Observations on the CDM: Achievements, Lessons Learned, and Relevancy for NMMs

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July 3, 2013
Political Framework

The CDM as...

• singular in its being a *policy instrument and a marketplace* for climate mitigation operating under both international law and domestic political-legal frameworks. These are still relevant and shall continue until at least 2020.

• A bridge-builder on front lines of negotiations & investments between:
  o Private and State actors (explicit recognition of need to drive capital)
  o Developing and developed countries
  o Diverse interests: economic, environmental, social

• A catalyst to create new int'l and national institutions and governance frameworks that have marshalled and coordinated large number of stakeholders:
  o early identification of barriers and enablers
  o transparency in decision making
  o stakeholder buy-in
  o empowerment and ownership

✓ NMMs should build upon CDM strengths e.g., mobilizing private sector, creating partnerships and bridging stakeholder agendas, inspiring innovative piloting
Market Aspect

• Created a new commodity out of an intangible, inspiring other markets from environmental services
• Clearly demonstrated that market-based mechanisms and ("putting a price on carbon") work well to achieve cost effective reductions and to direct industry through signals
• Functioned as a kind of glue" for global carbon markets
  o indirectly linked developed and developing country markets, thus creating new synergies
  o galvanized many "unlikely suspects" into the ER business

⚠ Having a "gold standard" among related commodities can deliver higher liquidity and market confidence.
Sustainable Development

- Has been treated in divergent ways across regions, but generally aimed to strike a balance between:
  - environmental integrity
  - economic efficiency
  - local development

- GHG mitigation impact from positive "spill-overs" resulting from CDM projects is undervalued.

- Evaluated quite distinctly from financial or investment additionality considerations. A "one-sized fits all" stakeholder consultation process.

⚠️ NMM should focus on greater harmonization of SD criteria and indicators as well as better integration of financial and non-financial tests
Methodologies and Standards

• A learning laboratory for setting:
  o eligibility criteria and offset quality
  o system boundaries for projects and sectoral activities;
  o baselines and emission factors
  o approaches to monitoring, reporting and verification

• Created core human capacities for GHG mitigation

Standardization, benchmarks, and simplification tools will front-load transaction costs, but enhance access and build scale by reducing time and uncertainties
Distribution/Equity

- Africa's share was always very low, but its share constantly growing in relative terms.
- Standardized baselines (e.g. SAPP), micro-scale automatic additionality, and suppressed demand concepts all important drivers for increasing distribution in Africa.
- "Supply side" responses to build capacity and project development Facilities (CDM Loan Scheme, ACAD) helpful but new "demand side" schemes remain critical (CiDev).

ခ Greater decentralization and plurality of routes to market likely to be beneficial to increasing Africa's share of market benefits. But how will environmental integrity and offset quality be maintained without causing a race to bottom?
Thank you!!

More information:
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