CDM: Potential linkages between CDM and NAMA

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Outline

- What are these Jargons (PoA/SB/RBF/NAMA)
- Objectives of various elements in Market Mechanism
- Lessons from PoA for NAMA
- Lessons from SB for NAMA
- Why CDM is important in future climate regime
- What future climate regime may offer
- Challenges that loom over all mechanism CDM need to face in future market
- Way forward to fit CDM for future
- Striving to achieve what ??
What are these Jargons

- **Birth of PoA**: Local/national /Regional policy or standard cannot be considered as CDM - PA, but that PA under a PoA can be registered as single CDM.
- **What is PoA**: Pooling of geographically dispersed, small scale project activities that present the most attractive project opportunities in on the continent.
- **What is SB**: Baseline established by a party or group of parties to facilitate the calculation of ER and removals and/or the determination of additionality for CDM.
- **What is NAMA**: Nationally Appropriate Mitigation Actions by developing country Parties in the context of sustainable development, supported and enabled by technology, financing and capacity building, in a measurable, reportable and verifiable manner.
- **Result-based financing (RBR)** is a concept according to which financial support is provided *ex post* based on verified achievement of pre-defined outcomes.
## Objectives of various elements in the Market Mechanism

<table>
<thead>
<tr>
<th>What</th>
<th>Objective</th>
<th>Who</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programmatic CDM</td>
<td>Assisting Annex I countries in achieving targets cost-efficiently, contributing to sustainable development of host country</td>
<td>Private entities, governments</td>
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<td>Standardised Baselines, ‘Sectoral CDM’</td>
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A look at the NMM
Scope of Evolving MRV

- Actions with indirect/term impacts (e.g. institutional reforms, R&D expenditures)
- System-wide goals, information etc.
- National/sectoral emissions targets (GHG levels)
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- GHG regulations/standards
- Market-based mechanisms (e.g. CDM, JiI, emissions trading)
- Direct GHG fiscal measures (e.g. carbon tax)
- Targeted regulations/standards (non-GHG)

Uncertainty of GHG impact

Ease of quantification

- Quantified GHG impact estimated/measured
- Quantified non-GHG impact estimated
- Qualitative MRV

Source: GHG Mitigation Actions (issues and options); OECD
SB in the context of NAMAs

1. Define NAMA objective, boundaries, and scope.
   • Analyse appropriate and reliable data.

2. Model baseline, emissions change and assess expected reductions.
   • Select methodologies.
   • Define and assess actions

3. Define institutional framework
   • Identify responsible organizations and key stakeholders
   • Identify enablers / barriers

4. Implementation planning
   • Define sources of finance
   • Define the type of NAMA based on funding and other criteria
   • Negotiate funding for the NAMA
   • Identify performance indicators to assess NAMA progress and effects.

5. Implementation of the NAMA

6. Monitoring of progress
   • Keep track of NAMA performance and baseline.
   • Provide feedback and adjust NAMA as appropriate.

7. Report activities to authorities and stakeholders.
   • Define reporting template

8. Verification / review of NAMA implementation
   • Define level of assessment
   • Select methodology and criteria
   • Define (accredited) verifier

9. Report activities to authorities and stakeholders:
   • Results to GHG inventories team
   • As part of biennial report
   • To funding institution(s)

Source: GAP ANALYSIS REPORT (EU/GIZ)
Lessons from PoA in CDM to NAMA

- Support implementation of Policy /Programme measure.
- Elements like
  - Definition of Eligibility criteria
  - Setting boundaries
  - Standardized elements in baseline setting procedure
  - MRV process
  - PoA management (CME,QMS)
- Design and Implementation elements of PoAs (concept of CPA, Sampling approaches)
- Consideration of Interrelated measures (Overlapping between measures)
- Engagement with wider range of Host Countries
Background of Standardized baselines

What is standardized baseline?

- Baseline established for a Party or a group of Parties to facilitate the calculation of emission reductions and removals; and/or
- Used for determination of additionality for CDM project activities, while providing assurance for environmental integrity.

Why Standardised baselines?

- Reduce transaction costs;
- Enhance transparency, objectivity and predictability;
- Facilitate access to the CDM;
- Scale up, while ensuring Environmental Integrity;
- Complexity is at the end of regulatory body, easing PPs’ life;
- Enhanced participation of LDCs in CDM

Who can submit the SB?

- Parties, PPs, international industry organization's, admitted observer organization's can submit SBs to UNFCCC through DNA.

Financial support: Assessment Report

- DNAs with less than 10 projects as on 31 Dec 2010
What is the difference between a methodology and an SB?

<table>
<thead>
<tr>
<th>CDM Methodologies/ tools</th>
<th>Standardised Baselines</th>
</tr>
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<tbody>
<tr>
<td>- International Standards</td>
<td>- Sector-specific standards (Could be regional, national or international);</td>
</tr>
<tr>
<td>- To calculate emission reduction of specific projects</td>
<td>- Takes into account the specificities of sectors;</td>
</tr>
<tr>
<td>- Specific Applicability conditions</td>
<td>- Either calculate baseline emission factor for broad class of mitigation activities (measures) taken up in the sector; or baseline emission factor for entire sector;</td>
</tr>
<tr>
<td>- Specific project boundary</td>
<td>- Baseline emission factor to be used for baseline emission calculations and demonstration of additionality;</td>
</tr>
<tr>
<td>- Project-by-project baseline scenario determination and demonstration of additionality</td>
<td>- To be used in conjunction with an approved methodology/tool.</td>
</tr>
<tr>
<td>- Baselines using 48(a) (historical or actual), 48(b) (most attractive course of action), or 48(c) (Average of top 20%)</td>
<td>- No need for “prior consideration” for demonstration of additionality.</td>
</tr>
<tr>
<td>- Project emissions</td>
<td>- Data monitored</td>
</tr>
<tr>
<td>- Data not monitored</td>
<td>- Data monitored</td>
</tr>
</tbody>
</table>
Introduction to SB concepts (SB Guidelines)

General Approach for measure of fuel/feedstock switch and technology switch

Technologies/Fuels in Positive list are less attractive

<table>
<thead>
<tr>
<th>Coal</th>
<th>Heavy Fuel</th>
<th>Fuel Oil</th>
<th>Diesel</th>
<th>NG</th>
<th>RB</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>25%</td>
<td>50%</td>
<td>75%</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

Baseline threshold
Addl. Threshold
QA/QC processes for Data to be used for SB development

**QC**
- Data Providers
  - Data Delivery Protocol
  - Support

**DNA**
- Outputs
- Comments

**Public**
- Procedures & Guidelines
- Technical or other support

**QA**
- DOE
- Assessment Report
  - QA procedures for DOEs
  - Doc of QA/QC system
  - All docs of QC activities

**EB**
- Data & Docs for SBs

Proposals for data template
Level of aggregation for the data collection

- Generally one sector in one country
- Further aggregation
  - Based on homogeneity
  - Geographically, may be expanded to a group of countries
- Disaggregation
  - Based on heterogeneity
  - Geographically, may be restricted to a region within a country (e.g. regional grid)
  - Availability of certain fuels/feedstocks
Guidelines for the development and assessment of SBs

- Positive List - Additional measures
- Baselines for measures

First level of standardization

Emission factor of the sector, if relevant

Second level of standardization
Lessons from SB in NAMA

- Baseline (Level of emissions) – BAU Baseline Scenario comprise present economical, technological, demographical and social trends without consideration of any climate change mitigation policy towards defined national emission reduction targets.
- Development and Implementation of NAMA requires reference level or pathway against which to measure its performance.
- Defined set of indicator to monitor the baseline (spatial, time boundary, growth rate and trends as well as associated emissions).
- Setting of targets – (one or multiple measures).
- Data intensity is much lower (design data on specific energy, specific raw material and facility data on output).
- Addressing to a certain extent issue on data quality (QA/QC guidelines).
- Sectoral emission estimation and ladder for supported and sectoral crediting (credited NAMA).
What can SB deliver to NAMA/NMM – Advantage of having established methods

- Transparent – Methods, Emission factors and Activity data
- Accurate – Neither an over-estimate or underestimate
- Consistent – Same method, same data source
- Complete – Source, Sink and Gas
- Comparable – Inter region and country
Embedding CDM MRV elements to NAMA

- Governance Structure
- Accounting Structure (centralized system, registry & ITL, DOE etc.)
- Methodological standards – Comparable quality and fungible
- Ensure Environmental Integrity
- MRV provision (Program level assessment (poA) / bottom-up and top down approaches)
- Consistency in MRV requirements in most of the programs except verification levels.
- Transparency and Independence.
- QA/QC procedures empowerment of DNA
- Sampling standard of the CDM
- Voluntary disclosure of the sustainable development indicators
Challenges that loom over all mechanism need to face in future market

- Estimation of BAU emission scenario (ex-ante forecasting)
- Establishment of Common Accounting rules, standards, criteria and/or procedures.
- Stimulation of mitigation across broad segments of the economy.
- Overlapping with the existing and new mechanism (double counting)
- MRV (technical provision, non-GHG impacts)
- Addressing policy impact in mitigation
- Level of aggregation of data
- Institutional capacity at the national level
- Cost effectiveness – Environmental Integrity
Why market based mechanism is important in future climate regime

- It gives the global carbon market a mature framework to measure the environmental integrity of offset projects;
- It gives project developers a standardized unit to bring to market to finance their projects;
- It gives both emitters and project developers a variety of options of how to contribute to sustainable development; and
- It gives the market as a whole a generally recognized approval process that helps the international community judge the contribution to sustainable development and greenhouse gas mitigation.
- It ease in mobilizing the carbon market’s financing power for international climate financing.
NOW WHERE IS CDM
THANK YOU!

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Standard Setting Unit of SDM

UNFCCC