CDM and Climate finance

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

SB44 in-session workshop

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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
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
- DOE
Possible Synergies Carbon Market / Climate Finance

**Project level**
- Use climate finance to continue projects incentivized 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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