

# UNFCCC

## Article 9 Workshop

*Republic of Argentina*



# Context

- Originally: CDM originated as a tool to reduce emissions by scaling up
  - Energy efficiency
  - Renewables
  - Technology transfer
  - Financing and investment for climate change
  - Furthering sustainable development
- Today: Evolved into a mechanism that responds more to market forces than to development frameworks.



# A greater global challenge

- Does the current CDM respond to short, medium, and long-term needs and circumstances of climate change?
- What will the new generation CDM need to do?
- How can we ensure that the CDM evolves swiftly, seamlessly, and effectively to maximize its potential contribution to addressing climate change?



# Building up: Bricks and Mortar

1. Enhance the sectoral approach within the Programmatic CDM
2. Strengthen the Designated Operational Entities
3. Dispute resolution (aka “appeal”)
4. Strategically evolve the governance of the CDM to meet the increasing load and respond to complexities of CC challenge



# 1. Enhancing the Programmatic CDM

The Art 9 process offers an opportunity for:

1. Accelerated and full financing by developed countries of incremental costs of technology development, transfer and implementation, as per the Convention
2. Significant increase in the contribution of developing countries to mitigation, in line with their development objectives



# Opportunity: A more dynamic CDM

Refine P-CDM modalities and procedures in order to enable larger-scale sectoral programmes of activities, including associated policies and measures (Annex)

- *Support sustainable development*
- *Reduce vulnerability to CC impacts*
- *Provide exponential mitigation results*



# Benefits of a sectoral twist

Establishes specific means and mechanisms tailored to countries' development priorities, sectoral needs, and GHG mitigation potential

Provides a practical and development-appropriate platform for project identification and execution

Enables scaling-up of private sector funding and investment, in concert with public sector financing from Annex 1 countries, in a measurable, reportable and verifiable manner.



## 2. Institutional Integrity : Strengthening the Designated Operational Entities

- Improve clarity and transparency in the rules and procedures for accreditation and performance evaluation
  - No other examples in UN of such a process
  - Lack of uniformity in processes
  - Variable results
  - Inefficient use of resources

***Fairness***

***Economy***

***Effectiveness***



# 3. Opportunity to answer: Dispute resolution mechanism

1. **CMP 3 Decision on further guidance relating to the CDM, ¶15(e):**  
*Underlines the need “...to improve the substantiation of its decisions to increase the understanding of the underlying rationale by users, facilitate broader public understanding and correct misconceptions as they arise...”*
2. Further, importance of ensuring a legitimate, fair, and equitable regulatory system based on the rule of law and principles of good governance.
3. Experience and pragmatism.



# Opportunity for response between the initial evaluation of a project and the final decision by the CDM EB

- Step 1 - CDM Entity A (RIT?) makes initial evaluation & publishes publicly
- **Step 2 - Provide a fixed time (2 wks?) for written response by proponent to the evaluation (published)**
- Step 3 - CDM Entity B (EB?) makes and publishes final decision



# 4. Fine tuning: Evolving the Governance of the CDM

- Address issue of mounting stress and load of projects in the pipeline
- Address and respond to upcoming changes and exigencies in the post 2012 scenario



# Challenges >> Solutions

## **CMP3 Decision on Further guidance relating to the CDM, ¶ 5:**

*“Encourages constituencies to nominate members and alternate members who have the required qualifications and sufficient time to perform functions, ...” and requests “...that the Executive Board has expertise in, inter alia, financial, environmental and clean development mechanism regulatory matters and executive decision-making”*

- Formalize internal processes and rules
- Guidelines to increase consistency, transparency and predictability of decision-making
- Professionalize Executive Board



# EB: An evolving instrument

1. Expertise for execution and implementation
  2. Time and resources to evaluate and incorporate assessments (FT/paid)
  3. Clear mandate for “executive” function
- Ensure equitable distribution of projects
  - Create and apply guidelines; clarity on rules and procedures; contribute to the understanding and development medium/long term solutions
  - Evaluate critical CC issues and prevent/resolve disputes and controversies



# Comprehensive Assessment and Review

- Evaluate linkages to issues such as financing and technology transfer schemes established for registered CDM projects
- Assess barriers and opportunities on a regional basis (>> equitable regional distribution)
- One size does not fit all. Refine the current CDM, evaluating benefits of :
  - methodology guidelines by **sector**
  - minimum conditions to maintaining the environmental integrity of project activities
  - leaving specific aspects (eg. emission reductions calculations and monitoring procedures) to project proponents under the approval of DOEs
- Etc... TBD by parties



# Good strategies and governance enable results

- Enable true Tech Development and Transfer
- Enable Financial Flows and Investment
- Cover incremental costs
- Support sustainable development through national strategies and programs
- Ensure regional distribution of projects
- Address rising methodological questions/issues with global impacts (eg. biofuels/food)
- Effectively meet the magnitude of the challenge



Thank you

Gracias

Shukran

Merci

謝謝

Spasibo

