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Boosting the CDM

Insights on what makes Programmes of Activities successful

IEPPEC Conference – Market mechanisms

08 June 2016

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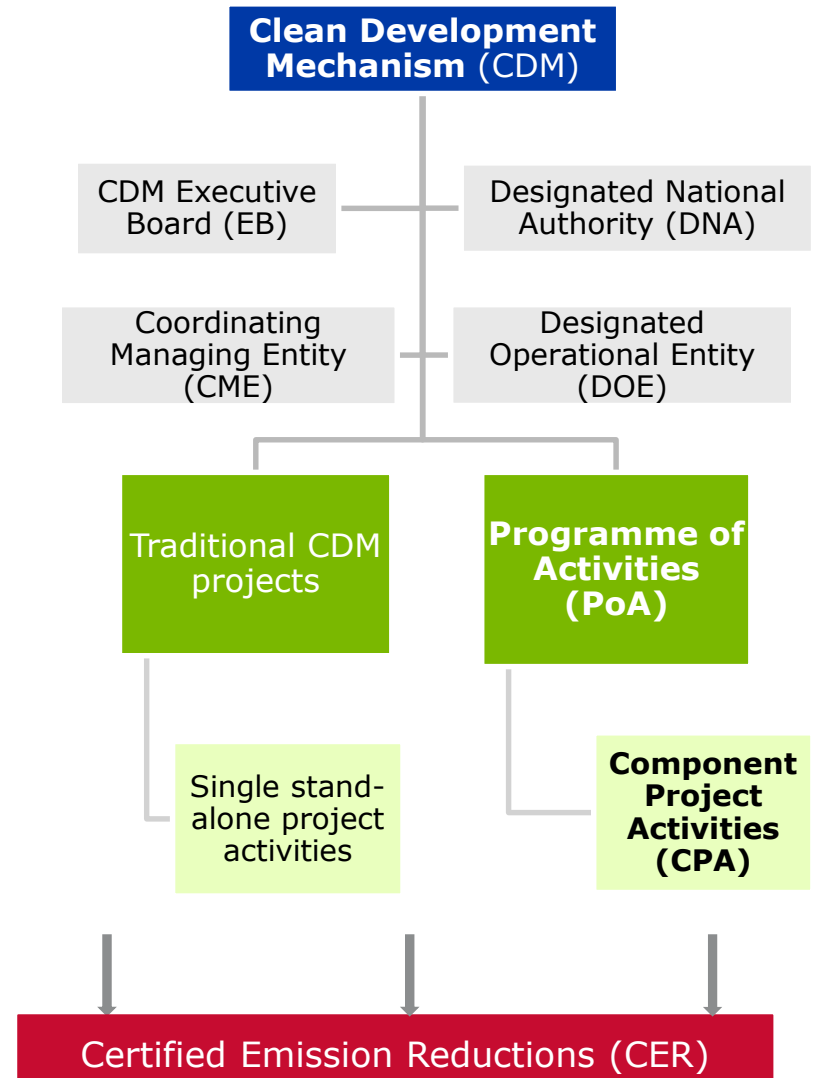
The CDM jargon

> **Clean Development Mechanism (CDM)**

- Introduced by the Kyoto Protocol
- Emission-reduction projects in developing countries
- Revenues from Certified Emission Reduction credits, each equivalent to 1tCO₂
- CERs can be traded and sold
- 1,679 MtCO₂ saved (UNFCCC, April 2016)

> **Programme of Activities (PoA)**

- Modality added in 2007
- Projects underrepresented by the CDM
- Two levels of operation
- Provides the organizational structure for implementation of mitigation measures
- Unlimited number of Component Project Activities can be added



Focus on PoAs



Source: UNFCCC, International Exchange ICE

➔ BMUB initiated *Concepts and Country-Specific Strategies for the Carbon Market Post 2012*

- Analysis of the status-quo of CDM projects
 - Evaluation of a large sample of CDM projects
 - Questionnaires to stakeholders
- Analysis of status and prospects of PoAs
 - Identification of 6 case studies
 - Interviews with stakeholders

A selection of PoAs

Geographic scope	Sector	Sub-sector	Status	Monitoring and issuance	tCO ₂ eq/yr
A country in Southeast Asia	Methane avoidance	Palm oil waste	Not implemented Not operating	N.A.	27,646
Regional – Central America	Hydropower	Run-of-river	Expanding slowly	Monitoring ongoing	3,642
Regional – Central and South America	Hydropower	Run-of-river	Expanding Slower than expected	Monitoring ongoing	5,762
A South American country	Hydropower	Run-of-river	Expanding Slower than expected	Ongoing Upcoming issuance request	8,634
An African country	EE in households	Lighting	Expanding slowly	Monitoring ongoing	31,099
Regional - Africa	EE in households	Stoves	Issued once Expanding	Ongoing	40,577



PoAs versus traditional CDM projects



> PoAs are designed as a **framework** rather than a project



> The scale and associated emission reductions of PoAs are **dynamic**



> PoAs target several **sectors, technologies and areas**



> The **business models** represented in PoAs are different



> The role **carbon credits** plays in the implementation of mitigation activities as part of a PoA is crucial

Current status of PoAs

- > In total there are 283 registered PoAs with 2009 CPAs
- > 65 countries are covered
- > Half are not yet implemented
- > 1/3 are operating regularly



- ☹ Low certified emission reduction (CER) prices
- ☹ Complexity of CDM procedures
- ☹ Uncertainty around the CDM



➔ How can we overcome these challenges and guarantee the success of Programme of Activities under the CDM?

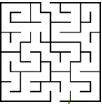


CDM benefits are insufficient for project continuation



- > Due to a lack of demand, **CER revenues** are too small to compensate for the administrative burden and limit the expansion of scalable activities
- > Very few international support efforts have been made and securing **upfront finance** is a challenge
- > PoAs need a critical mass of CPAs to **spread the cost** and administrative effort
- > CER prices in the **€5-10 range** are needed

Stringent CDM procedures decrease added-value of PoAs



- > CDM procedures require adequate human resources and technical **expertise**, which are both limited
- > Significant **time-lags** and delays between CDM stages complicate the process
- > Continuous **training and awareness raising** is crucial to the success of PoAs
- > There is a lack of **standardised** baselines, guidelines, templates and instructions

Uncertainty around the CDM increases market skepticism



- > PoAs are still **immature**
- > PoAs are highly **dependent** on the sector, the business model, the country and the context
- > Local human and technical **capacity** is limited
- > Procedural **delays** are frequent and requirements are cumbersome

The PoA modality fills a need



- > The PoA modality is an **effective tool** to provide an umbrella for the structuring and management of the programme as well as part of the financing
- > Their scope is very **diverse** and can include a wide range of technologies and focus on underrepresented regions
- > They support small or micro-scale projects with high **co-benefits**

The PoA modality reduces costs



- > **Aggregating** CPAs under the same umbrella is a way to minimise incremental costs and reduce administrative burden
- > Transaction costs, **investment risks** and uncertainties for individual CPA participants are reduced
- > Profiles of PoAs are attractive to the **voluntary market** and other schemes

The PoA modality fosters regional collaboration and economies of scale



- > PoAs can support specific regional policy goals by accessing **carbon finance**
- > PoAs have a high potential for **replication**
- > PoAs encourage **sector-wide upscaling** of mitigation actions
- > PoAs can include multiple countries increasing **regional collaboration**

How to get there?

Make outcomes from pursuing CDM predictable

1. Introduce CDM **reforms**
2. Provide long-term **capacity-building** for local community
3. Address deeper **financial challenges**

Increase access to funding

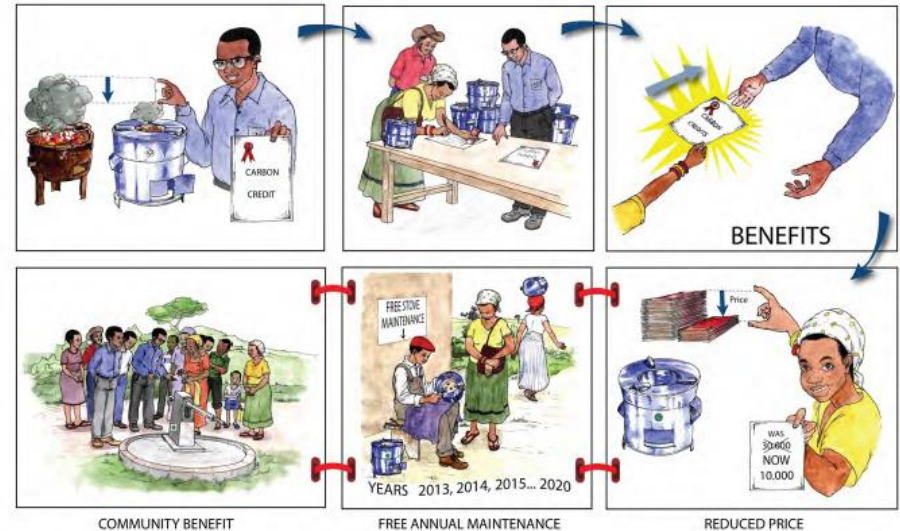
1. Stimulate and **de-risk** local investments
2. Funnel **international support**

Build local capacities

1. Raise **awareness** of PoAs
2. Facilitate **local collaboration**
3. Organize **trainings**

Streamline and simplify CDM processes

1. Streamline and **simplify**
2. Build DNA **capacities**
3. Increase DOE **consistency**



Thank you for your attention!



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