



WORLD BANK CARBON FINANCE UNIT
CARBON PARTNERSHIP FACILITY
2014 SELLER PARTICIPANT MEETING

REGULATORY AND POLICY ENVIRONMENT

① 2015 Roadmap Affirmed

- All countries must now prepare their national contributions to the agreement and submit a clear and transparent plan by the first quarter of 2015.
- Elements of a draft negotiating text for the global agreement will be tabled in December 2014 in COP 20, Lima, Peru and a full text will be prepared by May 2015.
- All countries encouraged to explore contributions to close the ambition gap.

② Advancing Climate Finance

- Developed countries were urged to continue to mobilize public finance this decade and clarify strategies for delivering \$100 billion per year in climate finance by 2020, with scale up after 2020.
- A biennial high level ministerial dialogue on climate finance that will start at COP 20 in Lima, 2014.
- Forests – governments agreed design of REDD+ and pledged \$280 million.
- Adaptation Fund received pledges of \$100 million.
- Green Climate Fund (GCF) Board requested to start mobilizing resources, developed countries urged to contribute.

③ Loss & Damage

- A Warsaw International Mechanism for loss and damage established to better understand risk management and strengthen dialogue and coordination.
- Mechanism will cover sudden extreme weather and slow onset events such as sea level rise.

④ Sector Specific Progress

- Cities invited to share experience and best practice .
- Discussion on agriculture and carbon markets postponed till next technical meeting in June 2014.
- Governments taking action to reduce SLCPs through CCAC (outside UNFCCC).

Warsaw on CDM: reforms to continue

- ◆ **Negotiations included both the annual guidance decision on the CDM and the first review of the modalities and procedures of the CDM**
- ◆ **Overall constructive and positive atmosphere despite the difficult negotiations process environment**
- ◆ **Strong engagement of members of the CDM Executive Board and the UNFCCC secretariat ; and the African negotiators**
- ◆ **Positive decisions**

Warsaw on CDM: reforms to continue

- Initiated revision/reforming CDM Modalities of Procedures (MoP) but got postponed to COP 20 in Lima, Peru (Dec 2014);
- Some important CDM reform ideas entered into regulatory process
 - Streamlining validation;
 - Simplify the project cycle;
 - Further simplification of POAs (thresholds for CPAs, multi-country POAs);
- Clear rules for projects that are conducted at the same physical location at which a terminated project existed;
- EB to evaluate its existing voluntary Sustainable Development (SD) tool and to develop “guiding tools”;
- EB to examine alternative approaches to the demonstration and assessment of additionality;
- EB to collect information on practices for local stakeholder consultations.

- ◆ **Lack of progress**
 - net emissions concept under CDM
 - Voluntary cancellation of CERs
 - Stakeholder consultation
 - Mandatory co-benefits reporting

- ◆ **No conclusion on alternative concepts to non-permanence and additional LULUCF activities.**

- ◆ **Objectives:**
 - Define and purpose of the Framework for Various Approaches (FVA)
 - Agree on building blocks for New Market Mechanisms (NMM) modalities and procedures

- ◆ **Views differed widely among parties: NMM vs FVA vs NMA (non market approaches)**

- ◆ **Negotiations collapsed and postponed to next Subsidiary Body for Scientific and Technological Advice (SBSTA) session and to COP 20 in Lima, Peru**
 - Lack of ambition;
 - No financial commitments;
 - Lack of post 2020 architecture.

What next?

- ◆ **Secretariat to prepare a technical note on CDM MoP**
 - Deadline for preparation: March 19, 2014
 - Call for inputs on technical paper: April 30, 2014

- ◆ **SBSTA to discuss FVA and NMM in its next meeting in June 2014**

Recent EB decisions and policy stance

◆ POAs – change in EB positions

- **Batched issuance** (only 2 batches for now) for CPAs is permitted but it should be noted that this may only be possible for POAs using certain approved methodologies.
- **Multi country PoAs.** Allows PoAs to expand across borders and to include new countries' CPAs after the point of PoA registration.
- **Micro scale thresholds** may be applied to the unit level, the SSC is to make an analysis.

◆ Changed preferences: Standardization over standardized baselines

◆ Standards – clarity improved

- Sampling standard simplified a bit
- Update the project implementation status at two (2) years subsequent to the registration of a CDM project activity or PoA, unless a monitoring report for the CDM project/POA has been made publicly available
- Same designated operational entity (DOE) may conduct the assessment of post-registration changes and verification for the same registered CDM project activity
- Change of any of the project participants holding a contract with a DOE necessitates a new publication of the PDD

Recent EB decisions and policy stance

◆ Little progress on important aspects

- E- policy
- Standard on level of uncertainties allowed with emission reduction calculations

◆ “NO” to certain recommendations

- Allowing same DOE to perform validation and verification for POAs
- Removal of requirements for CPAs to submit issuance request independently

◆ Increased uncertainty in some regulations

- Specific data sources now required for justification of defaults applied to SSC CDM projects
- Even automatic additional projects need prior CDM consideration notification
- Country specific IRR benchmarks due for revision
- Revision of CDM modalities and procedures under discussions

Conclusions

- ◆ **CDM reform still ON but in slow mode**
- ◆ **African negotiators finally find a voice**
- ◆ **Focus on POAs to continue**
- ◆ **Some relief with POA issuances procedures**
- ◆ **Further scope for simplification of sampling procedures**
- ◆ **Revisions to country specific IRR benchmark values need closure scrutiny**

Thank you for your attention



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WORLD BANK WORK ON CDM REFORM

CDM Reform: Streamlining project cycle

◆ **Decision 5/CMP.8: Guidance relating to the clean development mechanism**

45. *Requests* the Executive Board to explore the possibility of reviewing the validation process of clean development mechanism project activities that are deemed to be automatically additional;

◆ For POAs, start with programs with micro-scale activities (>50% of current PoA pipeline).

◆ **Proposal (optional): Standardized Inclusion Procedure**

- Micro-scale threshold at the level of each activity;
- Current validation procedure only to POA-DD; CPA inclusion based on *checklist*
- Size of CPA depends on implementation arrangements;
- No DOE involvement at the inclusion stage;
- Emissions reductions only after verification and ex post CPA compliance conformance by DOE to the checklist.

World Bank CDM Reform: Publications



- ◆ **Standardization of CDM project cycle – 2012 publication**
 - ◆ Continue work and promotion

- ◆ **Standardized baselines using more default value**
 - ◆ Technical paper “Promoting Energy Access Projects under the Clean Development Mechanism through Standardized Baselines and Suppressed Demand” (April 2013).
 - ◆ Note of alternative standardized approaches adapted to LDC context

- ◆ **Q&A note on standardization of CDM project cycle**

Capacity building and support negotiations process



- ◆ **Workshop for Francophone SSA countries in Senegal (Oct. 2012)**
 - Promote CDM reform agenda en route to Doha
 - Useful outcome from Doha: possibility of review of validation process of CDM projects deemed automatically additional
 - Participation in DNA forum pre-Doha

- ◆ **Workshop for Anglophone SSA countries in Ethiopia (April 2013)**
 - Promote CDM reform agenda: CDM modalities & procedures revision and SBI workshop in Bonn
 - Tested alternative standardized approaches

- ◆ **Meeting with negotiators in the preparation of SBI workshop and COP19 (October 10-11, 2013)**

- ◆ **Workshop for African negotiators in Paris (April 2014)**
 - Technical support for preparation of inputs to revisions to CDM modalities and procedures



- ◆ CDM reform work to be pursued
- ◆ Technology business model mapping study
- ◆ Methodology mapping
- ◆ Standardized baselines and suppressed demand for energy access in LDCs
- ◆ Standardization of monitoring and verification
- ◆ Capacity building: workshops/training and publications
- ◆ Exploring options for scaling up mitigation activities using the Carbon Finance
 - ◆ RBF, NAMAs, consideration of co-benefits, etc.
 - ◆ New market-based mechanism (NMM) and the framework for various approaches (FVA)
 - Policy MRV
 - Framework for piloting city-wide mitigation actions under the NMM.
 - Piloting NMM in urban transport sector