Current Status of CDM and its improvement in future regime - with a focus on co-benefits -

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CDM Update in 2008

CDM Governance
- Total expenditure increased by 59% from 2007

Accreditation
- CDM Validation and Verification Manuals (VVM)
- Suspended (later reinstated) designation of DOE

Methodologies and Additionality
- Clarification of the “starting date of a CDM project activity”
- Guidance on the demonstration of prior consideration of the CDM

Regional Distribution
- Plus 4 new host countries (no LDCs added)
China becomes the top in terms of number of registration and amount of ERs by 2012
The Current Status of CDM (2)

Num. of Registered Projects (1 Feb. 2009)

Registered in 2008
- 136
- 42
- 62
- 40
- 53
- 38
- 8

Registered in 2007
- 82
- 81
- 73
- 37
- 34
- 46
- 30

Registered in 2006
- 55
- 89
- 47
- 102
- 23
- 29
- 20

- Hydro Power
- Biomass
- Wind Power
- Biogas
- Waste Gas/Heat Utilisation
- CH4 recovery & avoidance
- Energy Efficiency
- Fuel Switch
- N2O Reduction
- Cement
- HFC&PFC
- Other Renewables
- A/R
- Transporation

Hydro power projects are increased while biomass and biogas decreased

74% of hydro power projects from China in 2008
The Current Status of CDM (3)

- Avg. days from the start of public comments till registration
- Avg. days from requests till registration
- Avg. days from the start of public comments till the first issuance
- Avg. days from registration to the first issuance

Continuously lengthened CDM procedures
- Increased workload for validation & registration
- Increased time loss due to communication and completeness check by the FCCC secretariat
- Increased transaction cost for issuance relative to project size
Lengthened CDM procedures (1)

- **Review process** delays registration significantly

<table>
<thead>
<tr>
<th></th>
<th>No review</th>
<th>Only request</th>
<th>Reviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg. days from the start of public comments till registration</td>
<td>322</td>
<td>415</td>
<td>512</td>
</tr>
<tr>
<td>Avg. days from the request till registration</td>
<td>86</td>
<td>174</td>
<td>239</td>
</tr>
</tbody>
</table>

IGES CDM Project Database (1 February, 2009)

- **Probabilities of reviews** are kept increased

<table>
<thead>
<tr>
<th>Year</th>
<th>Num. Registered</th>
<th>Requested of them</th>
<th>Ratio of request (%)</th>
<th>Reviewed of them</th>
<th>Ratio of review (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>409</td>
<td>50</td>
<td>12.2</td>
<td>6</td>
<td>1.5</td>
</tr>
<tr>
<td>2007</td>
<td>426</td>
<td>110</td>
<td>25.8</td>
<td>16</td>
<td>3.8</td>
</tr>
<tr>
<td>2008</td>
<td>427</td>
<td>194</td>
<td>45.4</td>
<td>79</td>
<td>18.5</td>
</tr>
</tbody>
</table>

IGES CDM Project Database (1 February, 2009)
Lengthened CDM procedures (2)

- CDM EB tried to improve efficiency of the completeness checks of the secretariat

Check items clarified and added at EB38;
- Evidence to support the prior consideration of CDM
- Monitoring plan with information how required parameters will be monitored and reported
- Preparation of the summary note by the secretariat

Process more clarified at EB41;
- Limitation of the checks up to 50 requests of reg. per month
- Within 30 working days of receipt of the fee
- Within 5 working days of resubmission by the DOEs

Process more transparent (Dec. 2008);
- Disclosure of the timeline for the undergoing completeness checks on the web
### Lengthened CDM procedures (3)

- **Transaction cost** increased relate to project size

<table>
<thead>
<tr>
<th></th>
<th>Num. projects with issued CERs</th>
<th>Num. issuance</th>
<th>AVG CERs per issuance</th>
<th>AVG crediting days per issuance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>465</td>
<td>958</td>
<td>261,530</td>
<td>458</td>
</tr>
<tr>
<td><strong>Large-scale</strong></td>
<td>290</td>
<td>669</td>
<td>356,046</td>
<td>368</td>
</tr>
<tr>
<td><strong>Small-scale</strong></td>
<td>175</td>
<td>289</td>
<td>42,737</td>
<td>667</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Ratio of request</th>
<th>Ratio of reviewed</th>
<th>Ratio of rejected</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Large-scale</strong></td>
<td>22.0%</td>
<td>4.3%</td>
<td>0.7%</td>
</tr>
<tr>
<td><strong>Small-scale</strong></td>
<td>24.2%</td>
<td>6.9%</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

- Small-scale projects have relative high ratio of taken review procedures for its size and volume of requesting CERs

IGES CDM Project Database (1 February, 2009)
International Discussion on CDM

**CDM in Current Regime**

**COP/MOP (CMP)**
- CDM governance
- Accreditation
- Meth. and additionality
- Regional distribution
- Second review of the KP pursuant to its Article 9

**AWG-KP**
- CDM governance
- Environmental integrity
- Scope of the CDM
- Cross-cutting issues with other mechanisms

**SBSTA**
- New HCFC22 facilities
- CCS
Results of COP/MOP4 (1)

CDM Governance

COP/MOP requested the CDM EB:

- to make use of and further develop performance and management-level indicators
- to take effective action to speed up the completeness check process which causes delays in project registration and issuance
- to establish timelines for procedures incl. revision/deviation of approved methodologies and approval of revised monitoring plans
- to classify and index decisions to enable to clarify the hierarchy of new and previous decisions
Results of COP/MOP4 (2)

Accreditation

COP/MOP requested the CDM EB:

✓ to revise, **as its highest priority**, the accreditation process with a view to simplifying and streamlining to ensure sufficient numbers of DOEs available

✓ to reduce the cost for the necessary accreditation procedures incurred by applicants **in developing countries**

✓ to finalise a policy framework to address non-compliance by DOEs including **transparent criteria** for the applications of sanctions
Results of COP/MOP4 (3)  
*Methodologies and Additionality*

COP/MOP requested the CDM EB:

- ✓ to enhance the objectivity of approaches for the demonstration and assessment of additionality
- ✓ to identify the reasons for non-utilization of large proportion of approved methodologies
- ✓ to provide further guidance on PoAs
- ✓ to explore the use of default values incl. emission factors on a new small-scale energy-efficiency meths
- ✓ to assess the implications of the possible inclusion of lands with forests in exhaustion as A/R CDM
Regional Distribution

COP/MOP requested the CDM EB:

✓ to develop, in consultation with DNAs, ways to streamline the CDM process in countries hosting fewer than 10 registered projects, especially in LDCs, small island developing States and Africa.

COP/MOP also encourages Parties and entities in the private sector, in a position to do so, to support the identification and the development of PDDs in above countries, and to meet the cost of validation.
CDM beyond 2012 (1)

- **Environmental integrity**
  - New approaches for additionality incl. greater use of benchmarks, standardized, and multiple-project baselines
  - Development of positive/negative lists
  - **Further measures** to enhance the contribution of CDM for SD (e.g., multiplication factors for high SD)

- **Cost-effectiveness of the function**
  - Simplifying modalities and procedures
  - Enhancing the supervisory role of the CDM EB
Scaling up the scope

- Inclusion of carbon capture and storage (CCS)
- Inclusion of nuclear activities
- National or sectoral programmes/no-lose sectoral crediting mechanism
- Inclusion of other LULUCF activities, and new approaches for eligible LULUCF activities

Others

- Differentiation of the eligible Parties through the use of indicators
- Change the limit on the retirement of t/l-CERs
Integrating the co-benefit approaches to CDM beyond 2012

- Addressed as an important tool to improve the current CDM in Bali Action Plan

- Discussions include co-benefits as criteria for the registration at AWG-KP 6 at Accra:
  - Demonstration of co-benefits prior to the registration and its validation by DOEs
  - Determination of co-benefits by DNAs
  - Preferential treatments (e.g. reduced fee, financial support and faster processing times)