

**CDM Policy Dialogue: Summary of stakeholder engagement meeting  
at the Carbon Expo in Cologne, Germany**

Date and time:	1 <sup>st</sup> June, 2012
Location:	Carbon Expo 2012, Cologne Germany
Panel member(s):	Joan MacNaughton
Senior expert advisor(s):	Helle Juhler-Verdoner, Ritika Tewari
Participants:	Pedro M. Barata (Research Coordinator, CDM Policy Dialogue, Niclas Svenningsen, Carbon Market participants

**Key Observations**

- Most participants observed that CDM has been instrumental in development of carbon markets, creation of procedures and in the generation of knowledge base and awareness for quantifying carbon.
- There were concerns on several issues, including the duplication of roles and procedures in CDM which leads to additional costs and delays.
- Participants believed that CDM should not be terminated and that a NMMs should be developed using the experience and resources created by CDM.

**Proceedings**

The session was kick started with Ms. MacNaughton's introductory presentation about the CDM Policy Dialogue and the current developments. She appealed to the participants to express their opinions around the issues of concern in the three areas of inquiry i.e. impact of CDM, operations and governance, and future context. She also stressed on the independence and transparency in the analysis of the panel and the evidence based approach being followed for reaching to the recommendations.

**Impact of CDM:**

Most participants agreed that the largest impact of CDM has been the generation of knowledge for quantifying greenhouse gas emissions. CDM has created a pool of professionals in the areas of emission assessment, verification etc. which has facilitated carbon market development.

A participant pointed out that a large percentage of projects under CDM are through industrial gas projects, hence while CDM has created capacity to abate, it has not created the right climate change capacity.. Two participants expressed that CDM has made individual projects feasible but not induced regulatory changes. Latin America was used as an example, only few Renewable Energy projects involved CDMIt is policy instruments which have proved instrumental in developing a renewable energy market there. China was the exception of this and not the rule.

One participant said that CDM had given time for developing countries to adapt their assets and given developed countries low-cost mitigation options. Another participant said that

CDM had been unique in developing a B2B model of semi-professionals that had developed their capacity.

### **Operations and Governance**

Majority of participants agreed that there is a duplication of roles and procedures in the governance of CDM. A participant stated that such duplication can be seen at two levels: a) the EB and DOEs both carry out technical assessments, and b) procedures of validation and verification are also duplicated, which leads to higher costs for project participants and delays. Further, there is a lack of clarity on the roles and authority of different governing bodies in CDM.

Another aspect that gathered support of majority was on the improvement procedures adopted by the board. While majority of participants agreed that improvements have been undertaken, they stressed that these improvements have been very slow. Some cited the political composition of the board, not being independent of negotiations, as a reason for delays and expressed fears that the NMMs might also have similar issues if this concern is not addressed.

A couple of participants raised the issue of additionality saying that people simply didn't accept the off-setting nature of CDM, the additionality test did work and many projects were additional. Some suggested E+/E- lists as a solution.

### **Future Context**

There was widespread agreement that CDM should not end. The participants cited various reasons to support their argument, e.g. that CDM is usually perceived to have dual roles i.e. as a tool and as a Kyoto policy instrument. It has served its purpose as a tool, so whether the policy instrument remains or not, the tool should remain. One participant mentioned that CDM has created an entire pool of resources and professionals who depend on it for their sustenance. Hence, it would be problematic to abandon. Ms MacNaughton responded to this that the panel was independent of any direct interests in the CDM.

Most participants believed that the learnings of CDM are significant and any new mechanism should be built on the pillars of experience and resources present in the current mechanism. The learnings in terms of methodologies for quantifying carbon, standards and validation procedures developed can be provided to nations for developing NAMAs.

A participant observed that there are ongoing efforts on scaling up citing examples of POAs and the reforms process on standardized baselines etc. so CDM is already moving away from being a project-by-project mechanism. Some participants drew attention on the need for scalability of CDM and that own actions need to be thought into the future of CDM.

One participant pointed out that JI was not to be pursued it was only working because of "hot air" in the system. A participant expressed the increasing concerns on the future of CDM with unequal supply and demand and the impact of the exclusion of CERs from certain regions like the EU-ETS.

A participant feared the blurring of definition of developing nations in Durban Platform will have adverse impact on CDM as in a way developing countries will also be capped. It is impossible to repeat CDM with an NMM. One participant said "keep the CDM it will not work much better".

A participant mentioned that there is a need for significant green investment in emerging economies for ensuring green growth in the near future and CDM being a market instrument can fulfill this need for investment. Additionally, CDM can be clubbed with domestic policies for increasing its reach in countries.

Participants raised concerns about a future in which CDM will be one of the many market instruments. They expressed the need for synchronization between CDM and the NMMs and the CDM should serve as a standard setter in the numerous regional, national and bilateral systems which will be operational in near future.