Up scaling the CDM: Linkages between PoAs, SBs, NAMAs and new market mechanism

Africa Carbon Forum, The Golf Hotel, Abidjan, Cote d’Ivoire
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Outline

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• PoA achievement over project by project CDM
• Objectives of various elements in Market Mechanism
• A look at NMM
• Lessons from PoA for NAMA/NMM
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• Why CDM is important in future climate regime
• What future climate regime may offer
• Challenges that loom over all mechanism CDM need to face in future market
• Way forward to fit CDM for future
• Striving to achieve what ??
What are these Jargons

- **Birth of PoA**: Local/national /Regional policy or standard cannot be considered as CDM - PA, but that PA under a PoA can be registered as single CDM.

- **What is PoA**: Pooling of geographically dispersed, small scale project activities that present the most attractive project opportunities in on the continent.

- **What is SB**: Baseline established by a party or group of parties to facilitate the calculation of ER and removals and/or the determination of additionality for CDM.

- **What is NMM**: NMM has to stimulate emission reductions across “broad segments of the economy” and go beyond pure offsetting by “ensuring a net decrease and/or avoidance of global GHG.”
What are these Jargons

• **What is NAMA**: Nationally Appropriate Mitigation Actions by developing country Parties in the context of sustainable development, supported and enabled by technology, financing and capacity building, in a measurable, reportable and verifiable manner.

• **What is FVA** “must meet standards that deliver real, permanent, additional, and verified mitigation outcomes; avoid double-counting of effort; and achieve a net decrease and/or avoidance of greenhouse gas emissions.

• **Result-based financing (RBR)** is a concept according to which financial support is provided *ex post* based on verified achievement of pre-defined outcomes.
PoA achievement over project by project CDM – Scope

Distribution of registered CPAs by Scope

Total registered CPA activities: 1434

[1] Energy ind. (ren/non-rem) 14.8%
[3] Energy demand 0.1%
[10] Agriculture 74.3%
[11] Waste handling and disposal 0.3%
[8] Mining/mineral prod. 0.1%
[4] Manufacturing ind. 0.1%
[10] Fugitive emss. (solid/gas) 0.1%

Note that a CPA activity can be linked to more than one sectoral scope.

Distribution of registered projects by Scope

Total registered project activities: 8898

[1] Energy ind. (ren/non-rem) 74.9%
[3] Energy demand 1.2%
[13] Waste handling and disposal 10.8%
[4] Manufacturing ind. 4.1%
[15] Agriculture 2.5%
[10] Fugitive emss. (solid/gas) 2.5%
[5] Chemical ind. 1.4%
[6] Mining/mineral prod. 0.9%
[14] Afforestation/reforestation 0.6%
[11] Fugitive emss. (halon/R13) 0.4%
[7] Transport 0.3%
[9] Metal production 0.1%
[2] Energy distr. 0.1%

Note that a project activity can be linked to more than one sectoral scope.
PoA achievement over project by project CDM – Regional Distribution

Distribution of registered projects by UNFCCC region
Total registered projects: 8688

Distribution of registered PoAs by UNFCCC region
Total registered PoAs: 163

Data as of 31 May 2019
Source: UNFCCC
### Objectives of various elements in the Market Mechanism

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<tr>
<th>What</th>
<th>Objective</th>
<th>Who</th>
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<tr>
<td>Programmatic CDM</td>
<td>Aggregation of many/all possible activities in a sector or sub-sector, initiated by political or similar actor</td>
<td>Assisting Annex I countries in achieving targets cost-efficiently, contributing to sustainable development of host country</td>
</tr>
<tr>
<td>Standardised Baselines, ‘Sectoral CDM’</td>
<td>Setting a baseline for all installations or activities in a sector or sub-sector in a country</td>
<td>Assisting Annex I countries in achieving targets cost-efficiently, contributing to sustainable development of host country</td>
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<tr>
<td>Sectoral Crediting</td>
<td>Decoupled from specific activities, credits are awarded if emissions from a sector are kept below a pre-defined level</td>
<td>Achieving large-scale net emission reductions in developing countries in the context of sustainable development, and assisting Annex I countries in achieving targets cost-efficiently</td>
</tr>
<tr>
<td>Sectoral Trading</td>
<td>Decoupled from specific activities or policies, allowances are issued ex ante based on a sectoral target, with penalty for missing target</td>
<td>Achieving large-scale net emission reductions in developing countries in the context of sustainable development, and assisting Annex I countries in achieving targets cost-efficiently</td>
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<tr>
<td>NAMA Crediting</td>
<td>Crediting of specific NAMAs or based on sectoral thresholds</td>
<td>Achieving large-scale net emission reductions in developing countries in the context of sustainable development, and assisting Annex I countries in achieving targets cost-efficiently</td>
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A look at NMM
A look at the NMM
Lessons from PoA in CDM to NAMA/NMM

• Support implementation of Policy /Programme measure.

• Elements like
  ◦ Definition of Eligibility criteria
  ◦ Setting boundaries
  ◦ Standardized elements in baseline setting procedure
  ◦ MRV process
  ◦ PoA management (CME,QMS)

• Design and Implementation elements of PoAs (concept of CPA, Sampling approaches)

• Consideration of Interrelated measures (Overlapping between measures)

• Engagement with wider range of Host Countries
Lessons from SB in NAMA/NMM

• Baseline (Level of emissions) – BAU Baseline Scenario comprise present economical, technological, demographical and social trends without consideration of any climate change mitigation policy towards defined national emission reduction targets.

• Development and Implementation of NAMA requires reference level or pathway against which to measure its performance.

• Defined set of indicator to monitor the baseline (spatial, time boundary, growth rate and trends as well as associated emissions).

• Setting of targets – (one or multiple measures).

• Data intensity is much lower (design data on specific energy, specific raw material and facility data on output).

• Addressing to a certain extent issue on data quality (QA/QC guidelines).
Usefulness of CDM in NMM – Standards

- Positive List
- Performance BM
- Cap & Trade

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<th>Elements and tools from CDM</th>
<th>Standardized Approaches</th>
<th>Positive List</th>
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Why CDM is important in future climate regime

• It gives the global carbon market a mature framework to measure the environmental integrity of offset projects;
• It gives project developers a standardized unit to bring to market to finance their projects;
• It gives both emitters and project developers a variety of options of how to contribute to sustainable development; and
• It gives the market as a whole a generally recognized approval process that helps the international community judge the contribution to sustainable development and greenhouse gas mitigation.
• It ease in mobilizing the carbon market’s financing power for international climate financing.
Challenges that loom over all mechanism CDM need to face in future market

• Estimation of BAU emission scenario (ex-ante forecasting)
• Establishment of Common Accounting rules, standards, criteria and/or procedures.
• Stimulation of mitigation across broad segments of the economy.
• Overlapping with the existing and new mechanism (double counting)
• MRV (technical provision, non-GHG impacts)
• Addressing policy impact in mitigation
• Level of aggregation of data
• Institutional capacity at the national level
• Cost effectiveness – Environmental Integrity
Challenges that loom over all mechanism CDM need to face in future market

How good is good enough, compared against what?

- Simplification/Usability
- Broad applicability
- Standardization
- Transaction cost
- Time lines
- Environmental Integrity
- Consistency
- Monitoring rigor
- Conservative
Way forward to fit CDM for future

• Simplification of additionality (positive lists, default factors) demonstration and MRV
• Expanding the sectoral and geographical distribution of projects,
• Increased cost-effectiveness and development of more SB
• Development of more and more Sectoral approaches to answer the criticism of Project-by-project assessment being “time consuming”.
Striving to achieve what ???

• Scaled-up mechanisms mobilises carbon finance on a much larger scale than so far.
• Aggregate target level for sectors will be better able to reach sectors the CDM has so far hardly tapped, especially transport and buildings.
• Incentivizes developing countries to implement climate-friendly policies.
• At aggregate level the mechanisms will be more environmentally robust and cost effective
NOW WHERE IS CDM
THANK YOU!
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