

## CDM Policy Dialogue: Summary of stakeholder engagement meeting in Tokyo, Japan

Date and Time	May 10 and 11, 10:00 to 17:00
Location	IEEJ conference room, Tokyo, Japan
Panel Member	Mr. Nobuo Tanaka
Senior Expert Advisors	Akihiro Kuroki, Naoyuki Yamagishi

### Key Observations

- Stakeholders stressed that the CDM has played an important role in reducing greenhouse gas emissions and promoting sustainable development in developing countries. Most of them said that the CDM will continue to play a key role beyond 2012.
- The DNA of the Republic of Korea explained the framework of the country's newly established emissions trading scheme, while the representatives of the Japanese government and industries referred to the Bilateral Offset Credit Mechanism (BOCM) and stressed that the CDM will probably continue to be an option for mitigation in Japan, as it will offer more choices.
- Most stakeholders said there is need to reform the CDM by establishing benchmarks and positive lists and offering more opportunities to Least Developed Countries (LDCs).
- Participants pointed out that the CDM can be improved by the introduction of an appeals process for aggrieved CDM project developers.
- NGOs said that the CDM results in no net emission reductions expressed their concerns over additionality and contribution to sustainable development and asked for reforms in the CDM modalities and procedures.
- Representatives of research institutes said that the rules to simplify the additionality criteria should not come from a top-down approach but expressed their support for standardized baselines.

### Proceedings

Mr. Nobuo Tanaka opened the meeting with an overview of the objectives and process of the high-level panel. The meeting was divided into three consecutive sessions addressing the CDM's impact, governance, and future context. Participants were informed that notes would be consolidated and made publicly available, but that their names and affiliations would not be publicly identified.

#### *Impact:*

Some participants noted that Japan has the largest stake in seeing a better CDM, as the mechanism will continue to be an important means to achieve the country's mitigation goals. However, whether CDM will continue to be an appropriate means to achieve the ends depends on its ability to promote sustainable development and ensure cost-effectiveness of mitigation measures.

While not a perfect mechanism, CDM is the most successful market mechanism so far. According to a report of the World Bank it is predicted that cumulative CERs issued will more than double by 2020.

#### *Governance:*

Most participants criticized the CDM process as highly cumbersome and politicized and stressed that it did not sufficiently consult key stakeholders. Many participants noted significant improvements in CDM's governance arrangements but called for further simplification of the

project cycle.

The CDM has tried to be rigorous, but has discouraged ambitious mitigation actions because procedures are complex, and the results are not promising. For CDM to contribute to sustainable development it needs to further streamline and standardize procedures, and enhance transparency and predictability. To contribute to energy security, CDM could be reformed to focus more on energy efficiency projects and renewable energy projects.

It was suggested that the EB could focus on high-level policy of CDM, the UNFCCC secretariat could focus on making sure procedures are followed, and the DOEs could undertake more substantive work more efficiently and cost-effectively. Additionality determination could be reformed to facilitate technology transfer by, for example, use of positive lists of clean technology and benchmarking of performance to be achieved.

*Future context:*

Participants expressed the view that currently the CDM does not provide a long-term, stable and transparent market for investors, and therefore political will and action are needed to maintain the continuity of the carbon market. They believe that the CDM should not only continue to improve the project-by-project approach but also enhance sectoral approaches and work in parallel with emerging new market mechanisms, if any.

The CDM provides a good reference for designing future carbon markets, but it needs to be scaled up by covering more activities while retaining a project-based approach.