

**CDM Policy Dialogue: Summary of stakeholder engagement meeting
in Melbourne, Australia**

Date and time:	Wednesday 28 March 2012
Location:	Melbourne University, Australia
Panel member(s):	Ross Garnaut
Senior expert advisor(s):	Ingrid Burfurd
Participants:	12 stakeholders, including investors in the carbon market, major business groups and non-governmental organizations.

Key observations

- Participants emphasized the importance of a long-term plan for the clean development mechanism (CDM), and proposed that the market can better manage a transition period if longer-term expectations are clear.
- Participants felt that the CDM has a key role to play in the protection of global standards for the measurement, verification and reporting of carbon credits. Participants felt that the goal of the CDM should be to set rules that allow countries and trading blocs to move towards a consistent global market.
- Participants generally supported the principle of REDD being included in a CDM-type framework, but there was no clear consensus on the best way to achieve this.

Proceedings

Ross Garnaut opened the meeting with an overview of the Panel’s work and objectives. Participants were informed that notes would be consolidated and made publicly available, but that their names and affiliations would not be publicly identified.

Impact:

Many participants felt that a key success of the CDM has been the emergence of carbon entrepreneurs and carbon trusts. Participants questioned whether the CDM had effectively contributed to sustainable development, and there was broad support for the Panel’s research into this topic. Some participants emphasized their belief that the CDM has facilitated technology transfer to developing countries, particularly in the earlier years of the CDM. The same participants pointed out that skills transfer extended to the ability to identify projects, and to identify opportunities for carbon emission reduction more generally. Participants also discussed examples of governance and market-skills transfer. Some participants suggested that the CDM plays a valuable role when countries do not have the capacity or resources to support projects. Other participants did not disagree with these suggested benefits, but stressed that there are potentially unintended consequences to CDM projects. Most members of the group felt that, on balance, the main contribution of the CDM lay with the development of a mitigation market, and that the CDM should continue to operate under the principle of “do no harm” in relation to sustainable development, while focussing primarily on mitigation.

Some participants suggested that countries could have different levels of access to the CDM according to their level of need. This would involve countries being excluded through time as they

develop. Other participants discussed a framework in which access to the CDM becomes conditional on meeting country-level mitigation obligations

Operation and governance:

Participants with experience in CDM projects reported that processes are becoming more efficient, and that the rate of project registration has improved. However, there was a general concern that minor administrative issues (sometimes as trivial as typos) can cause substantial delays for projects. Many participants felt that projects involving substantial variations to existing methodologies suffered lower success rates and longer periods to validation. Participants wondered whether this led to an undesirable bias against innovation.

Some stakeholders were also concerned that there is no “interface” between project developers and the CDM Executive Board (EB). Participants involved directly in the market indicated strong support for an appeals process. It was suggested that an appeals framework is particularly important when there are tight constraints around resubmitting projects, which currently makes it difficult for project developers to adjust projects in response to EB concerns.

Future context:

Participants expect that the immediate future of the carbon market will be characterized by substantial price volatility. Stakeholders all emphasized that clarity about the post-2020 framework would reduce uncertainty, and that market investors and innovators can better manage the uncertainties of a transition period if they are able to anticipate the longer-term direction of the carbon market. Participants sought trust and transparency regarding the future of the CDM, and indicated that policy uncertainty damages market confidence.

Stakeholders were concerned that the international “pledge and review” framework might lead countries to nominate their own accounting rules. Stakeholders were unanimous in their support for a common accounting framework and a common metric for carbon credits. Participants felt that the goal of the CDM should be to set rules that make it possible for markets and policies to scale up through time and to move towards a consistent global market. Fungibility, credibility and standards are considered necessary for market confidence. Stakeholders were all concerned about double-counting and its implications for environmental integrity, and argued that the CDM should be part of a broader framework that minimizes the risk of double-counting at the country level.

Participants generally supported the principle of increasing incentives to avoid deforestation, and therefore including REDD in a CDM-type framework. Participants were unsure about the best way to achieve this. Some participants expressed concern about project-based REDD, and suggested that a sectoral or country-level approach with targets might be more credible. Others suggested that an early REDD market might be based on government-to-government transactions, with the private sector moving in as methods and markets developed. One stakeholder suggested that the CDM was not perfect, but had been a very valuable learning tool, and that a similar approach to REDD would be rewarded.

Some participants also expressed the view that the CDM EB should be neutral with regard to technology, citing the examples of nuclear energy and hydroelectric projects.

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