

# **The voluntary cancellation of CERs: How the CDM can help close the emissions gap**

ADP 2.4, Bonn, 13 March 2014

Hugh Sealy, Chair, CDM Executive Board



## Key messages

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- There is an **urgent need** to fill the gap between Parties' 2020 mitigation pledges and the pathways consistent with meeting the 2°C / 1.5°C goal
- The CDM is **a ready-made tool**, accessible to all, that could fill close to half of this gap
- This is **not about offsetting**, but about using this tool to identify and implement mitigation opportunities **at the lowest possible cost**
- **A fraction of the support** that has been pledged (\$100bn/year by 2020) would be sufficient



# What is CDM?

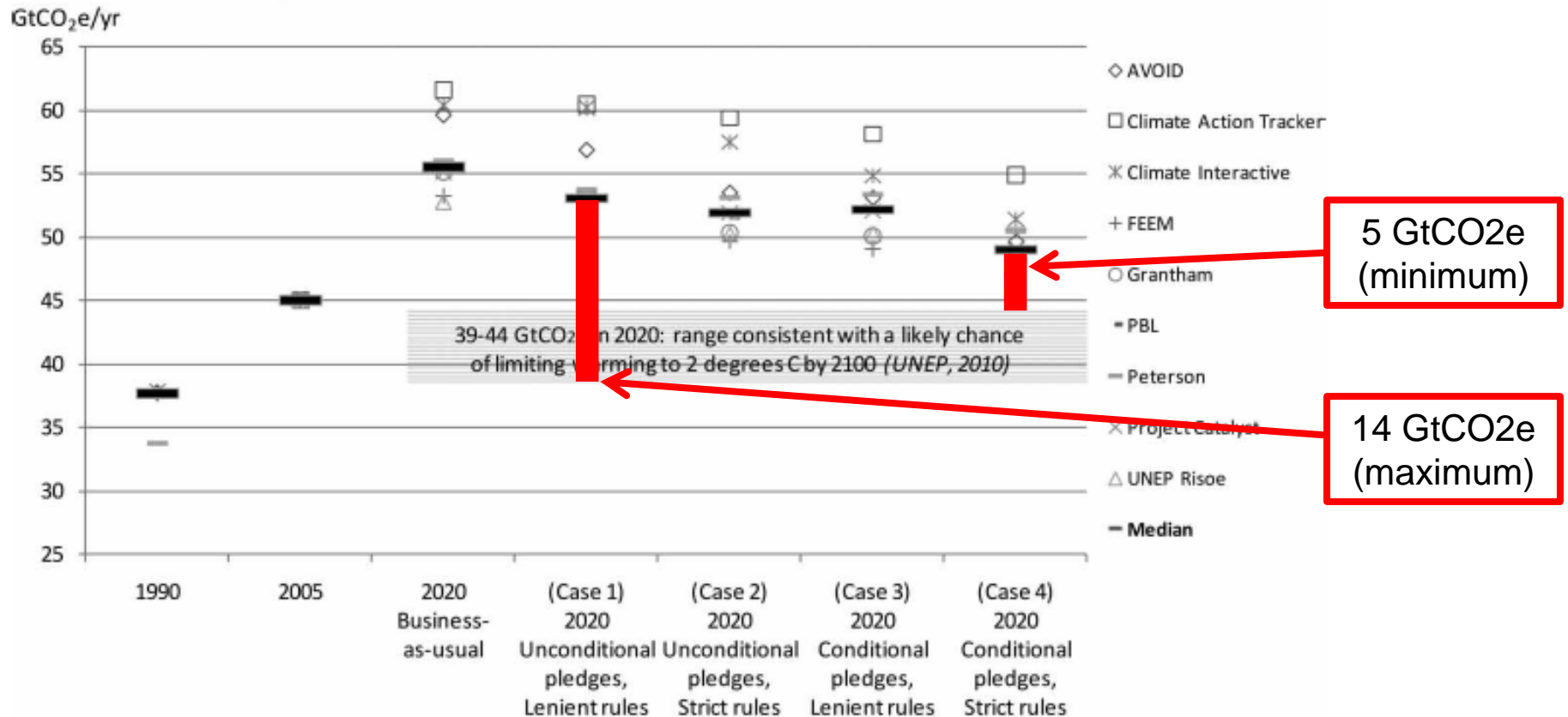
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- The Clean Development Mechanism (CDM) allows projects to implement emission reductions that would not have happened without the support of the CDM. Therefore mitigation from CDM represents a deviation from the business-as-usual scenario.
- The CDM verifies that the emission reduction is real and meet stringent standards. Once this is done a Certified Emission Reduction (CER) is issued. One CER corresponds to one tonne CO<sub>2</sub> eqv.
- The CER is created within the CDM registry and can be traded or transferred to other owners than the project that generated them. The new owner of the CER may use this to compensate for his own emissions that he is unable to reduce at home.
- When a CER is removed from further circulation (i.e. cancelled) it means that the current owner has financed the additional emission reduction that the CER represents.



# Understanding the emissions gap

## Global emissions, including LULUCF emissions



Höhne et al. (2012), National GHG emissions reduction pledges and 2°C: comparison of studies, Climate Policy, 12:3, 356-377, DOI: 10.1080/14693062.2011.637818



# The size of the emissions gap

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- The gap is forecast to be **5 to 14 billion tonnes** by 2020
- This is an annual figure for 2020 alone
- Estimates of the cumulative gap from now to 2020 are difficult to generate on account of uncertainties in data, assumptions, and interpretations
- However, a minimum of **20 billion tonnes** would be realistic, with a potential maximum being much higher
- Parties urgently need to identify and implement opportunities to mitigate emissions, the sooner the better



# A role for the CDM

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- There is already **an existing mechanism** for identifying and implementing mitigation opportunities and for helping developing countries to achieve sustainable development
- The **Clean Development Mechanism (CDM)** was established under Article 12 of the Kyoto Protocol
  - Registration of projects with potential to mitigate emissions
  - Issuance of credits (“certified emission reductions” = “CERs”), *ex post*, of mitigated emissions
- **7450 projects, 1.4 billion credits, \$396 billion support**



# The CDM provides ready-made infrastructure

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- Proven Monitoring, Verification, and Reporting rules and processes
- Designated national authorities in over 125 developing countries
- 4 regional collaboration centres: Bogota, Kampala, Lome, St. George's
- Third-party validators / verifiers
- Project developers, consultants, experts
- Over 200 project methodologies
- Internal support capacity within the UNFCCC secretariat
- Legacy benefits are in place on the ground (e.g. technology, capacity, interest in mitigating emissions)
- Seamless tracking and accounting of credits



# The significance of the CDM for the ADP

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- Decision to enhance pre-2020 mitigation action by:

*Inviting Parties to promote the voluntary cancellation of CERs, without double counting, as a means of closing the pre-2020 ambition gap (1/CP.19, para 5(c))*

- Invitation to **all** Parties under the Convention, not just Kyoto Parties, to promote the use of CERs
- CERs are **accessible** not only to national governments, but also companies, events, and individuals seeking to neutralize their emissions and help close the gap





# Key qualities of CDM credits

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- “Certified Emission Reductions” = “CERs”
- Issued after a rigorous, multi-stage process, including checks by **accredited third-party auditors**
- Represent **real, permanent, verified, and additional** emission reductions
- Can come from projects in **almost any economic sector** (only exceptions: nuclear, some LULUCF)



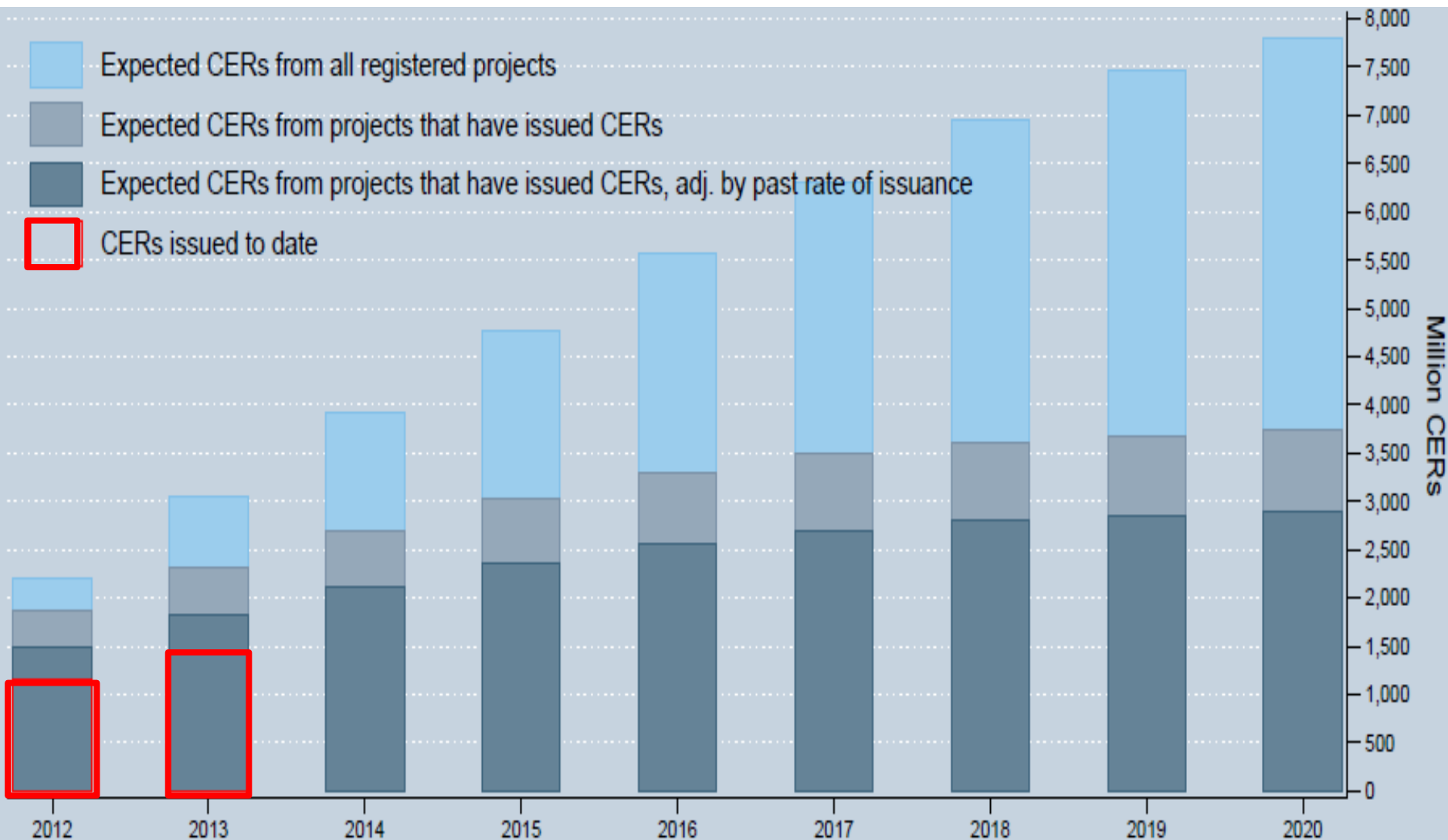
# How the CDM prevents double counting

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- All CERs are issued into the CDM registry, administered by the UNFCCC secretariat
  - Each CER is assigned a unique serial number
    - Enables tracing to Party of origin, specific project
    - Attached to the CER for its lifespan
  - CERs may circulate within the Kyoto registry system, comprising the CDM registry and Annex I Party registries
  - All transactions are tracked by the International Transaction Log (ITL)
- CER has uniquely good conditions to be tracked and identified.
- Nevertheless, to avoid double counting, the host country from where the CER originates must still take responsibility to deduct CERs from their mitigation achievements if the CERs are transferred abroad.



# Cumulative CDM supply to 2020 from existing projects



Data as of 28 Feb 2014  
Source: UNFCCC

## CDM supply from existing and new projects

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- As the chart on the previous slide suggests, CERs from already operating CDM projects could close **up to 19%** of the emissions gap in 2020
- If all registered CDM projects issue CERs, they could close the 2020 gap **by 39%**.



## Costs and financial implications

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- Developed countries have committed, in the context of meaningful mitigation actions and transparency on implementation, to a goal of mobilizing jointly **USD100 billion per year by 2020** to address the needs of developing country Parties
- A fraction of this pledged amount would be sufficient to purchase **all CERs from registered projects**, thereby closing the emissions gap by up to 39%, and kickstart new projects to close the gap further
- All Parties are free to purchase CERs
- Current CER prices provides a first-mover advantage



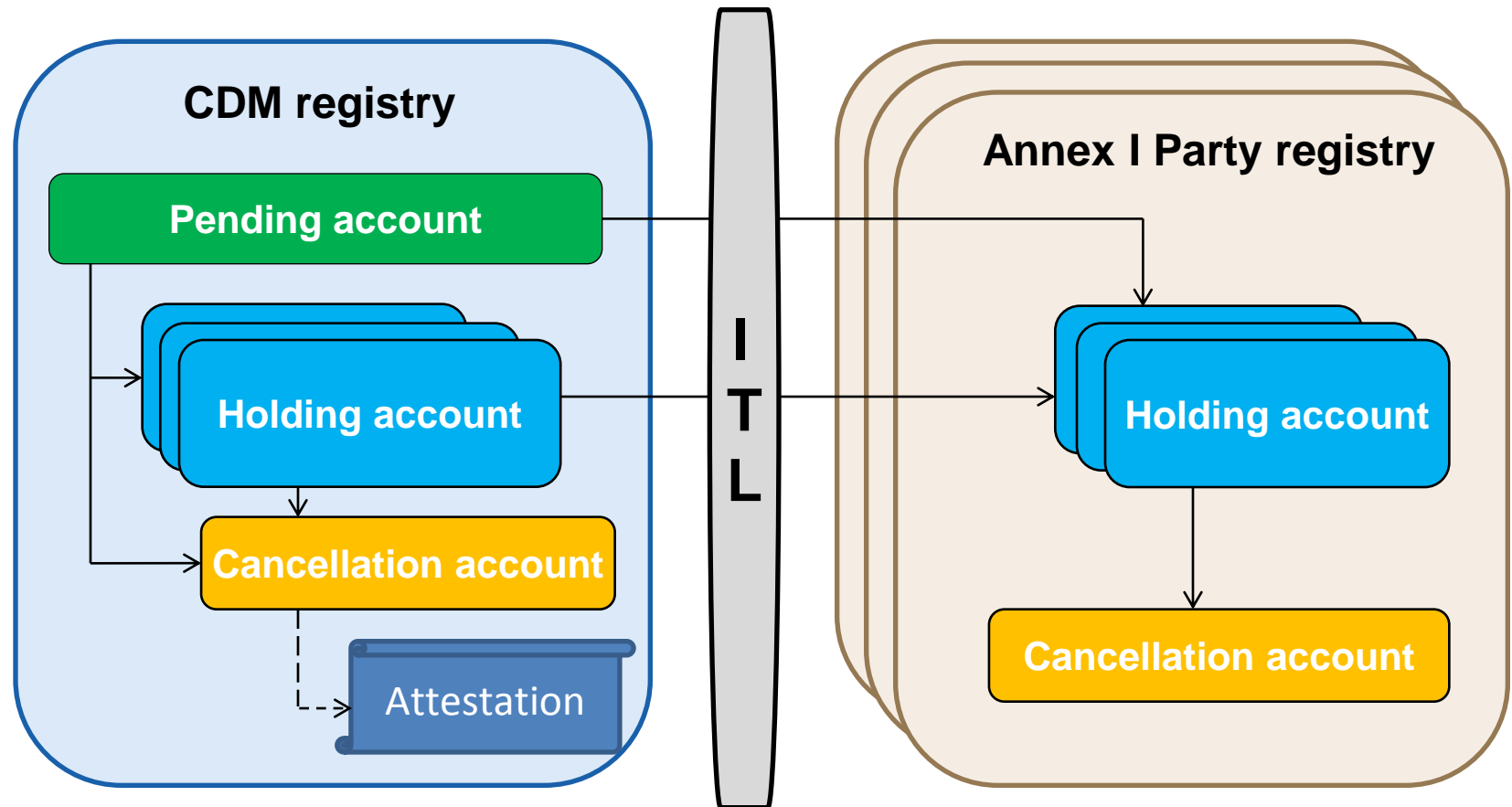
# The cancellation of CERs

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- Concept of “voluntary cancellation” = effective removal of a CER from further use or transfer.
- Voluntary cancellation can take place in the CDM registry, where all CERs are originally issued and may be held
- Voluntary cancellation can also take place in all Annex I Party registries, where CERs can be forwarded
- In either case, cancellation is a one-way transfer into a special account → no exit from this account, cannot re-enter circulation



# The Kyoto registry system



CERs may be cancelled in any registry. If cancelled in the CDM registry, the UNFCCC will provide an attestation.

# Means of cancelling CERs

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- For CERs still in CDM registry:
  - Cancel them or pay project participants to cancel them
  - Receive an attestation from the UNFCCC secretariat
- For CERs in an Annex I Party registry:
  - Cancel them or pay CER-holders to cancel them
  - Request an attestation from national registry administrator
- Third-party brokers exist and can help create filters to customize for buying preference
- Buyers can be anyone, not just Kyoto governments





## Means of cancelling CERs (Cont.)

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- How do I find CERs?
  - Visit the CDM Registry page to see a list of CERs available for cancellation (new page)
  - Contact a broker: brokers can help you find CERs specific to your buying preference (project type/location etc.)
- How do I have CERs cancelled on my behalf:
  - Contact a broker or a CDM project participant to have CERs cancelled on your behalf.
  - Detailed instructions for how to voluntarily cancel CERs can be found on the CDM Registry web page:  
<http://cdm.unfccc.int/Registry/index.html>
- Questions? E-mail [pre2020@unfccc.int](mailto:pre2020@unfccc.int)



# Reporting voluntary cancellation of CERs

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- To allow Parties and other stakeholders to report on their voluntary cancellation of CERs, the UNFCCC secretariat has established a web page where voluntary cancellation since COP19 (Warsaw) can be reported:

<http://cdm.unfccc.int/Registry/index.html>

To add an entry, please send the following information to email

[CDM-registry@UNFCCC.int](mailto:CDM-registry@UNFCCC.int)

- The number of CERs cancelled;
- The name of the beneficiary in whose name they were cancelled;
- The date and place of the cancellation;
- Contact details of the person and organization submitting the information (for verification purposes).



## An action plan for Parties

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- **Adapt/modify pre-2020 pledges** to include an intent to voluntarily cancel a quantity of CERs
- **Carbon-neutralize** government activities and events, and promote this concept among sectors (e.g. aviation), industry/commerce authorities, and subnational/local governments
- Consider to **include voluntary cancellation as part of other options** for using CERs, e.g. as part of compliance instruments under domestic policies.

## Closing remarks

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- **We have the supply:** voluntary cancellation of CERs could close the emissions gap by 19% to 39% if double counting is avoided.
- **We have the technical systems:** established registration and issuance processes, MRV of effort, registry/tracking, measures to avoid double counting
- **We have unrestricted access:** all Convention Parties and the private sector can voluntarily cancel CERs
- **We have pledged the money:** the necessary levels of financial support have already been pledged
- **What we need is political will to close the gap!**



**Thank you**  
**Questions? [pre2020@unfccc.int](mailto:pre2020@unfccc.int)**



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