

**CDM-EB88-AA-A03**

## Concept note

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# Financing the CDM through international climate finance institutions

Version 01.0



**United Nations**  
Framework Convention on  
Climate Change

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## 1. Procedural background

1. Following the request by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), through its decision 6/CMP.11, paragraph 8, the Executive Board is encouraged to explore opportunities for financing the Clean Development Mechanism (CDM) through international climate financing institutions, such as the Green Climate Fund (GCF), and report back to the CMP at its twelfth session.
2. The CMP also invited the Board, through its decision 6/CMP.11, paragraph 9 to consider hosting an in-session workshop at the forty-fourth sessions of the subsidiary bodies, taking into account the transparent and prudent management of the resources of the CDM.
3. This work relates to the Goal 2 in the 2016 management Plan: “Nurture policies to broaden demand for, and participation in the CDM” including objectives 2(a): “Facilitate the acceptance of CERs for compliance purposes”; 2(b): “Enhance the use of the CDM for voluntary purposes”; and 2(c): “Further develop the CDM as a key tool for monitoring, reporting and verifying the outcomes of mitigation finance”.

## 2. Purpose

4. The purpose of this concept note is to propose how the Board can respond to the request from CMP to explore opportunities for financing the CDM through international climate financing institutions. In this context the note also considers hosting an in-session workshop at the forty-fourth sessions of the subsidiary bodies (SB44).

## 3. Key issues and proposed solutions

### 3.1. Consideration of the exploration of opportunities

5. Opportunities for how the CDM and international climate finance institutions, including the GCF, may support each other can be divided into two mutually complementing approaches:
  - (a) *Top-down* – opportunities that could include consideration by the CMP at its twelfth session. Such as those pertaining to the operating entities of the Financial Mechanism; and
  - (b) *Bottom-up* – actions and opportunities that are being developed or are already underway by international climate finance institutions, some of which may also be accredited by the GCF.
6. Exploration of opportunities under (a) could include engagements between the GCF and UNFCCC secretariats, and between GCF Board and Board members. Outcomes could include pragmatic ways in which the GCF can assist the financing of CDM projects and in turn how the CDM provides utility for the GCF. For example use of methodologies as GCF mitigation indicators, expertise from the roster of experts and support in the development of funding proposals. Such exploration may help identify opportunities for deeper collaboration, with clear deliverables, between the GCF and the CDM.

7. Exploration of opportunities under (b) could include engagements with international climate finance institutions, which are in some cases also accredited entities of the GCF, including: multilateral development banks<sup>1</sup>; national and regional development banks<sup>2</sup>; bilateral development banks<sup>3</sup>; international and bilateral climate funds<sup>4</sup>; export credit agencies<sup>5</sup>; commercial banks and project financing organizations<sup>6</sup>. Several opportunities for financing the CDM through international climate financing institutions exist and it is important to highlight and promote the concepts among international finance institutions, including those without previous CDM experience. Outcomes could include gaining an understanding of how financial instruments are best designed and packaged to assist project participants, attract additional private capital and provide value to the finance sector.

### **3.2. Consideration of an in-session workshop**

8. In addition to the above mentioned exploration of opportunities, the Board may also wish to host an in-session workshop in accordance with the CMP's invitation. The rationale for an in-session workshop is to capitalize on the presence of negotiators and key officials from many of the concerned institutions so as to identify opportunities and challenges related to financing the CDM.
9. Should the Board agree, the workshop could be conducted as a panel discussion co-moderated by the GCF and members of the Board with presentations by other institution representatives and experts. The panel could explore linkages and compatibilities with climate financing and showcase examples of how financing of the CDM through international climate financing institutions could be expanded.

## **4. Impacts**

10. Exploring opportunities for financing the CDM through international climate finance institutions will provide an opportunity for practitioners and policymakers to examine in-depth solutions and promote the potential to finance enhanced mitigation ambition and implementation of high-impact climate action in developing countries. It will also lay the ground for a pragmatic ways in which the GCF, other international climate finance institutions and the CDM can work together more effectively.

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<sup>1</sup> E.g. World Bank, Asian Development Bank, African Development Bank, Inter-American Development Bank, European Investment Bank, European Bank for Reconstruction and Development

<sup>2</sup> E.g. Development Bank of Southern Africa, Corporación Financiera de Desarrollo Peru, Brazilian Development Bank, Banco de Desarrollo de El Salvador, Uganda Development Bank, West African Development Bank, East African Development Bank, Development Bank of Latin America, etc.

<sup>3</sup> E.g. Australian Agency for International Development, Kreditanstalt für den Wiederaufbau, Agence Française de Développement, Japan International Cooperation Agency, Department for International Development, etc.

<sup>4</sup> E.g. International Climate Initiative, Partnership for Market Readiness, Global Energy Efficiency and Renewable Energy Fund, Carbon Initiative for Development, Pilot Action Facility, Carbon Partnership Facility, etc.

<sup>5</sup> E.g. Korean Exim Bank, etc.

<sup>6</sup> E.g. BNP-Paribas, Mitsubishi UFJ Financial Group, Sofi Banque, Mauritius Commercial Bank, Ecosurafrrique, Climate Mondial, Climate Focus, Carbon Africa Limited, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Green Growth Institute (GGGI)

## 5. Subsequent work and timelines

11. Based on the guidance provided by the Board in response to this note further work will be conducted in exploring opportunities for financing the CDM through international climate finance institutions. In response to the CMP request (paragraph 8, 6/CMP.11) an update on activities will be presented through the annual report of the Board to the CMP, for consideration by the Board at its ninety first meeting.
12. Should the Board agree to host an in-session workshop at SB44 in May 2016 it may wish to request the secretariat to make the necessary arrangements as soon as possible.
13. The Board may wish to request the chair and the vice chair to oversee and provide guidance on: the proposed exploration of opportunities for financing the CDM through international climate financing institutions; the agenda of the proposed in-session workshop; and the content of the proposed draft annex to the Board's report to the CMP.

## 6. Budget and costs

14. The costs for the above mentioned work are expected to be covered by the resource allocation referred to in table 5 on page 16 of the Management plan 2016 (EB87, annex 1). This includes additional costs for the proposed in-session workshop of which are expected to be marginal (< USD 15,000) if conducted as proposed in this note.
15. The proposed work does not foresee any cost implications for third-parties/stakeholders.

## 7. Recommendations to the Board

16. The Board may wish to take note of the information contained in this document and provide feedback, including:
  - (a) Guidance on exploring opportunities for financing the CDM through international climate finance institutions;
  - (b) Agree to request the secretariat to conduct exploratory work in consultation with chair and the vice chair;
  - (c) Agree to host an in-session workshop at SB44 in May 2016 and request the secretariat to make the necessary arrangements in consultation with chair and the vice chair;
  - (d) Based on of (a) to (c) proposed above, request the secretariat in consultation with chair and the vice chair to prepare an annex to the Board's report to CMP for consideration at its ninety first meeting.

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### Document information

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