



Federal Ministry for the  
Environment, Nature Conservation,  
Building and Nuclear Safety

# CDM and Climate finance

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

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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**



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# 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 N<sub>2</sub>O 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](http://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
- DOEs
- ...



## Possible Synergies Carbon Market / Climate Finance

### Project level

- Use climate finance to continue projects incentivised 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?



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*Thank you!*

**for your attention**

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