

Opinions and facts about the CDM

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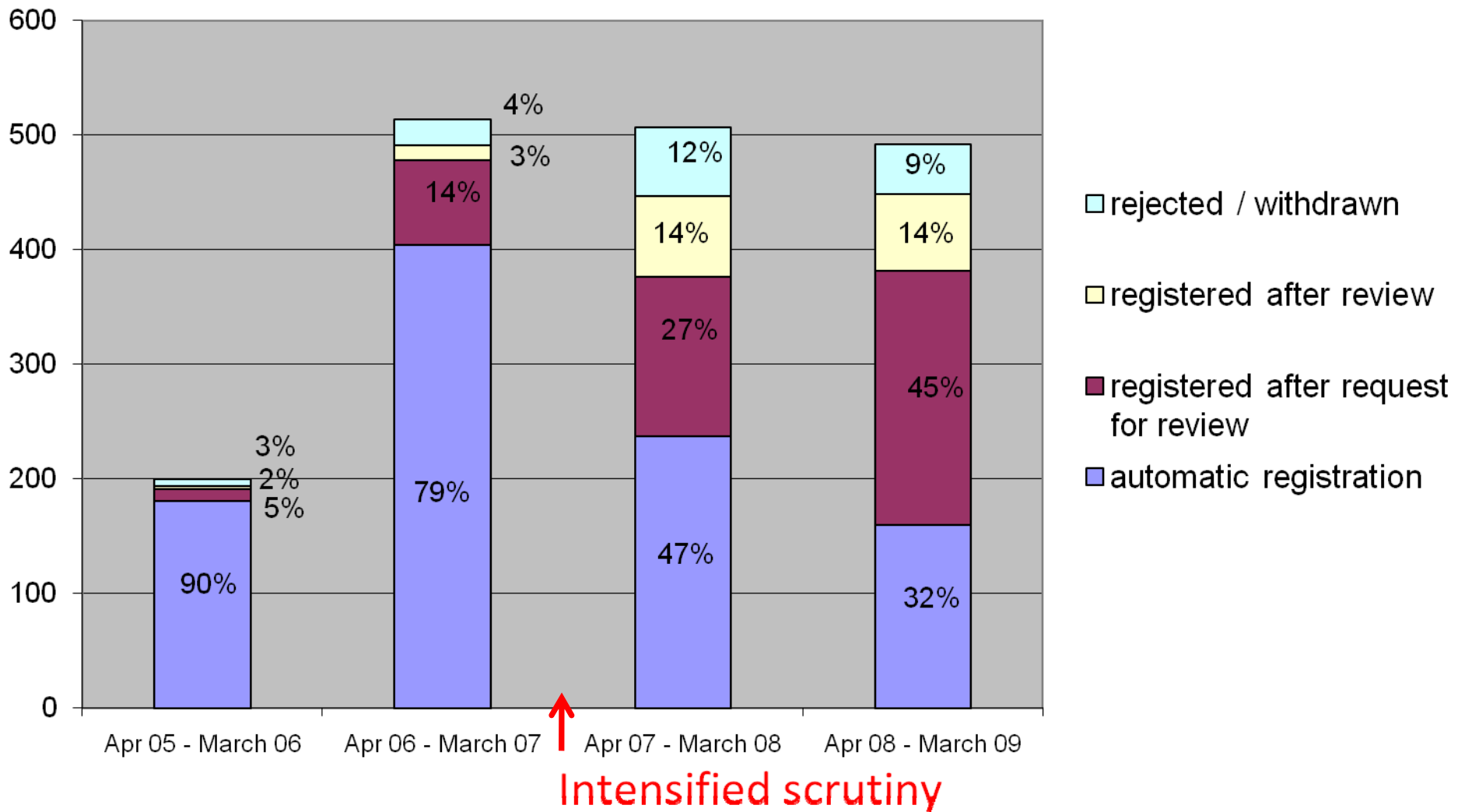
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Additionality

- 2 basic approaches (optional) + 1 credibility check:
 - Demonstrate that project is financially less attractive than a reasonable alternative:
 - project IRR is less than IRR of an alternative project, providing a similar product or service, or
 - project IRR is less than returns which could be earned by investing the capital in the market (same risk level!)
 - Demonstrate that serious barriers would prevent implementation of the project, e.g.:
 - Technical barriers
 - Investment barrier (barriers on obtaining financing)
 - First-of-its-kind
 - Credibility check on “Common Practice”: Demonstrate that similar projects have not been implemented before (without CDM) on a large scale in the country or region

Registration: assessments / rejections



Major steps towards improvement

- VVM (validation & verification manual) adopted
- New accreditation standards + procedures → doubling number of DOEs in March 2009
- Timelines set for DOEs and UNFCCC Secretariat
- Registration process streamlined → UNFCCC Secretariat expands “completeness check”, reducing number of Requests for Review
- New procedure dealing with projects differing from PDD
- New procedure for Programmatic CDM



Some opinions on the CDM

- CDM is bureaucratic
- CDM has considerable delays, reducing delivery
- CDM is fake for early started projects
- CDM is not cost effective
- CDM implies financial flows to foreign countries
- CDM is a scam
- CDM is perverse
- CDM is not perfect



Opinions on CDM (1)

- CDM is bureaucratic / rigorous:
 - True, to apply clear rules and safeguard integrity
 - Over 1700 projects are registered, so it is doable
- CDM has considerable delays, reducing delivery:
 - True, but major bottlenecks in system are now removed:
 - most backlogs Secretariat cleared + timelines for DOEs & Secretariat
 - Revised procedure resulting in enhanced “completeness check”
- CDM for early started projects is fake:
 - Perhaps, but early started projects took a business risk
 - They must demonstrate prior consideration of CDM
 - They must demonstrate real and continuous action
 - All evidence checked by DOEs
 - Not complying with these requirements means rejection, which happened frequently (phasing out now)



Opinions on CDM (2)

- CDM is not cost effective:
 - Wrong, since costs CDM credits (nowadays US\$ 12-14/ton CO₂) are far below most marginal costs of domestic action
 - After all it is irrelevant whether project owner makes a profit as well
- CDM implies financial flows into foreign countries:
 - True
 - But overall far more cost effective than domestic measures
 - If well chosen this supports sustainable development and technology transfer

Opinions on CDM (3)

- CDM is a scam and perverse:
 - Not true (but you may decide after this presentation)
 - CDM resulted in much deeper reduction targets EU / Japan
 - Many studies / assessments are based on early days CDM and are not representative
- CDM is not perfect:
 - True
 - Recent Dutch study on voluntary market reveals: check on DOE's performance is crucial
 - Key elements of CDM are additionality and complexity of process → we may need improvements & reforms
 - EB will revisit priorities methodology development



Possible CDM improvements/reforms

- Not yet discussed at CDM Executive Board !
- To be decided at CMP in Copenhagen
- Some options mentioned in international negotiations:
 - For major emerging economies: shift to sectoral approaches + gradually decreasing benchmarks (per country!):
 - Power sector, cement, iron & steel,
 - performance better than sectoral baseline (benchmark below BAU) could yield credits for offsets (also solving additionality)
 - Improved existing CDM remains for other countries
 - Apply discounts to CDM credits to compensate for possible flaws and strengthen environmental integrity
 - Exclude certain project types from CDM (e.g. HFCs?)
 - Improve assessment of additionality:
 - More stringent requirements (improve or replace Additionality Tool)
 - Positive list of technologies for specific countries
 - Improve governance CDM (transparency, due process)

In summary on CDM

- Over 1,700 projects registered → equals 1,5 billion ton CO2 reduction until 2012
- Pipeline of projects: another 1,5 billion ton until 2012
- Providing leverage for non-viable renewables
- Methodology AM0070: Manufacturing energy efficient refrigerators --> using benchmark approach for baseline + additionality
- CDM has developed through learning-by-doing
- In summary: CDM is up and running, stimulating green investments and assisting countries on their clean path to development



Thank you!

www.unfccc.int/cdm

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