

**CDM Policy Dialogue: Summary of stakeholder engagement meeting
in Rio de Janeiro, Brazil**

Date and time:	24 May 2012
Location:	BNDES, Rio de Janeiro - Brasil
Panel member(s):	Luciano Coutinho
Senior expert advisor(s):	Sérgio Weguelin
Participants:	19 stakeholders, including representatives of non-governmental organizations, market participants, representatives of the business sector, academia, members and former members of the Brazilian government and agencies linked to the UNFCCC, among others.

Proceedings

Luciano Coutinho opened the event highlighting the Panel's independence and freedom and invited those present to freely express their ideas on important aspects of the CDM. The consultation was divided into three sections: CDM impacts, CDM governance and the future context of the CDM.

Impact:

The opinions on the CDM's contribution in promoting sustainable development and technology transfer to developing countries were diverging. Some of the participants believed that there was, in fact, no promotion of sustainable development and technology transfer taking place, or that very few contributions were being made in that direction. On the other hand, some participants strongly defended the CDM's contribution in the adoption and diffusion of technologies and in the development of projects contributing to sustainable development. It was also emphasized that projects, even those with simple technologies, would not have been put in place if not for the CDM's incentives. They cited the examples of power generation in landfills and of the co-generation of sugarcane bagasse in Brazil. The majority of those present believed that these mechanisms were important in leveraging projects and had an overall positive impact. It was also noted that the concept of sustainable development depends on each country's prerogative.

There were disagreements about the results of emission reductions. It was pointed out by one of the participants that several projects were not additional and that they would have occurred anyway. On the other hand, another participant pointed out that each project had to face such a great scrutiny that, in general, their contribution was positive. It was further pointed out that, although they had an impact in reductions of emissions, it was negligible when compared to the amount of reductions needed. One participant noted that, as the baselines of emissions are hypothetical, it is not possible to say that there was an actual reduction in the emission of greenhouse gases.

The CDM's principles have been criticized for "rewarding the worst", who need to improve, rather than helping those who are already doing good. The question of whether the CDM should really promote sustainable development and technology transfer, rather than being a pure mechanism of carbon compensation was also addressed. It was also noted that these mechanisms are not a purely logical construct, but rather a political construct.

The importance of ensuring energy security and the need to address the increased demand for energy in developing countries and the additional costs that this will generate in these countries in investments in renewable energy was emphasized by one of the participants. It was suggested that research into renewable energy should be encouraged.

The need for the CDM to converge with national policies in order to increase effectiveness and to speed this mechanism was addressed. The learning process obtained from the CDM was stressed.

Governance:

Additionality was widely criticized. In particular, the approach of financial additionality was harshly criticized by almost all participants who expressed their views. The fact that CFC projects were considered additional while renewable energy projects, which have generated renewable energy for decades or even centuries were being questioned for having other sources of economic revenue was criticized. A further point was raised on the contradictory nature of requiring financial additionality: if the project is not viable without carbon credits in an environment where there is high level of uncertainty of obtaining these credit and considering the long term time frame needed to get them, there exists a clear disincentive to investment; it is a logic that runs opposite to the market. Furthermore, it was noted that the inaccuracy in the calculations of demonstrating financial additionality can yield incorrect results.

It was pointed out by one of the participants that a number of criticisms and suggestions have already been mapped and published regarding CDM operation and governance implying that there is no need for further studies. However, moving forward depends on political decision makers.

One participant noted that the Executive Board should take a more advisory role, providing political guidance to the Conference of the Parties. This new EB would be an auxiliary agency and the Methodology Panel would thus be strengthened.

A simplification and standardization of decision-making processes was suggested.

It was pointed out that a great concern exists about the complexity, redundancy, inefficiency and slowness of the current mechanisms, which have also been criticized for their complicated bureaucratic processes. It was pointed out that there are problems in scaling projects: the CDM has limited objectives and limited applicability.

The work of the Methodology Panel in creating alternatives for financial additionality, such as performance indicators was also highlighted.

Future Contact

It was emphasized that there exists a need for proposals to be made by the panel in two categories: those designed to improve the mechanism for the 2012-2020 period and those aimed at designing the CDM for the period after 2020 - when there will exist targets for developing countries. In the short term, operational incremental improvements were proposed.

It was emphasized that the existing mechanism should be able to leverage national strategies to promote structural change and to guide strategic investments in these countries. Any new mechanisms are only relevant in terms of global mitigation if they are adherent to countries' national strategies, especially in developing countries. Emphasis was placed on E- policies.

It was noted that the development of regional markets and bilateral agreements is a reality and must be taken into account when assessing the CDM's future.

It was noted that the CDM differs significantly from the Brazilian reality where the main source of emissions stems from deforestation. Some participants emphasized that a reduction of deforestation must be considered.

The market solution was criticized by one participant. In his opinion, there should be a fine for non-fulfillment of these goals, and these funds should go to a fund for clean development. In contrast, some participants expressed their opinion in favor of a market solution.

The issue of sectoral goals was addressed.

It was suggested that the CDM should be applied only in least developed countries and not in countries like China, India and Brazil. However, a much simplified version of the CDM should be applied to these less developed countries.

It was noted that the CDM is not significant in reducing emissions and should therefore focus on the sustainable development in such areas, such as in African countries.

The UN multilateralist system was criticized, since countries with insignificant holdings in emissions of greenhouse gases can interfere in negotiations. It was suggested that climate change could be discussed in other forums, such as the G-20, which brings together major emitters.

One of the participants said there should be support for hydroelectric plants in the CDM's future, since they provide clean energy, which many developed countries in Europe have used in a very sustainable manner with those assets generating renewable energy for 50, 100 years, helping to enable other complementary energies like wind and solar power that need the backup of hydroelectric plants.

The issue of demand was highlighted. It was noted that the CDM industry is dying due to a lack of demand. It was noted that the European community has an explicit policy to reduce the CDM's influence in order to launch policies based on NAMAs, in other words, sectoral policies.

The simplification of this mechanism has been noted as essential. It was suggested that a shift in the posture of the Secretariat, of the Executive Board and of the Interministerial Commission in Brazil, to become service providers and facilitators rather than a "market police." The current global financial crisis was raised as a point of concern.