CDM Policy Dialogue: Summary of stakeholder engagement meeting in China

Date and time:	Tuesday 15 May 2012, 14.15 – 17.45
Location:	Beijing, China
Panel member(s):	Changhua Wu
Senior expert advisor(s):	Margaret Lo
Participants:	23 participants, including representatives from Chinese government agencies, carbon market industry players and researchers

Key observations

- The CDM has played an important role in the development of the carbon market and renewable energy in China. It should be preserved and continue to include major developing economies as this is where the largest mitigation potential lies.

- The CDM process is highly politicized and does not sufficiently consult key stakeholders. The CDM should focus on reducing greenhouse gas (GHG) emissions instead of alleviating poverty. LDCs are not yet up to the development stage suitable for developing CDM projects.

- The CDM does not provide a long-term, stable and transparent market for investors. Political will is needed to maintain the continuity of the carbon market.

Proceedings

Changhua Wu opened the meeting with a brief presentation on the CDM Policy Dialogue and the key outcomes of the stakeholder engagement process, followed by an open discussion on the impact, governance and the future context of the CDM. The proceedings were held under the Chatham House Rule.

Impact:
All participants agreed that the CDM has made significant contributions in China in introducing the concept of the value of carbon, capacity building, establishing standards, and providing invaluable reference for China to set up its own carbon trading system. It was also widely agreed that the CDM had promoted the development of renewable energy in China, especially wind energy.

There was a diverse view on whether the CDM had channeled sufficient finance into low carbon projects in developing countries. Some participants also argued that the CDM had not achieved technology transfer or promoted environmental sustainable development.

Operation and governance of the CDM:
Most participants criticized the CDM process as highly politicized and stressed that it did not sufficiently consult key stakeholders. In particular, the unilateral changes in rules are unfair for China and project developers (e.g. discontinuity of certain project types and changes in methodologies).

Most participants believe the CDM should aim at reducing GHG instead of alleviating poverty. The biggest mitigation potential lies in major developing economies like China, India and Brazil and not in LDCs which are not up to the development stage suitable for CDM.

Some participants thought that the approval rate for CDM projects is too low – only around 20% of government endorsed projects. This would affect investment from the business point of view.

There was a diverse view on whether communication with the EB was adequate. One participant's opinion was that the grievance procedure proposed by the EB was too complicated and thus impractical.

Future context:
All participants expressed the view that currently the CDM does not provide a long-term, stable and transparent market for investors, and political will and action are needed to maintain the continuity of the carbon market. They believe that the CDM should continue to exist and work in parallel with emerging new market mechanisms, if any.

Going forward, a few participants suggested that the CDM could enhance the sectoral approach, and extend the coverage to include energy management contract (EMC) projects.

The meeting was closed with a short wrap-up by Changhua Wu, who thanked the stakeholders for their participation, and stressed that their opinions will be duly considered by the High-Level Panel on the CDM Policy Dialogue in the preparation of the report to be submitted to the CDM EB by September 2012.