

Clean Development Mechanism

The why and how

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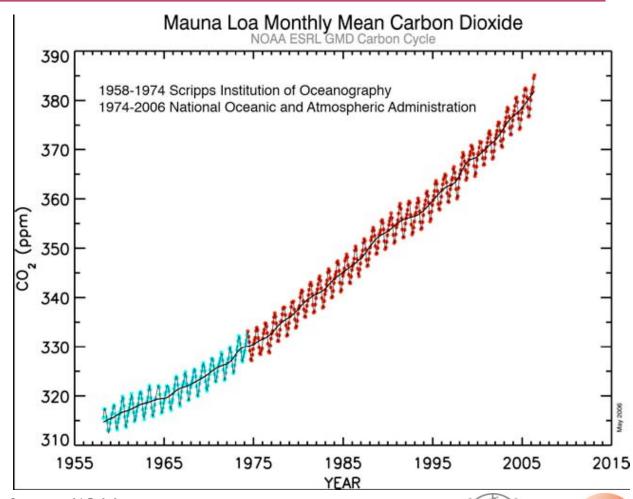
UNFCCC secretariat http://unfccc.int/cdm

The Greenhouse effect Some of the infrared Some solar radiation is radiation passes through reflected by the atmosphere the atmosphere and is and earth's surface lost in space Outgoing solar radiation: 103 Watt per m² Some of the infrared radiation is absorbed and re-emitted by the Solar radiation passes through greenhouse gas molecules. The the clear atmosphere. direct effect is the warming of the Incoming solar radiation: earth's surface and the troposphere. 343 Watt per m² Surface gains more heat and Infrared radiation is emitted again Solar energy is absorbed by the earth's surface and warms it... ... and is converted into heat causing the emission of longwave (infrared) 168 Watt per m² radiation back to the atmosphere

Sources: Okanagan university college in Canada, Department of geography, University of Oxford, school of geography; United States Environmental Protection Agency (EPA), Washington; Climate change 1995, The science of climate change, contribution of working group 1 to the second assessment report of the intergovernmental panel on climate change, UNEP and WMO, Cambridge university press, 1996.

Atmospheric carbon dioxide measurements at Mauna Loa, Hawaii

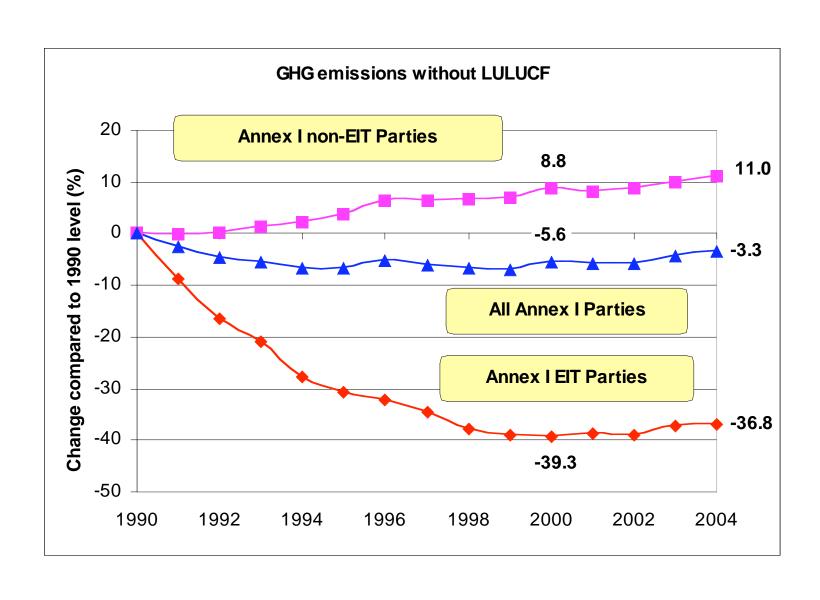
May 2007 measurement at 384 ppm



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Source: NOAA

Recent emission trends





IPCC Fourth Assessment Report

- Climate change due to human activity is unequivocal
- GHG emissions have <u>increased</u> by 70% since 1970
- Numerous <u>long-term changes have been</u> <u>observed</u>: arctic temperatures and ice, precipitation amounts, extreme weather
- Next two decades: warming of 0.2°C/decade
- Rise in temperature by 1.8 to 4.0°C by 2100



The IPCC's Fourth Assessment Report

- <u>Diminished food security</u>, drying of continental interiors
- Glaciers and ice caps continue to melt rise in sea levels
- Stress on water resources security implications
- Health impacts due to heat waves, floods, storms, fires and droughts
- Increase of <u>intensity and frequency of extreme events</u>



The international response to climate change – overview

3 – 14 December 2007: United Nations Climate Change Conference – Bali 2007 (COP13-COP/MOP3)

- 2005 16 February: Entry into force of the Kyoto Protocol
- 2001 COP-7 Marrakesh: Finalization of the technical details relating to the Kyoto Protocol "Marrakesh Accords"
- 1997 COP-3 Kyoto: Adoption of the Kyoto Protocol
- 1992 Adoption of the UN Framework Convention on Climate Change





The UN Framework Convention on Climate Change

• 191 Parties – near universal membership The UNFCCC:

- sets an overall framework for <u>intergovernmental</u> <u>efforts to tackle</u> climate change
- recognizes that <u>the climate system is a shared</u> resource whose stability is affected by emissions of <u>carbon dioxide</u> and <u>other greenhouse gases</u>





The Kyoto Protocol

- Entry into force on 16 February 2005
- 175 Parties (May 2007)

Main features

- Legally binding targets for emissions of six major greenhouse gases in industrialized countries during first commitment period
- New international market-based mechanisms, creating a new commodity: carbon
- Facilitate sustainable development and additional support to developing countries on adaptation





The three Kyoto mechanisms

- Emission Trading (ET): exchanging emission allowances among Kyoto Protocol Parties
- Clean Development Mechanism
 (CDM): credits for emissions avoided
 through sustainable development projects
 in <u>developing countries</u> (non-Annex I
 countries)
- Joint Implementation (JI): credits for emissions avoided through projects in <u>Annex I countries</u>





The three Kyoto mechanisms – Emissions Trading

Carbon market:

 countries that have emissions units to spare may sell (trade) this excess capacity to countries that are over their targets.

Example: European Union Emissions Trading Scheme (EU ETS)

- Commenced on 1 January 2005
- first phase runs 2005–2007
- second phase 2008–2012 to coincide with the first commitment period of the Kyoto Protocol.

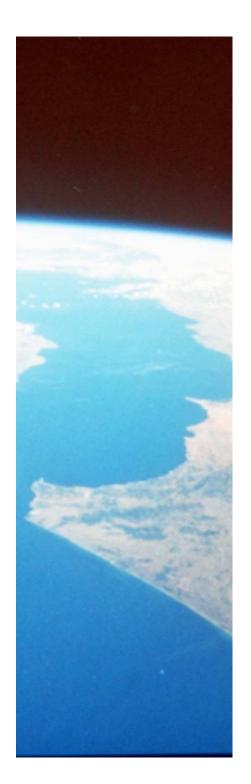




The three Kyoto mechanisms – **Joint Implementation**

- Industrialized countries can meet part of their required GHG reductions by implementing projects that reduce emissions in other industrialized countries
- Projects earn emission reduction units (ERUs)
- JI is likely to increase efficiency and reduce the global-warming output of the "transition economies" of central and eastern Europe.





The three Kyoto mechanisms – Clean Development Mechanism

- Projects in developing countries can earn saleable credits for reducing/avoiding emissions
 certified emission reductions (CERs)
- The CERs can be used by countries with commitments under KP toward meeting a part of their targets
- Host countries benefit from sustainable development initiatives





What is the Clean Development Mechanism?

- Market oriented means to achieve sustainable development and reduce GHG emissions
- Meant to promote private sector investment and involvement
- Not about traditional North-South overseas development assistance
- Bottom-up approach
- Public participation





What is the Clean Development Mechanism?

- Described in Article 12 of KP
- Projects in non-Annex I countries developing countries. Projects must
 - Contribute to sustainable development
 - Result in real, measurable, verifiable, additional emission reductions
- Projects earn saleable/tradable certified emission reductions (CERs)





What is the Clean Development Mechanism?

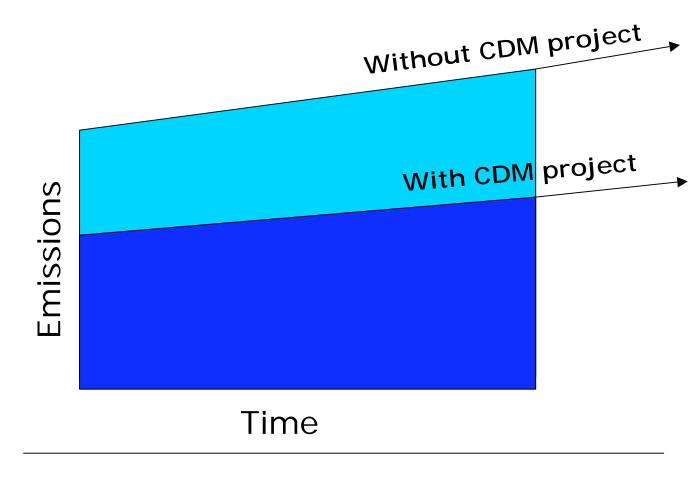
Mechanism overseen by:

- Executive Board (meets about eight times a year)
- Approval required from Parties (host country) and other Parties if any – designated national authority (DNA)
- Projects vetted by designated operational entities (DOE); Executive Board, supported by panels and working groups, registration and issuance teams, with help from secretariat





How it works









CDM project cycle

Regulated mechanism overseen by Executive Board assisted by

Panels

Working groups

Registration and issuance teams

UNFCCC secretariat

Emission reductions:

Real Measurable Verifiable Additional

CER issuance

EB

Verification/ certification DOE

Monitoring

PPs

Validation:

DOEs

Registration:

Executive Board

Project design:

Project participants





Update on the CDM | The Scoreboard

To date: > 760 registered CDM projects,

> 1 billion CERs expected to the end of 2012 from existing registered projects

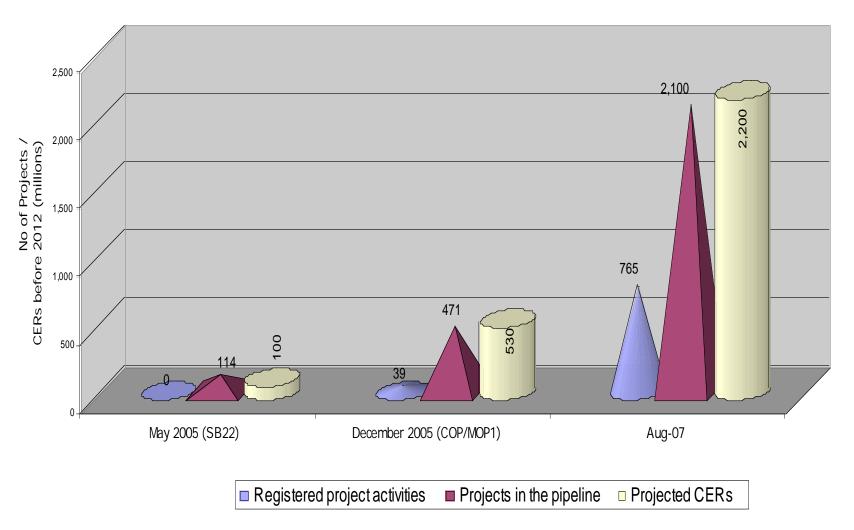


2,100 projects in CDM pipeline (incl. registered projects)
 2.2 billion CERs expected to the of 2012

(assumption: no extension of crediting periods)

Map and statistics accessible from http://cdm.unfccc.int/

Exponential growth of the CDM



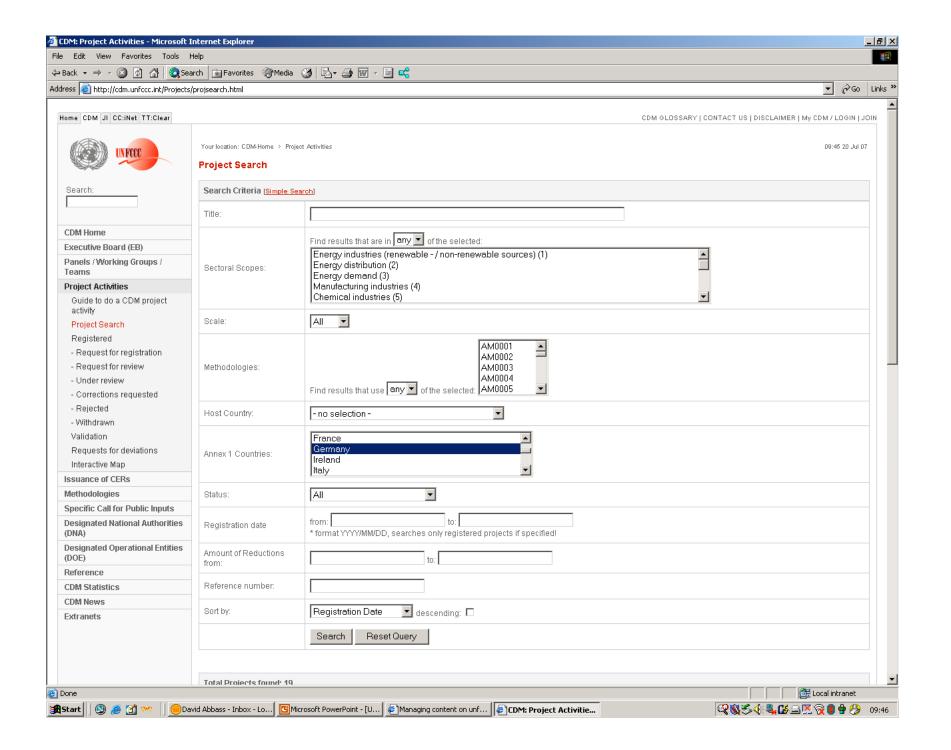


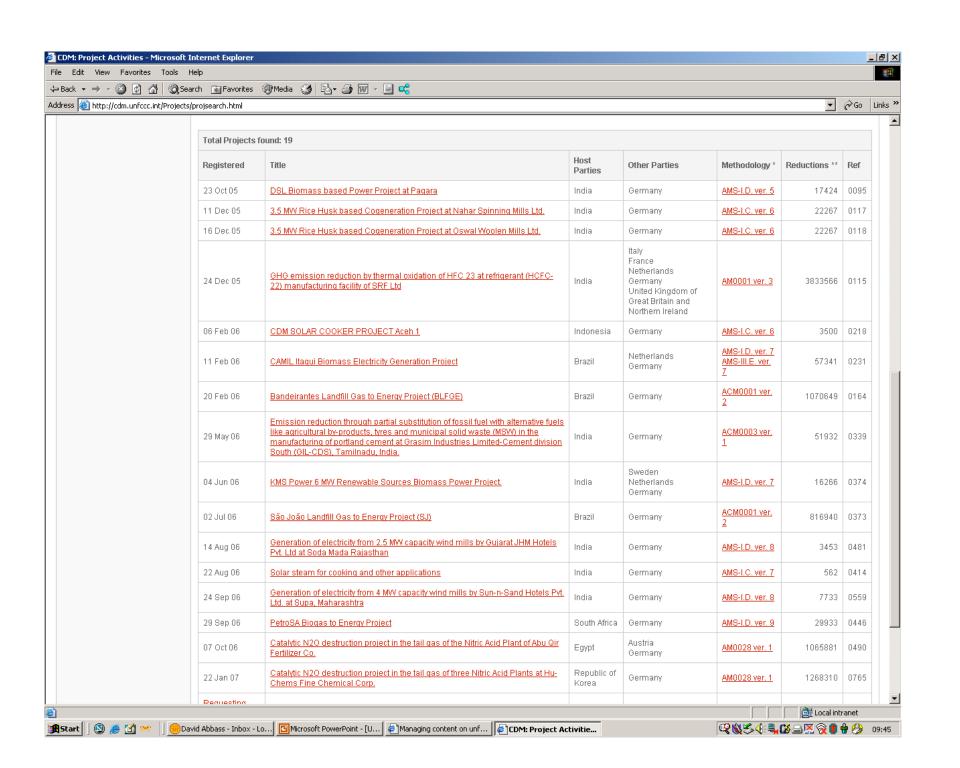


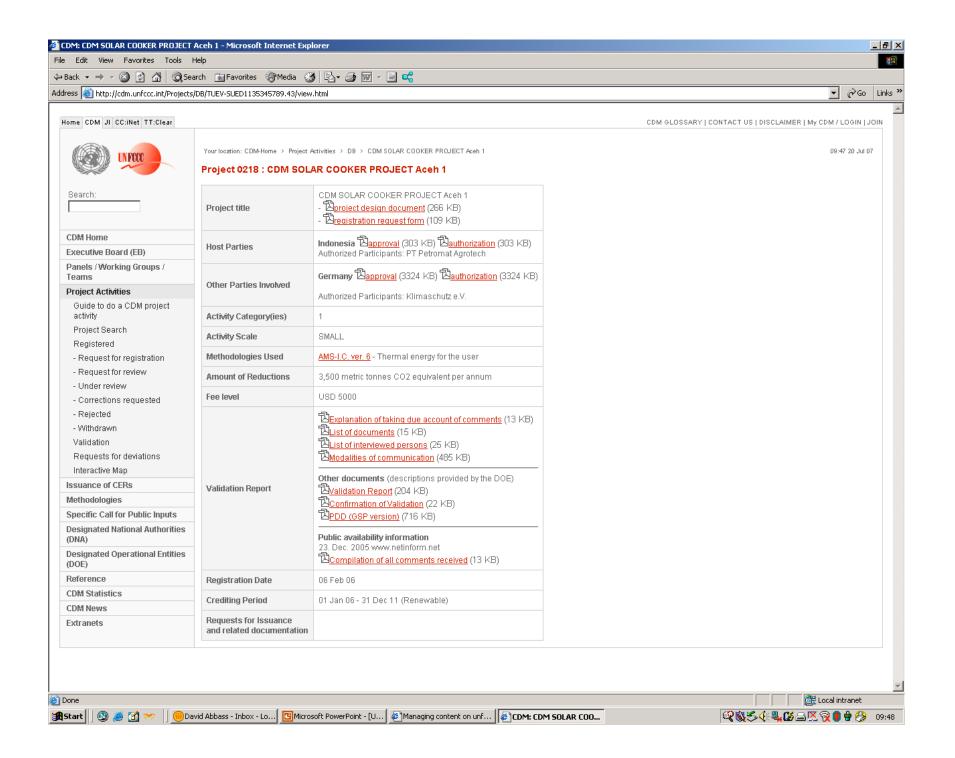
Where's the story

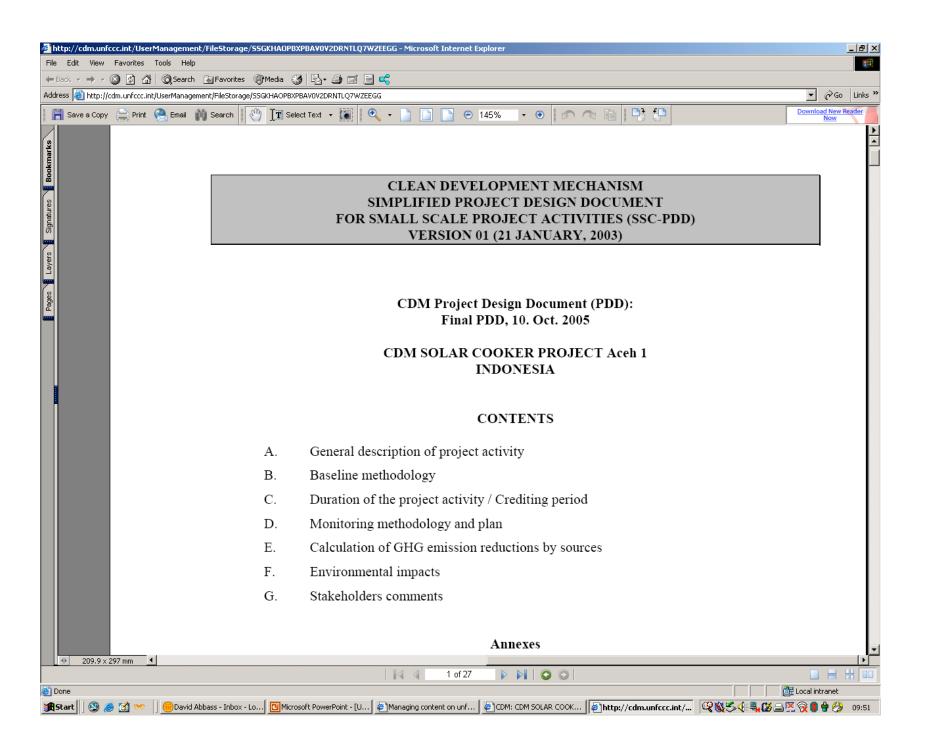
- Local
- National
- International
- Sectoral
- Business
- Environment
- Development
- Health
- Science

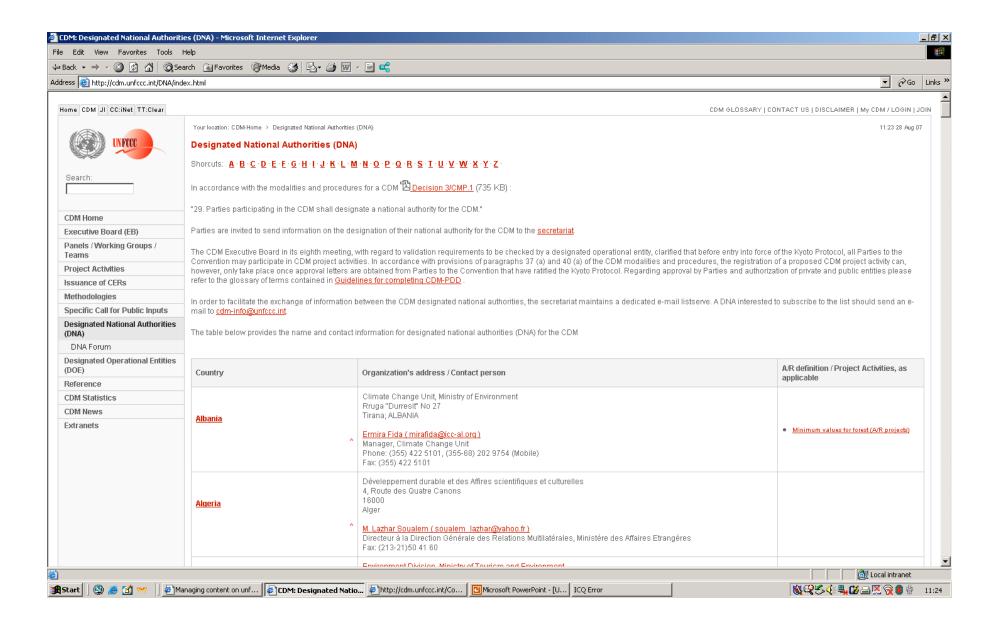


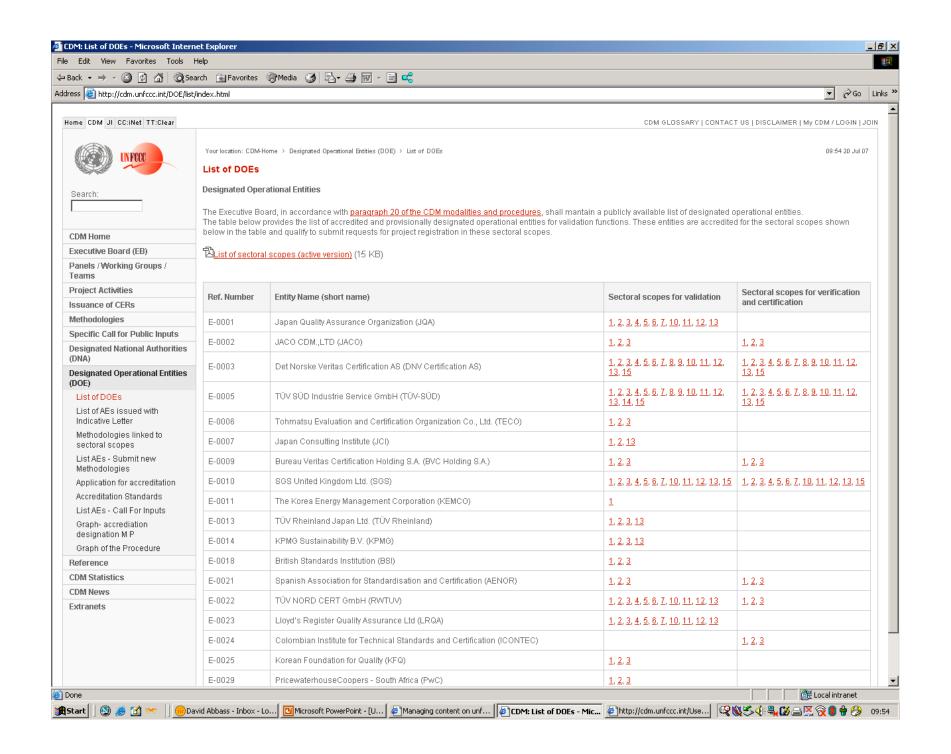














Potential of the carbon market

Scaling up CDM A back-of-the-envelope calculation

The Kyoto mechanisms can generate investment:

- ✓ Assuming 60-80% emission reduction by industrialized countries
- ✓ If 50% of these reductions are met through investments in developing countries (e.g. via a mechanism like the CDM)
- ✓ If the price for a tonne of carbon is above \$10 per tonne
- →Potential to mobilize resources for developing countries of some US\$ 100 billion annually





Thank you for your interest in the clean development mechanism



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