

**CDM Policy Dialogue: Summary of stakeholder engagement meeting
with designated national authorities in Bonn, Germany**

Date and time:	Thursday 22 March 2012, 14.30 to 16.00
Location:	UNFCCC secretariat headquarters, Bonn, Germany
Panel member(s):	Mohammed Valli Moosa and Margaret Mukahanana
Senior expert advisor(s):	Crispian Olver, Ritika Tewari and Njogu Morgan
Participants:	Approximately 80 participants from the secretariat and designated national authorities

Key observations

- A large body of knowledge and capacity on climate mitigation technologies and sustainable development impact has been built up in designated national authorities (DNAs) through the clean development mechanism (CDM) process. Whatever the future form of the CDM, DNAs argue that it is important to preserve this.
- There was a majority view that the status quo in which host countries have the prerogative to determine sustainable development criteria should remain.
- DNAs are frustrated at the restriction of their role to the project approval stage, and would like to have an ongoing role in project monitoring.
- Stakeholder consultation processes should be strengthened in order to build legitimacy in the system.

Proceedings

Mohammed Valli Moosa opened the meeting with an overview of the objectives and process of the High-Level Panel, following brief welcoming remarks by Niclas Svenningsen (UNFCCC). The substantive portion of the meeting was divided into three consecutive sessions addressing the CDM’s impact, operations and governance, and future context.

Impact of CDM

Participants were concerned about the limited number of projects emanating from Africa, especially least developed countries (LDCs). One referred to this as “an extreme form of inequality and unfair.” High levels of economic development and emissions intensity, political will and strong national support¹ for development of CDM projects were thought to be important factors contributing to greater uptake. It was also suggested that countries in Africa had failed to benefit from CDM since sectors in the region with mitigation potential such as land use and forestry are underrepresented in the system. Small-scale projects do not seem to get the necessary attention from the market, and there is a challenge to reduce transaction costs for these projects and correct for market imbalances. On the other hand, others were of the view that there were already enough concessions² in the system to ensure that the flow of projects from underrepresented regions will increase.

A major topic of debate concerned sustainable development – its definition, who defines it, how to measure it, and how to monitor adherence by projects. It was noted that the divergence in criteria between countries resulted in concerns regarding environmental integrity, and that some projects were clearly not sustainable development projects. However there was overwhelming consensus that the current system in which countries set their own definitions and monitoring systems for sustainable development should remain, in order to respect national sovereignty and ensure country-specific indicators that are aligned with local socio-economic conditions. Many thought that the Executive Board or UNFCCC secretariat could assist host

¹ Peru and China were cited as exemplary cases of countries that have allocated national resources into promoting CDM with positive outcomes.

² Such as the move towards Programme of Activities and the soon to be launched loan scheme.

countries in developing and strengthening their sustainable development criteria and addressing how to quantify them.

Governance and operations

There was a very strong view that language is a major barrier in the system. A participant noted that it was a requirement that project design documents (PDDs) had to be submitted in English. This placed additional resource barriers on project developers increasing their already high transaction costs.

On stakeholder consultation, some DNAs conceded that even in their own countries, there were weaknesses. In general DNAs benefit from the stakeholder engagement process, which takes place during the PDD stage and after the PDD is submitted. There is also an online consultation in the validation phase. In general there was consensus that wider participation by stakeholders should be strengthened in order to ensure legitimacy.

Another significant area of discussion concerned the mandate of DNAs beyond the Letter of Approval (LOA) project approval stage. Some participants were of the view that the DNA role should be expanded to include monitoring the activities of projects post-approval. They complained that once project approval has been obtained, contact between project developers and DNAs is non-existent. It was argued that a further monitoring role would greatly assist in verifying some of the claims made in project documents, especially with regard to the sustainable development impact of projects.

Context of CDM

The EU decision allowing only projects from least developed countries to participate in the European Trading System was a source of great concern. Many participants were of the view that this would severely affect the CDM project pipeline in non-LDC countries. Some called for this decision to be reversed given its potential damage to carbon markets and the CDM.

In looking to the future, participants noted that the CDM will continue during the second commitment period, but that its importance may decrease as other mechanisms become operational. Several participants thought that the future of carbon markets would be marked by bilateral exchanges rather than the current international architecture under the CDM. Global negotiations on Nationally Appropriate Mitigation Actions (NAMAs) and Reducing Emissions from Deforestation and Forest Degradation (REDD+) were thought to be indicative of this trend.
