

Experience with CDM implementation as results based climate finance, Green Bonds and other uses

- Start-up finance advance payment for PoA-to-NAMA on a pay-back basis (The Foundation Future of Carbon Market)
- Low income country upfront finance, with cancellation of CERs (CiDev);
- Finance beyond 2020 on condition N2O mitigation action becomes legislated action (Nitric Acid Climate Action Group);
- Finance as a tradable CER floor price option to guarantee mitigation action (Pilat Auction Facility);
- Recycling of project loans into cheaper loan structures using green bonds, no CERs cancelled (AfDB Green Bond);
- Refinancing of CDM projects in a Paris Climate Bond concept, with CERs cancelled (Climate Mondial);
- Asset backed bonds to refinance CDM projects, with CERs cancelled (BNP-Paribas);
- CDM criteria to identify eligible mitigation project financing (AfDB / BNP-P);
- CDM potential to select for eligible adaptation project financing (AfDB);
- CDM and climate funds to attract finance from capital markets for the African energy sector (Saber-Abrec);
- Other uses of the CDM (fund raising from voluntary climate neutrality, domestic offset finance, part of credited NAMAs, functional elements: methodologies, benchmarks, standardized baselines (South Pole Group, MDB/IFI group on harmonization of mitigations standards)
- Sponsor investment high in the CDM (Scatec Solar, Saber-Abrec, South Pole Group, Engie, Additional Energy, Climate Mondial etc.)

CDM features that are useful for climate finance: large pools of bankable and operating projects, project replicability, scalability, economies of scale, learning, technology transfer, stakeholder consultation, standardization of project impacts (1 tonne is a 1 tonne), a basis for allocating climate finance action to multiple financial and mitigation contributors.

Barriers and challenges to using the CDM: does not provide a solution for up-front finance, risks include: governance, CDM cycle longer than the investment cycle, project-by-project approach, high cost of rigour, climate financed and compliance use could result in double claim/count, lack of sustainable development rigour and equity and participation, may not fit with GCF funding approaches, was not designed to provide direct adaptation impact, cannot deploy where no efficient capital markets and enabling financial environments exist.

Features that need further thought on how the CDM help facilitate climate finance and enable INDCs:

- Is CDM offset rigour and precision needed for climate finance?
- Does the CDM reduce the chances of double claiming mitigation and finance contributions, shall CERs be cancelled if climate finance is provided?
- Can the CDM help the green bond market determine “green” and access transformative and additional private and public climate finance?
- Can the GCF use the CDM as a transformative tool, that crowds-in private capital, effectively uses public finances, accommodates national and sectoral differences, in a cost-effective and equitable way?
- Can international, national, private sector, authority body dialogue on climate finance and carbon market be increased?
- Ways to utilize the CDM in innovative ways to assure new UNFCCC instruments and asset classes have the same financial market merit?