

CDM Policy Dialogue: Summary of stakeholder engagement in Rio de Janeiro

Date and time:	15 th June 2012
Location:	BNDES, Rio de Janeiro, Brasil
Panel member(s):	Yolanda Kakabadse, Margaret Mukahanana-Sangarwe (Apologies – Changua Wu)
Senior expert advisor(s):	Luiza Curado, Claudia Amarante, Vanessa Cassano Lina Dabbagh and Tasneem Essop (instead of Naoyuki Yamagishi) -
Participants:	The participants in the sessions consisted of representatives from various stakeholder groups such as former Executive Board members, NGOs, academia, government, project developers and consultants.

Proceedings

Yolanda Kakabadse and Margaret Mukahanana-Sangarwe held a consultation with a wide variety of stakeholders at BNDES in Rio de Janeiro, Brasil. The session dealt with: 1) the impact of the CDM on mitigation and sustainable development; 2). operations and governance, and 3). future context of the CDM. Yolanda Kakabadse acted as the principal moderator of the discussion, which was held in Spanish.

Key observations

- The CDM was recognized as an important tool in that it provides many valuable lessons that can be used going forward.
- The CDM can be an instrument for sustainable development at national level.
- Specific attention must be paid to: technology transfer issues, reducing risk, improving inefficiencies, streamlining and simplifying the process.
- The strategic role of the EB should be strengthened, and it should be clearly differentiated from the secretariat.
- The CDM must be relevant and efficient; it could take on a reference role for other mechanisms that form part of the future scenario.

Impact of CDM

Mitigation - There was general agreement that CDM has achieved its objective as an offsetting mechanism but it is still very arbitrary in terms of methodology. Some expressed that conservative baselines have resulted in net emissions reductions. It was stated that offsets could be interpreted as a zero sum game if only the crediting period is counted, when there are long-term benefits outside of the crediting period. A question was posed as to whether there are too many objectives set for the CDM, and should it be a market mechanism or a mitigation mechanism?

Sustainable development - In terms of sustainable development, the majority of views expressed were that there are insufficient indicators to measure this. There were very mixed views about how these should be brought about including: enforceable conditions, a framework, centralized guidelines and domestic

flexibility. Some perceived that sustainable development is treated as a secondary objective and that sectors that support sustainable development objectives should be treated with greater priority.

Co-benefits and disbenefits - Related impacts were discussed. Most cited CDM as a catalyst to action as a positive outcome. Geographical balance resulting from the bureaucracy of the Secretariat and host country lack of capacity was viewed by many as a negative. Some participants shared the view that in some countries technology transfer is becoming a prerequisite of purchasing credits and that bilateral agreements impacting on the CDM through the insistence by funding countries to use their technologies. It was generally acknowledged that CDM has supported technology transfer but that this was not happening enough and a suggestion to look at technology cooperation rather than transfer was made.

With regard to financing, many held the view that few new funds (e.g. World Bank and CAF) have materialized from the CDM. Many supported the view that there is a significant risk imbalance with the majority placed on the seller rather than the buyer, and that this needs addressing by the CDM through the development of a new mechanism in order to attract more investment.

Regional Distribution - there was general support for the need to have a better spread of benefits and to develop an understanding of why smaller countries were unable to get CDM projects in the early stages.

Governance and operations

The overall view was that the current processes were too bureaucratic and complicated. Processes need to be simplified and roles and responsibilities in the governance structures clearly defined.

DOEs - Many felt that there has been a loss of trust in DOEs leading to duplication of their work and that trust in DOEs should be regained. Some noted that DOEs should also be provided with greater support as they are currently exposed to the political judgments of the EB. There were mixed views about whether the EB should pay DOEs directly.

The EB – Most indicated that the EB should have final accountability for all projects. Views on whether the EB should be political or not were mixed. Most inputs called for the EB to have mainly a strategic role with a technical understanding. In terms of structure, most agreed a separate technical team should deal with MRV and ensure fungibility, with EB in a supervisory role. Clear accountability between the EB and secretariat would avoid competition between the two. Some suggested a separate function deal with the full time management of the mechanism. Implementing a grievance process was mainly seen as a positive change.

Validation and verification – There was general consensus in the view that the process is too slow and should be reformed to address issues of complexity and reduce burden on participants. Most agreed a number of elements of the process are repetitive or don't always make sense. It was broadly suggested that CDM could learn from competitors, particularly with regards to improved communications channels e.g. Gold Standard 40 minute phone call during registration. It was proposed that verification could be post-facto rather than ante-facto and that the process should include an early warning or a pre-registration phase, giving the option of recourse to DNAs.

DNAs - Most indicated the need for an increase in DNA capacity. Small projects may not have access due to barriers, such as cost, but have high emissions as a sector e.g. agriculture. It was generally felt that for sectors, such as transport and power, it was taking too long to get methodologies approved.

Additionality – There were ranging views on approach to additionality. Many suggested the approach for the system to additionality could look at historical activity to identify new technology projects that are

outside of the habitual, and that priority lists would help to deal with additionality. Generally, additionality should be widely interpreted to favour action on climate change.

Future Context

Overall, inputs indicated that the CDM has been a useful mechanism and that its valuable elements should be preserved. It was widely acknowledged that a comparative advantage of CDM is that it is the only truly global/transnational/multilateral system with strong monitoring and verification. It was also suggested that in considering the future of the CDM that both the pre-2020 and post-2020 period needs to be looked at in terms of commitments by developed and developing countries in the climate regime.

Identity – General agreement that there should be reflection on why CDM and that its identity going forward should be clear. CDM should not try to do too much and offer the market certainty. There was a suggestion that CDM could be more effective in the context of clearer E+/E- plans. Most supported the view that stronger market signals needed for certainty to strengthen the future of the mechanism. Some expressed that uncertainty is a greater issue than price and that the price debate is being used as a political tool.

In terms of defining the CDM going forward, some suggested that defining the CDM as the solution for global mitigation distracts from other actions, and that net emissions ambitions should be national and not global. Some suggested that PoA as a route to sectoral mitigation had failed and that NAMAs and other financial transfer mechanisms are fulfilling this need now.

With regards to CDM being a regulator or a market mechanism, it was suggested by some that CDM is too slow to be a market mechanism, but that CDM could act as a bridge to a broader policy mechanism. Some put forward that carbon hasn't yet become a commodity. In light of this, and the fragmentation of the current system, many viewed the future of the CDM as an international regulator, but that at the same time some countries will still need CDM as an actor. There were mixed views relating to the details of a CDM's future mandate such as: moving into adaptation and strengthening sustainable development objectives.

Supply and demand – Some put forward that CDM host countries taking on commitments will become buyers and generate demand. Consensus that there should be no intervention (e.g. from IMF) in the short term. Many agreed that certain credits should be worth more, such as those with high in social co-benefits, for example cook stoves that address health and safety threats.

REDD+ - It was generally felt that CDM methodologies should be robust enough to deal with REDD+ so it is compatible with CDM, although it was acknowledged that there could be potential issues around; double counting, permanence, and volume destabilizing demand and supply balance.

Efficiency – Largely agreed that the CDM would benefit from more private sector characteristics to make it more competitive and attractive.