United Nations Framework Convention on Climate Change

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 ??**

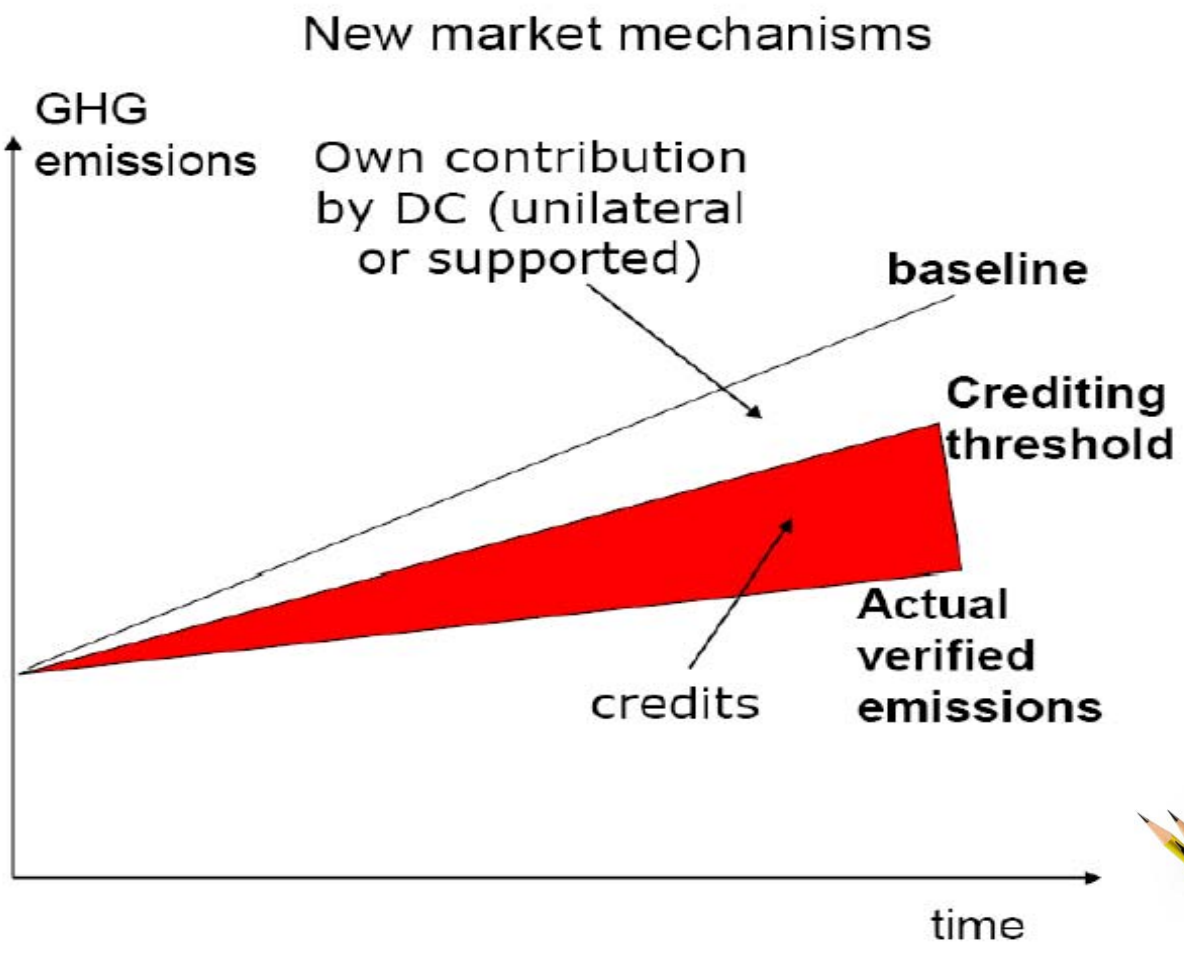
What are these Jargons

- **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.

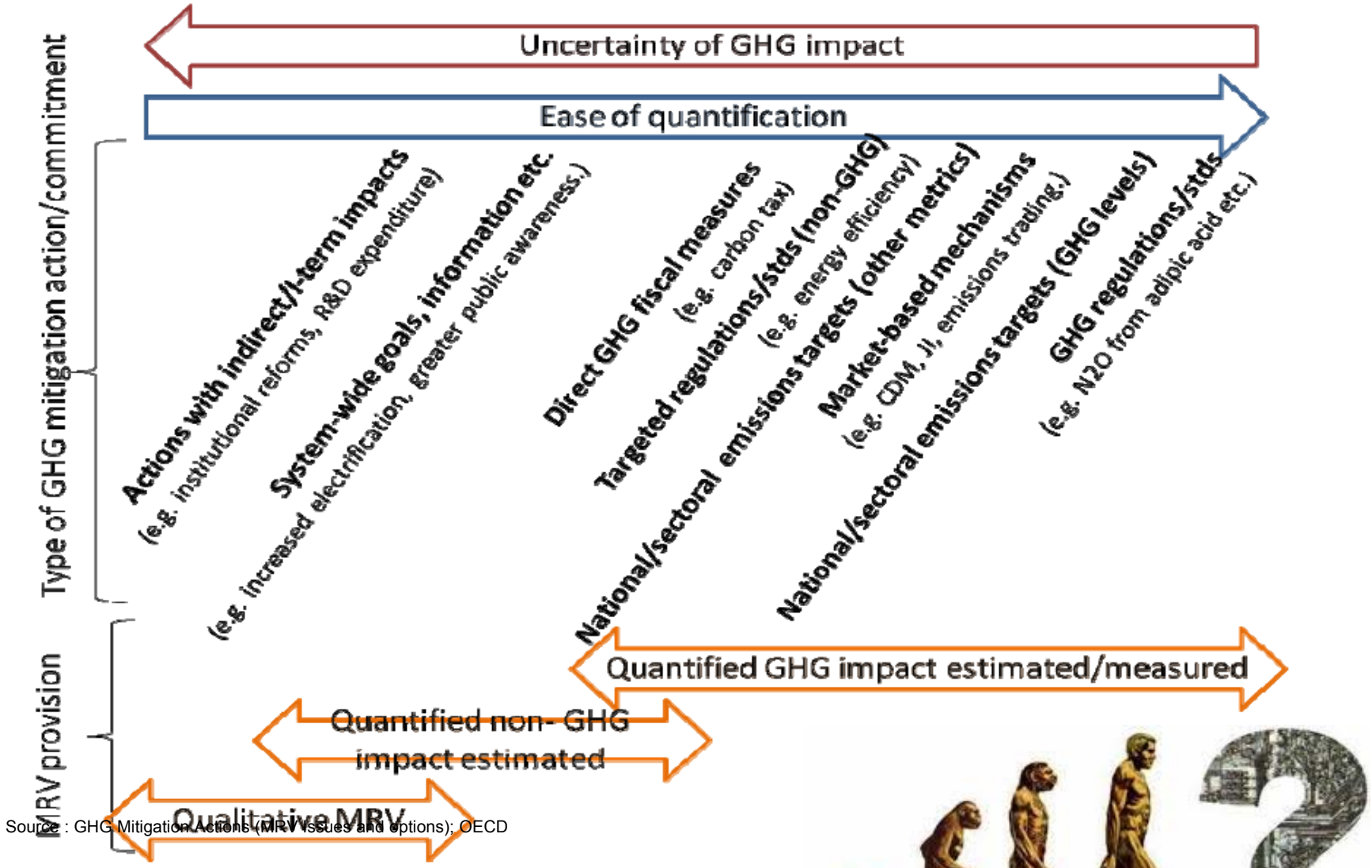
Objectives of various elements in the Market Mechanism

	What	Objective	Who
Programmatic CDM	Aggregation of many/ all possible activities in a sector or sub-sector, initiated by political or similar actor	Assisting Annex I countries in achieving targets cost-efficiently, contributing to sustainable development of host country	Private entities, governments
Standardised Baselines, 'Sectoral CDM'	Setting a baseline for all installations or activities in a sector or sub-sector in a country	Assisting Annex I countries in achieving targets cost-efficiently, contributing to sustainable development of host country	Private entities, governments
Sectoral Crediting	Decoupled from specific activities, credits are awarded if emissions from a sector are kept below a pre-defined level	Achieving large-scale net emission reductions in developing countries in the context of sustainable development, and assisting Annex I countries in achieving targets cost-efficiently	Governments, private entities?
Sectoral Trading	Decoupled from specific activities or policies, allowances are issued ex ante based on a sectoral target, with penalty for missing target	Achieving large-scale net emission reductions in developing countries in the context of sustainable development, and assisting Annex I countries in achieving targets cost-efficiently	Governments, (private entities?)
NAMA Crediting	Crediting of specific NAMAs or based on sectoral thresholds	Achieving large-scale net emission reductions in developing countries in the context of sustainable development, and assisting Annex I countries in achieving targets cost-efficient	Governments, (private entities?)

A look at the NMM

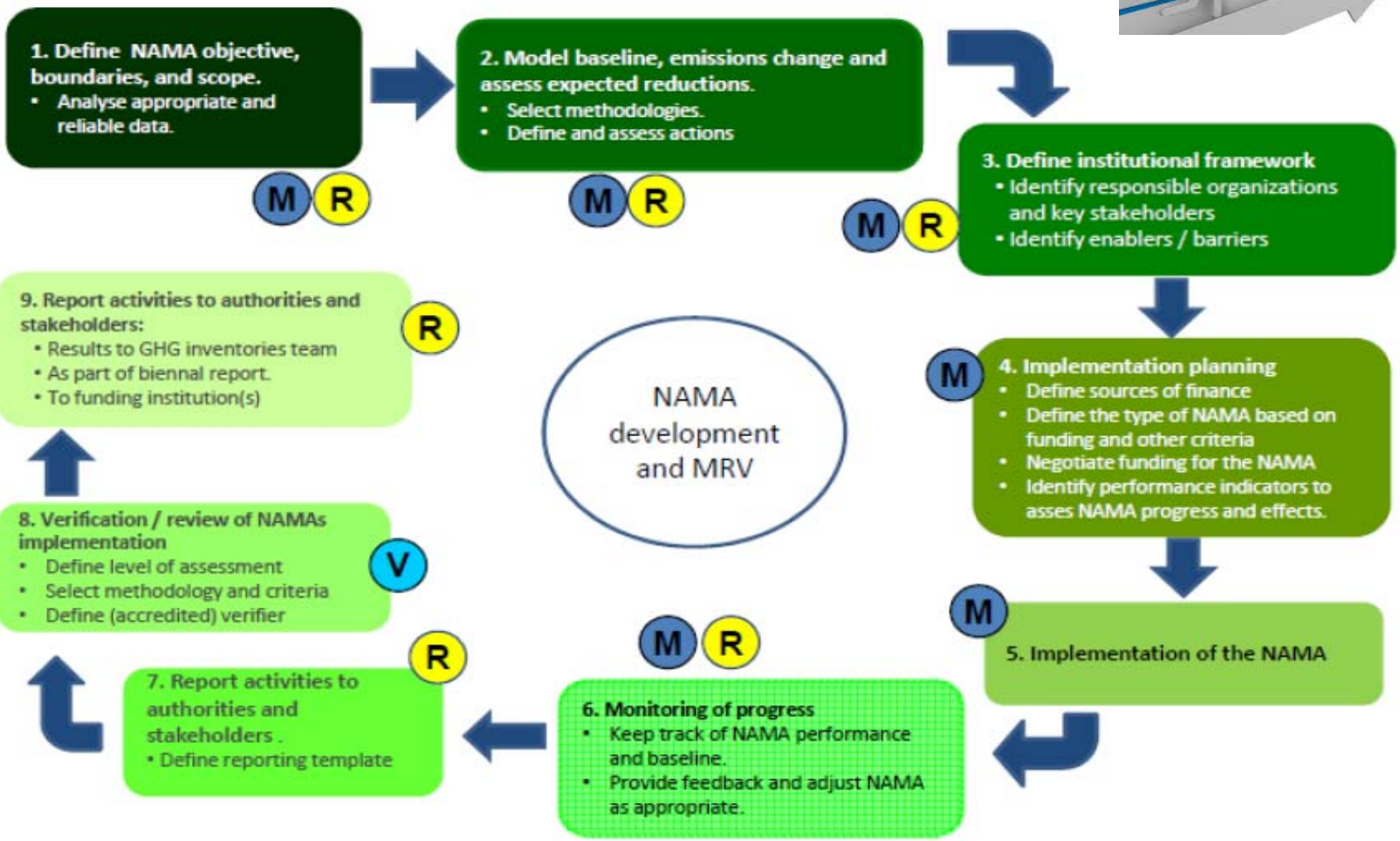


Scope of Evolving MRV



Source : GHG Mitigation Actions (MRV issues and options); OECD

SB in the context of NAMAs



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 ?

CDM Methodologies/ tools

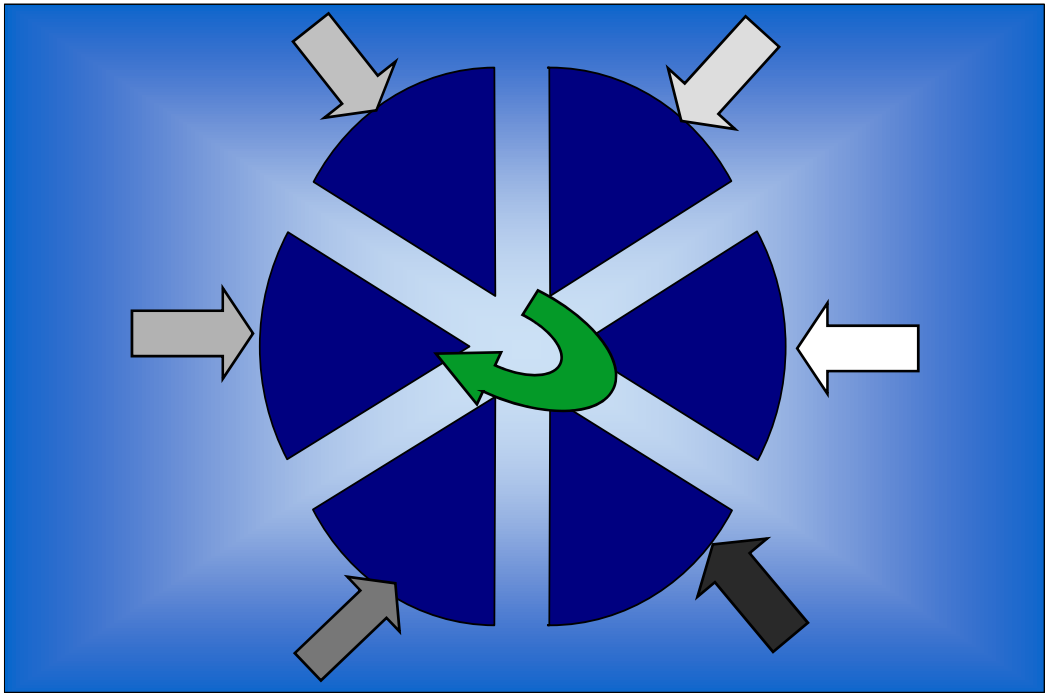
- International Standards
- To calculate emission reduction of specific projects
- Specific Applicability conditions
- Specific project boundary
- Project-by-project baseline scenario determination and demonstration of additionality
- Baselines using 48(a) (historical or actual), 48(b) (most attractive course of action), or 48(c) (Average of top 20%)
- Project emissions
- Data not monitored
- Data monitored

Standardised Baselines

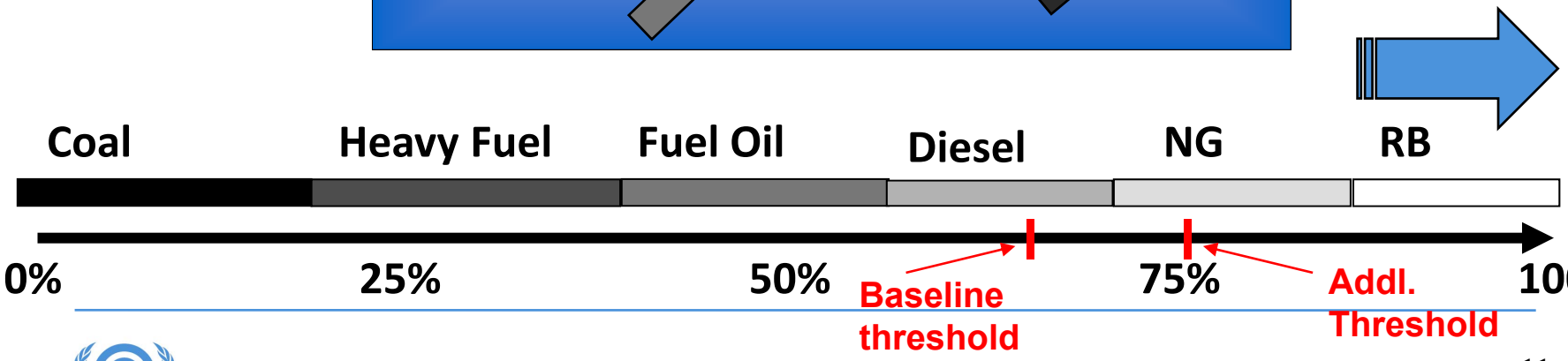
- Sector-specific standards (Could be regional, national or international);
- Takes into account the specificities of sectors;
- Either calculate baseline emission factor for broad class of mitigation activities (measures) taken up in the sector; or baseline emission factor for entire sector;
- Baseline emission factor to be used for baseline emission calculations and demonstration of additionality;
- To be used in conjunction with an approved methodology/tool.
- No need for “prior consideration” for demonstration of additionality.

Introduction to SB concepts (SB Guidelines)

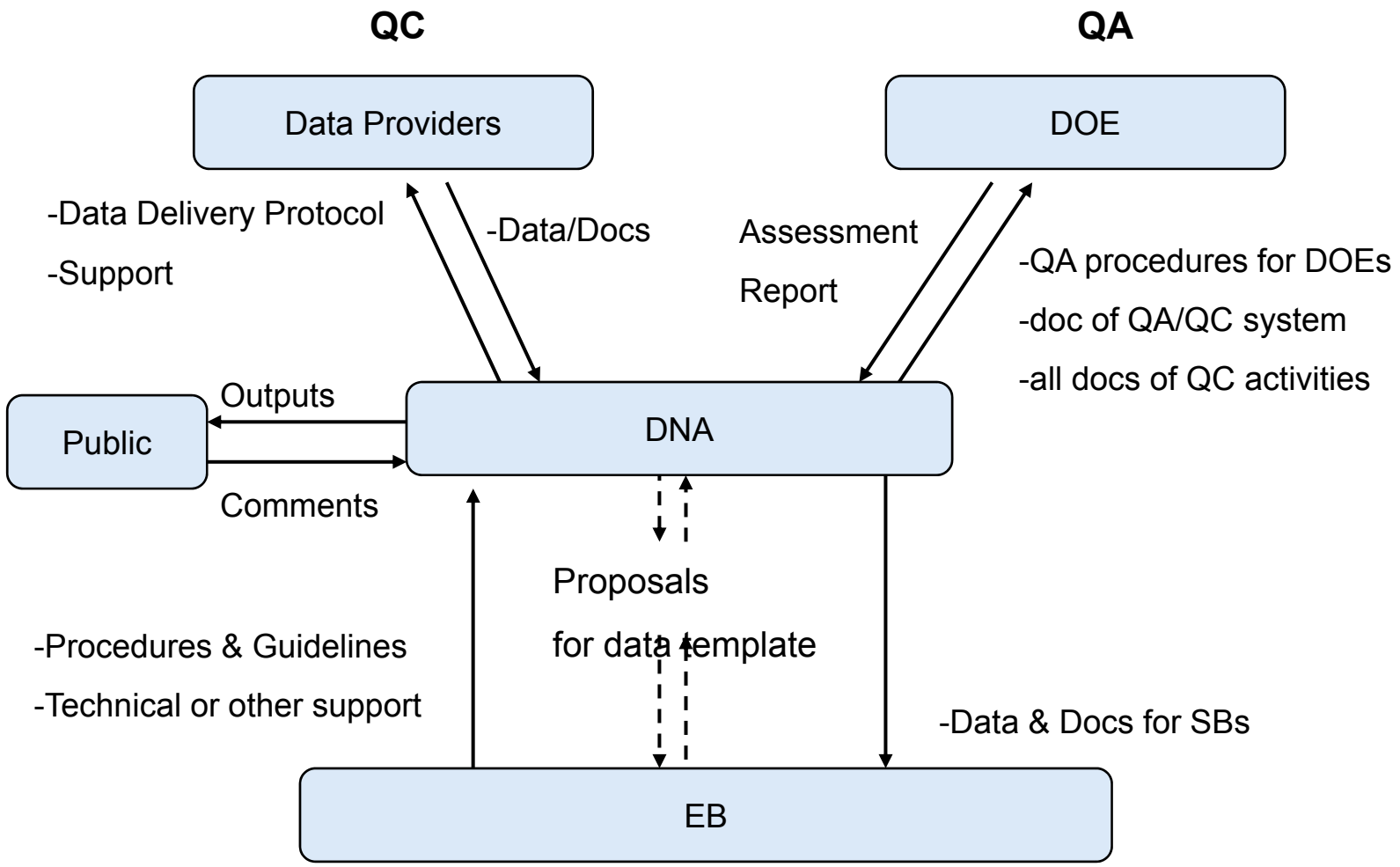
General Approach for measure of fuel/feedstock switch and technology switch



Technologies/ Fuels in Positive list are less attractive



QA/QC processes for Data to be used for SB development



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

Standardised baselines- Two phases of standardisation

Guidelines for the development and assessment of SBs

- **Positive List- Additional measures**
- **Baselines for measures**

First level of standardization

Second level of standardization

Emission factor of the sector, if relevant

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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