

## Agenda item 2.2

Paragraph 7 of the annotated agenda, Annex 3

Analysis of the need for measures to ensure the continued participation of DOEs, in particular in regions underrepresented in the CDM

**CDM EB 90**

Bonn, Germany, 18 to 22 July 2016



**CMP 11<sup>th</sup>, December 2015 (6/CMP.11 paragraph 11 mandate):** The CMP requested the Board to analyse the need for measures to ensure the continued participation of DOEs in the CDM, in particular in the regions underrepresented in the CDM, taking into account the transparent and prudent management of the resources of the CDM, including the spending for those serving on the Board.

**EB89, May 2016:** Concerns were expressed by stakeholders to the Board about DOEs leaving the CDM landscape (even in countries where the CDM has high representation) and the lack of DOEs in underrepresented countries. Stakeholders suggested that the Board restore confidence among the DOEs, giving them security that their work will continue with the Paris Agreement. It was also suggested that capacity building be strengthened to have available DOEs at the national level.



## Purpose

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The purpose of this concept note is to enable the Board to analyse, as per the 6/CMP.11 paragraph 11 mandate, the need for measures to ensure the continued participation DOEs in the CDM, in particular in the regions underrepresented in the CDM, and to agree, in principle, to a recommendation to the CMP at its twelfth session in Marrakesh in November of this year.



## Key issues

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The analysis provides information from two sources:

**(a) Results of a survey with DOEs**, designated national authorities (DNAs) and project participant (PPs) conducted from 12 to 27 May 2016 (details are provided in appendix 1);

*An electronic survey was conducted from 12 to 25 May 2016 with about 500 stakeholders including DOEs, DNAs and PPs. As detailed in appendix 1, 32 stakeholders responded to this survey (low response).*

**(b) Recent concept notes and reports** considered by the Board within the past 12 months.

*Synthesis report of the annual activity reports submitted by the DOEs 2014–2015 (CDM-EB87-AA-A06); and, Approaches to reduce the accreditation fees charged to DOEs (CDM-EB87-AA-A08)*



## Key issues - Results of a survey (1/3)

- The top five regions in which stakeholders considered that **there are opportunities to develop financially feasible projects**:
  - (i) **Asia and the Pacific**
  - (ii) **Africa**
  - (iii) **Only in some countries in Latin America and the Caribbean**
  - (iv) Latin America and the Caribbean
  - (v) Only in some countries in Africa.
  
- The top five regions in which DOEs **do not have current available capacity to offer services** (in the event of an opportunity for a financially feasible project proposal) are:
  - (i) **Africa**
  - (ii) **N/A (no issues of available capacity)**
  - (iii) **Only in some countries in Africa**
  - (iv) Latin America and the Caribbean
  - (v) Eastern Europe and central Asia.



## Key issues - Results of a survey (2/3)

The **top five barriers identified** by DOEs to providing services in the underrepresented regions are:

*(i) Current perception of the CDM due to the uncertainty in the carbon market*

*(ii) Lack of security that the work will continue with the Paris Agreement*

*(iii) No clear link with the CDM and new and emerging carbon markets*

*(iv) Unavailability of local expertise (e.g. access to locally experienced staff with global knowledge of the CDM)*

*(v) Language barriers (non-native speakers assigned to develop the CDM activities).*

Stakeholders listed the **main reasons for engaging in the CDM projects** as follows:

*(i) Engaging in CDM projects steers domestic companies towards certain technologies and thus influencing technological and economic developments.*

*(ii) Engaging in CDM projects influence high policy decisions on nation/state level guided by distinct political interests.*



## Key issues - Results of a survey (3/3)

### Summary of the cost-effective measures suggested by Stakeholders:

- **Create confidence** in future DOE demand and enhance linkages between the CDM and the emerging carbon markets.
- **Promote regional and national capacity building** to undertake CDM activities particularly in countries where capacity is lacking.
- **Simplify the CDM and reduce operational costs** and avoid duplication of efforts and reduce overhead costs (e.g. by reducing reporting duties). Also, continue standardizing the registration and monitoring/verification processes.
- **Catalyse financial flows for CDM project activities**. Expand the scope of the CDM loan scheme.
- **Promote collaboration** and enhance links between the CDM, the RCCs, DOEs and DNAs.
- **Other:** Do not to expend effort and energy on creating additional DOE capacity, because this will further increase the number of DOEs, for which the business is not financially viable.



## Key issues - Observations drawn (1/2)

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Most of the DOEs reported **challenges related to the low price of CERs** and the consequent decrease in the volume of validation and verification work. The DOEs reported that this has been **a driver for voluntarily withdrawing from sectoral scopes** and slimming down their operations.

There are at least 13 DOEs accredited in each sectoral scope (excluding sectoral scope 16, where there is only one), indicating that **there is sufficient coverage of accredited DOEs in each sectoral scope**. Geographic coverage is also extensive, **with more than one third of the DOEs working in countries with fewer than 10 registered CDM projects**.

A relatively small number of DOEs play a critical role in servicing the majority of the international needs for CDM validation and verification services. In other words, **validation and verification services are predominantly in the hands of one quarter of all DOEs**; the distribution of these has changed over time.



## Key issues - Observations drawn (2/2)

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As per inputs received from DOEs last year, **fees in Africa and Latin America and the Caribbean are decreasing**. Conversely, the **fees for Asia and the Pacific and Eastern Europe are increasing**.

About **53 per cent of the DOEs reported a higher income than expenditure**, 39 per cent reported a lower income than expenditure, and 8 per cent reported equal income and expenditure. Many DOEs reported intense pressure on the prices for DOE services.

The Board, in 2014, revised its CDM accreditation procedure, which included several measures to reduce the fees and cost of assessments.



## Proposed solutions

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Recalling that the key CMP question for the Board to address, based on this analysis, is whether there is a need for additional measures to ensure the continued participation of DOEs, in particular in the regions underrepresented in the CDM.

**The secretariat considers that most of the suggestions made by stakeholders are addressed in the CDM two-year business plan 2016–2017 and the MAP 2016 particularly in:**

- **Create demand for CDM CERs** through the climate-neutral now initiative and options for using the CDM as a tool for other uses.
- **Simplify the CDM** and reduce the operational costs for validation/verification activities (MAP Project 246);
- **Continue standardizing the registration** and monitoring/verification process (MAP Project 223)



## DOE Forum

*Agreed to the conclusions made by the secretariat*

## External input to items on the agenda of the meeting

*Reject this agenda item with its proposal and instead direct the secretariat to focus on bringing actual registration and issuance results to underrepresented regions, as that is CMP's exact intended outcome.*



## Recommendations to the Board

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Based on the analysis above, the secretariat considers that, despite the poor market conditions and uncertainties, there is currently sufficient coverage of DOEs in each sectoral scope, and geographic coverage including in underrepresented regions. Hence, **the secretariat recommends to the Board that there is no need, apart from those reflected in the MAP 2016, for new specific measures concerning the continued participation of DOEs.**

The secretariat also recommends that the Board take note of the analysis contained in this concept note and suitably mention in its annual report to the CMP.12 in Marrakesh in November of this year.



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# THANKS



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