016 to drive further attention to and build attraction for the Voluntary Cancellation Platform, which in itself may also undergo a visual improvement (in addition to updating the substantial/functional design, which was discussed above) to further encourage visitors to complete the cancellation of CERs.
24. The secretariat continues to provide support and advice to the International Civil Aviation Organization (ICAO) in their consideration of a Market-Based Measure to be adopted at the 39th Session of the ICAO Assembly in September–October 2016. In this context, the Voluntary Cancellation Platform offers an opportunity for aviation stakeholders to easily and directly access UNFCCC-certified offsets (CERs).

4. Facilitating access to sustainable development information relating to project activities and programmes of activities in the Voluntary Cancellation Platform

25. At its eleventh session, the CMP requested the Board and the secretariat to facilitate access to the section concerning sustainable development in the project and programme design documents of the project activities and PoAs on the Voluntary Cancellation Platform (decision 6/CMP.11, paragraph 5).
26. In the initial design of the Voluntary Cancellation Platform, information about sustainable development co-benefits (SD co-benefits) was only provided through a link to the project and programme documentation available on the CDM website. In addition, project participants were encouraged to use the SD Tool to voluntarily improve on the information available about the activity's SD co-benefits. Project activities and PoAs that take advantage of the SD Tool will have a more elaborate description on their project page in the Voluntary Cancellation Platform. So far only a small number of projects offering CERs on the Voluntary Cancellation Platform have used the SD Tool.
27. Following the CMP request, the secretariat has explored options for making the SD co-benefits more accessible in the Voluntary Cancellation Platform, as indicated in the project or programme design document. Since this information only exists in a PDF document and since the link to the PDF document was already included in the Voluntary Cancellation Platform from the start, the CMP request means that the information needs to be more directly displayed on the Platform. The secretariat has therefore, as an initial measure, summarized the information as key words derived from the project design document in the side bar of the homepage for each project activity and PoA presented on the Voluntary Cancellation Platform.
28. The best way to develop additional information on the SD co-benefits would be to further encourage project participants to use the SD Tool, since this is currently the only way that the secretariat can access additional information about the SD co-benefits of a CDM project.
29. Enhanced information about the specific SD co-benefits of CDM project activities and PoAs would also help in the marketing and promotion of the Voluntary Cancellation Platform, since many voluntary users wish to be able to "tell the story" of the CDM project activities and PoAs they support by cancelling CERs. Such storylines, which are common and powerful marketing assets for many other types of projects seeking funding support, would normally go beyond mitigation to also reflect on benefits to the local community. There are therefore good reasons to be more proactive in encouraging project participants to use the SD Tool.

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Document information

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