

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

Keisuke Iyadomi

Market Mechanism Project/Climate Change Area
Institute for Global Environmental Strategies
(IGES)

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

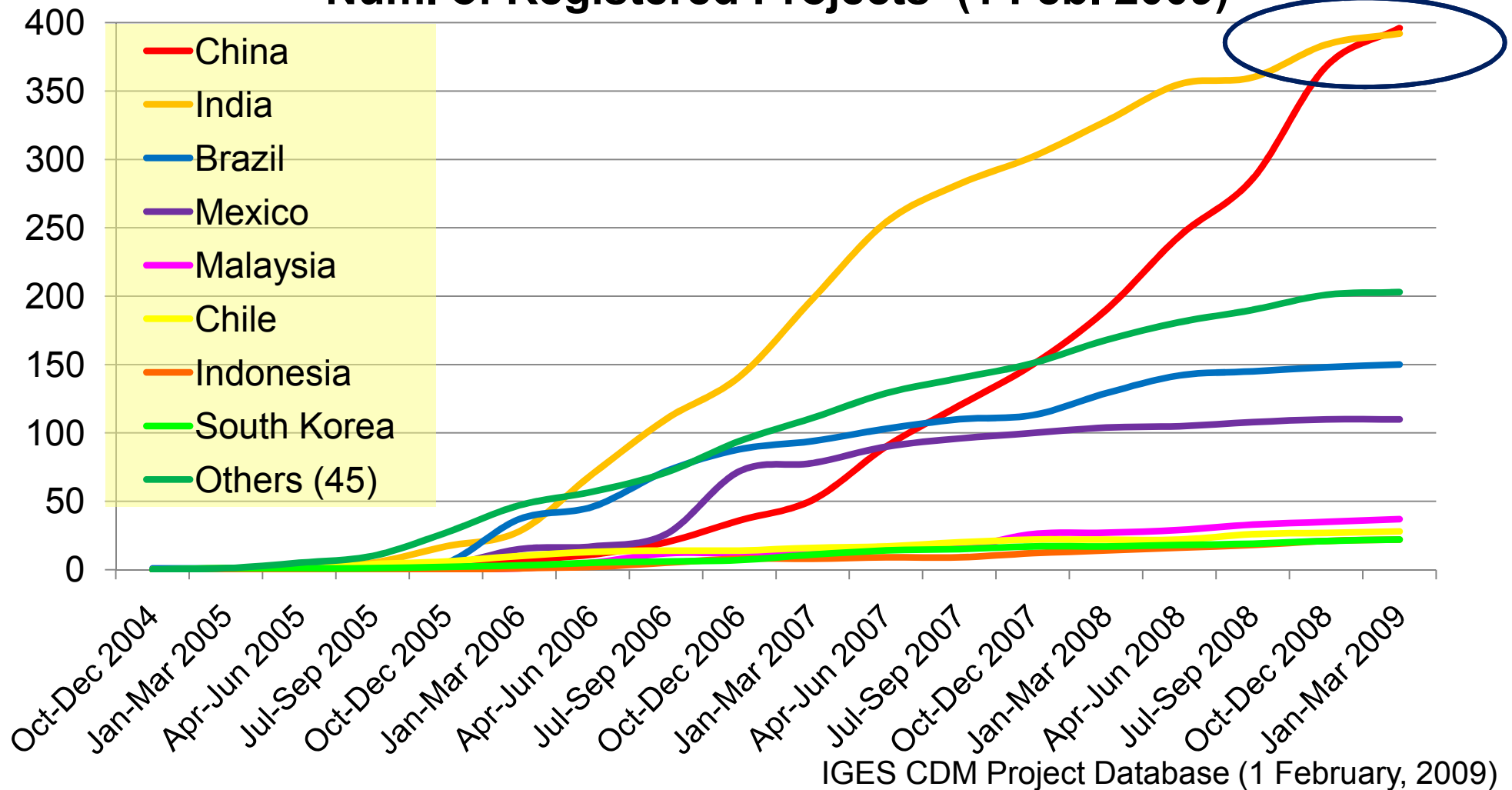
- ❑ Clarification of the “starting date of a CDM project activity”
- ❑ Guidance on the demonstration of prior consideration of the CDM

Regional Distribution

- ❑ Plus **4** new host countries (no LDCs added)

The Current Status of CDM (1)

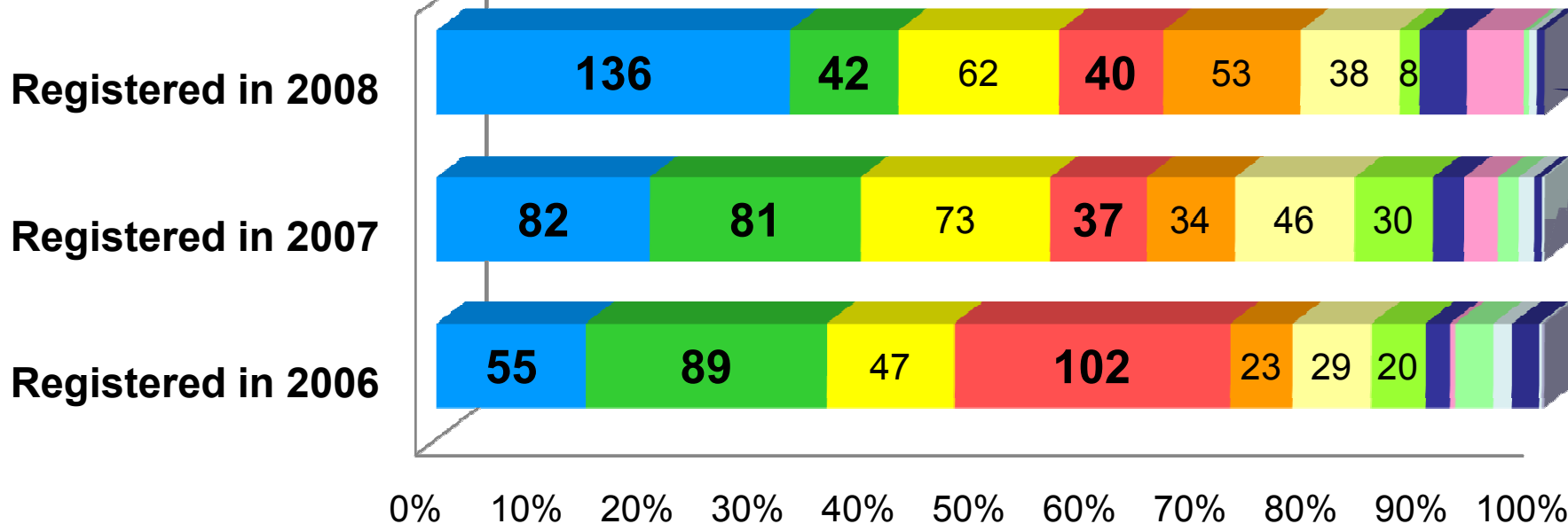
Num. of Registered Projects (1 Feb. 2009)



□ 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)

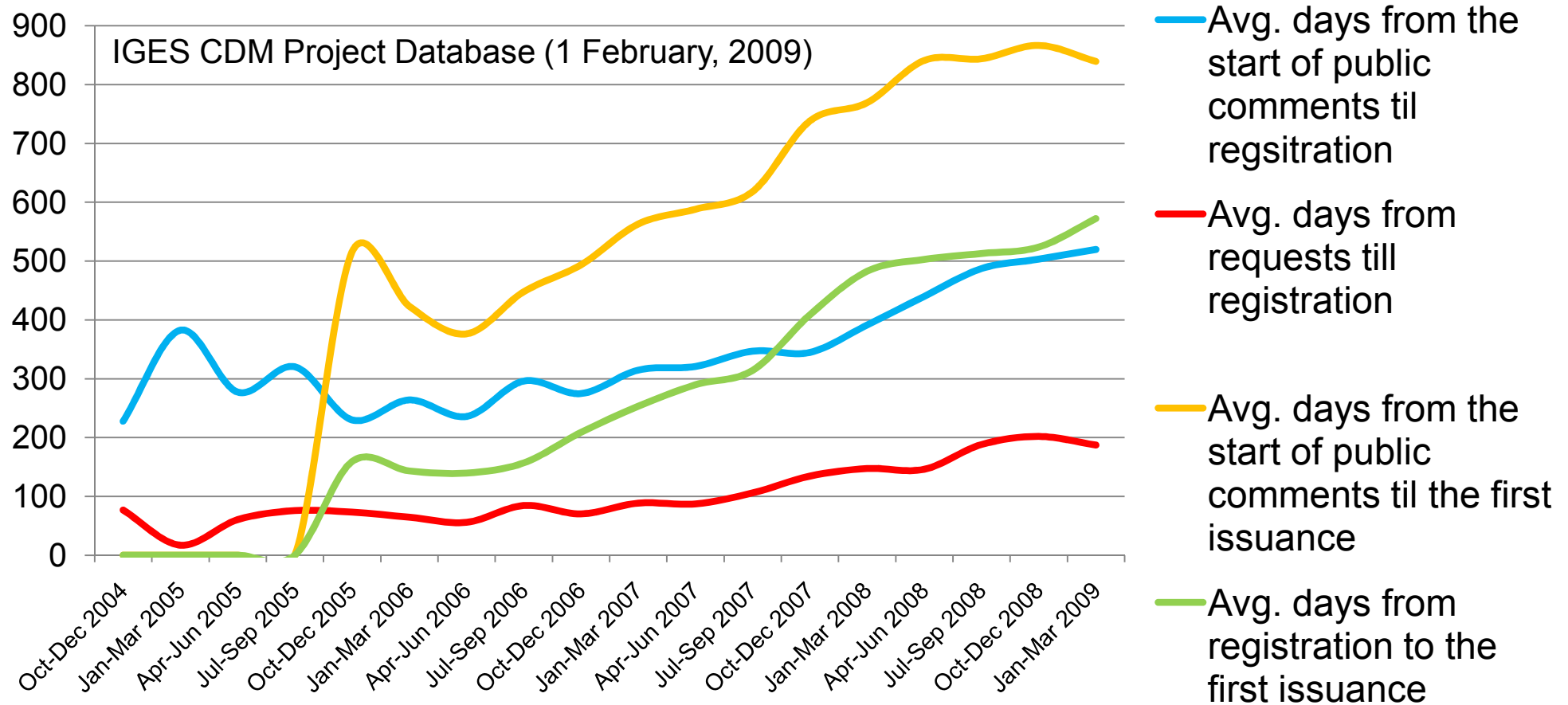


- Hydro Power
- Biomass
- Wind Power
- Biogas
- Waste Gas/Heat Utilisation
- CH4 recovery & avoidance
- Energy Efficiency
- Fuel Switch
- N2O Reduction
- Cement
- HFC&PFC
- Other Renewables
- Transporation
- A/R

IGES CDM Project Database (1 February, 2009)

- 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)



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

	No review	Only request	Reviewed
Avg. days from the start of public comments till registration	322	415	512
Avg. days from the request till registration	86	174	239

IGES CDM Project Database (1 February, 2009)

□ Probabilities of reviews are kept increased

Year	Num. Registered	Requested of them	Ratio of request (%)	Reviewed of them	Ratio of review (%)
2006	409	50	12.2	6	1.5
2007	426	110	25.8	16	3.8
2008	427	194	45.4	79	18.5

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

	Num. projects with issued CERs	Num. issuance	AVG CERs per issuance	AVG crediting days per issuance
Total	465	958	261,530	458
Large-scale	290	669	356,046	368
Small-scale	175	289	42,737	667

	Ratio of request	Ratio of reviewed	Ratio of rejected
Large-scale	22.0%	4.3%	0.7%
Small-scale	24.2%	6.9%	1.0%

IGES CDM Project Database (1 February, 2009)

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

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

CDM in Future Regime

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

Results of COP/MOP4 (4)

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

CDM beyond 2012 (2)

□ 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*)