

## **CDM** and Climate finance

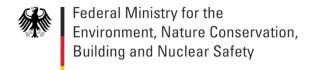
Project experiences and ideas for possible future uses of Carbon Market experience and project pipeline

SB44 in-session workshop

16 May 2016 – Bonn

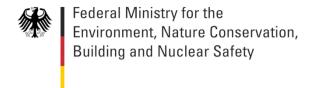
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# **Topics**

- BMUB project experience with combining CDM and Climate Finance
  - Foundation Future of the Carbon Market
  - Contributing to PAF
  - Nitric Acid Climate Action Group
  - Studies
    - Options for continuing GHG abatement from industrial gas CDM and JI projects
    - Delivering Result-based Funding Through Crediting Mechanisms
    - African CDM pipeline
- Carbon Market: Contributions & Experiences
- Synergies to explore



# Foundation "Future of the Carbon Market"

Founded as a **non-profit foundation** in December 2011

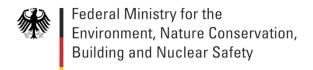
Initial volume: 10 Mio. € (by IKI)

## **Purpose:**

- Advance payments for PoAs on a pay-back basis (criteria for support: innovative, replicable, of strategic importance for host country)
- Promote the PoA concept (PoA-to-NAMA-approach)
- Cooperate & advise governments on PoAs & mitigation

Options for cooperation - with partner countries // buyers, other donors, financial institutions

http://www.carbonmarket-foundation.org/home



# Nitric Acid Climate Action Group

### **Basic Idea:**

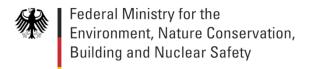
- Provide climate finance money for N₂O abatement from nitric acid production until 2020 – under the condition that abatement will continue after → transformation to national regulation
- Use CDM project pipeline
- Use CERs for delivery of results

### **Rationale:**

- Abatement technology and costs known from CDM, technology is available at moderate cost (see below)
- Limited but not too small number of installations
- Installations in limited but not too small number of countries

Status: Building of consulting and funding infrastructure

More info: www.nitricacidaction.org



## **PAF**

→ World Bank facility, Germany/BMUB one donor

## **Concept:**

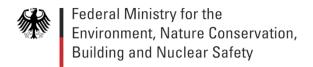
- Ensure continuation of existing projects
- Create competition and competitive prices through the reverse auctioning process
- Provide verified mitigation quickly and at relatively low cost
- Pilot new tool for disbursing climate finance money

### **Discussions:**

- Choice of project types
- What happens after the buying period?

Second auction just completed!

(→ More details in WB contribution)



## **Carbon Market Achievements**

## **Projects:**

- More than 7000 projects
- Project pipeline
- Private sector involvement
- Competitiveness, innovation, efficiency

#### **Procedures / MRV**

- Established project cycle:
  - Development / Validation
  - Verification / Quantification of mitigation results
- Evaluation of additionality
- Standardized Baselines
- Programmes of Activities

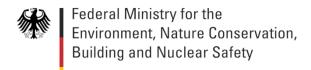
## **Capacity**

- Country capacity (authorities)
- Private sector capacity
- Financing / banks (still with limits)
- Project developing capacity

#### Infrastructure

- EB and UNFCCC infrastructure
- RCCs
- DNAs
- DOEs

• ...



# Possible Synergies Carbon Market / Climate Finance

## **Project level**

- Use climate finance to continue projects incentiviced by carbon market
- Make CDM pipeline available for Climate Finance / GCF
- Use market approaches for private sector involvement

#### **Procedures / MRV**

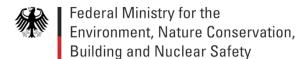
- Use/adaptation of CDM-MRV tools, baselines, baseline development
- Use/adapt programmatic approach for achieving broader sectoral coverage

## Capacity

- Country capacity: Linking / combining DNAs & NDAs and other involved authorities
- Use project developing capacity developed under CDM

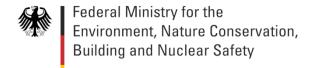
#### Infrastructure

- Link / combine readiness infrastructure (RCCs, with GCF readiness support)
- ...



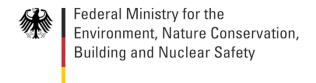
## **CDM** and the GCF-Criteria

- Impact potential
  - Mitigation potential depending on project / program
  - Mitigation potential is quantifiable
- Paradigm shift →
  - What exactly is paradigm shift or "transformational"?
  - Many CDM projects provide aspects such as: Replicability (countrywide, in other countries) // Scalability (up to the whole sector, in on or more countries) // Economies of scale // Learning // Technology transfer // Policy integration (e.g. Ruanda water filter)
  - However: "freezing" baselines can discourages transformation
- Sustainable development
  - Given in many projects, but no systematic proof required, Sustainable Development tool can help
- Needs of recipient → Depending on project
- Country ownership → Depending on project
- Efficiency and effectiveness
  - Generally given for many projects, since cost effectiveness was main driver for CDM, but different evaluation criteria in GCF



# **Discussion points**

- Role of carbon pricing (including subsidy reform as elimination of negative prices) in climate finance?
- Role of Art. 6.4 for markets and finance
- How can infrastructures (national, international, private) be optimized and combined, avoiding parallel structures and loss of knowledge?
- How can the CDM pipeline efficiently be made available for climate finance / GCF? What information, infrastructure, facilitation is needed?
  - E.g. what must an PoA from an African country provide to be suitable for financing in GCF pipeline?
  - Can CERs be used directly in project funding?
  - Can CDM project pipeline and procedures be combined with up front payments?
- How can the CDM experience of private sector initiative be used to involve the private sector in climate finance / GCF activities?



# Thank you!

for your attention

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