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

REGULATORY AND POLICY ENVIRONMENT
Warsaw COP: What was decided?

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.
Warsaw COP: What was decided?

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.
Warsaw on CDM

- **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.**
Warsaw on New Market Mechanisms

◆ 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**
  - 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
WB Methodology Work Program (under various funds)

- 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