

Linking the Clean Development Mechanism and the Green Climate Fund

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Carbon Expo, Cologne, German Pavilion
26 May 2016

Agenda

- Status of CDM and GCF
- Linking the CDM and GCF
- CDM GCF Portfolio Analysis
- Side event announcement



Status of the Clean Development Mechanism

- **Current challenges of the CDM**

- Low demand as a result of low mitigation ambition has led to low CER prices
- Risk of discontinuation of existing projects, in particular additional ones

- **Successful CDM reforms**

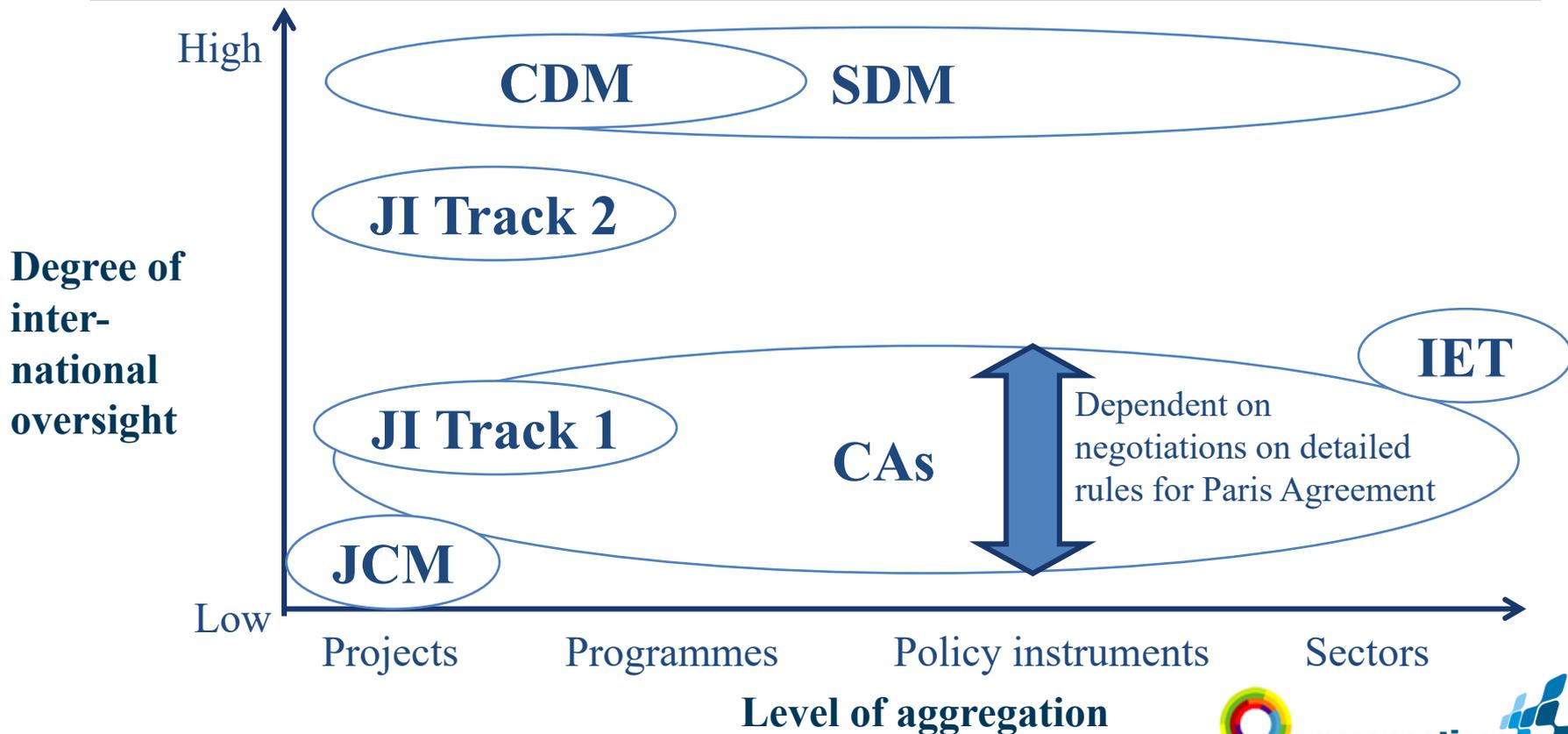
- Programmatic and standardized approaches

- **Strong role of market mechanisms in the Paris Agreement (PA)**

- Art. 6.2 decentralized “cooperative approaches”
- Art. 6.4 PA: multilaterally governed mechanism “to contribute to the mitigation of greenhouse gas emissions and support sustainable development
- Rule development only beginning, building on existing mechanisms



Post-Paris landscape of market mechanisms



Green Climate Fund

- **Capitalization of 10 billion USD**

- largest multilateral climate fund
- seen as key vehicle to channel international climate finance

- **Early stage operationalization**

- only eight small-scale projects accepted
- rules and procedures need further elaboration (“teething problems”), including for “programmatic approval”

- **Ambition to promote a paradigm shift towards low-carbon and climate-resilient development**

- **Application process is complex**

- no “approved” MRV framework



Linking the CDM and the GCF

- **Key rationale**

- Climate finance can serve as bridge financing before carbon market demand resulting from PA can trigger new investments
- Strengthening and harmonizing MRV approaches within UNFCCC architecture (→ NDCs!)

- **Upcoming publication on financing of CDM activities which meet GCF ambition and requirements: Engagement Models**

- **Grant financing:** disbursements are linked to mitigation results
- **Debt funding:** debt terms and conditions are pegged to mitigation results
- **Green bond financing:** credit enhancement
- **Equity financing:** pegging equity terms and conditions to GHG mitigation results
- **CER price guarantees** (→ PAF)
- **Non-financial:** Applying (simplified) CDM methodologies to GCF-funded activities



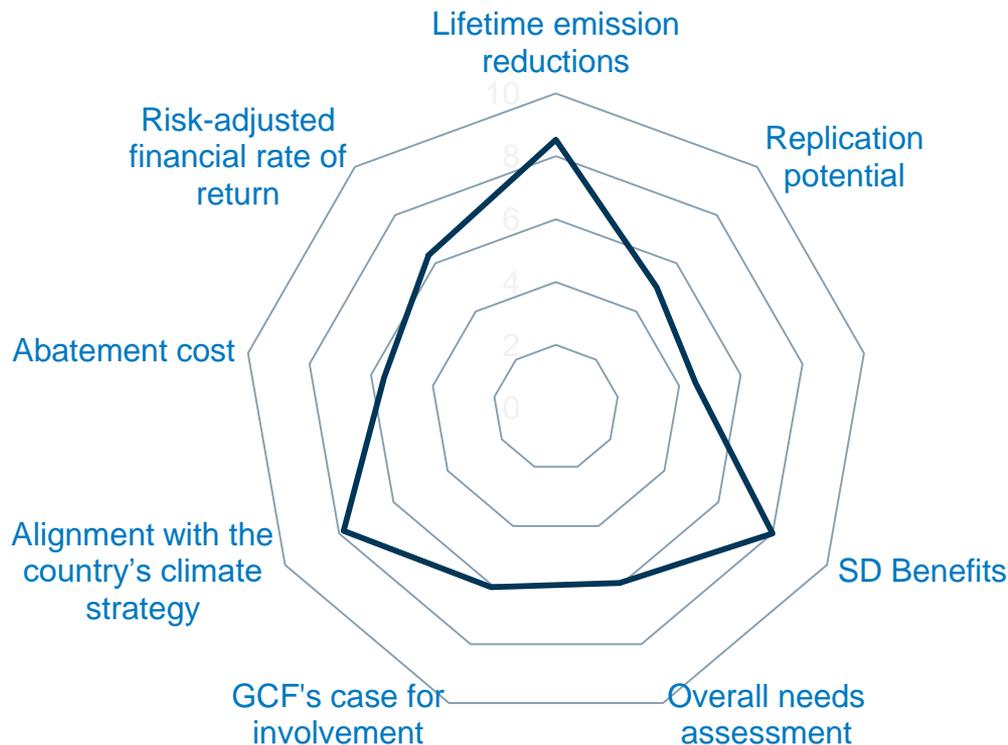
CDM GCF Portfolio Analysis

Many CDM activities align well with the indicated GCF benchmarks.

Close to 20 CDM activities in African countries analyzed

Challenges

- replicability/scalability
- Paradigm Shift influence
- Efficiency/effectiveness



Submitting activities to the GCF

- **Project concept note vs full funding proposal (both possible)**
 - Complexity of application procedures and requirements (feasibility study, market analysis, demonstrating country ownership and paradigm shift)
 - Much more complex and comprehensive than PDD
- **Not enough quality proposals reach the GCF**
 - Challenge for goal to disburse USD 2.5 billion annually
 - Introduction of Project Preparation Facility
- **Institutional bottlenecks**
 - Endorsement of Accredited Entities needed
 - Host country endorsement needed
 - Lack of transparency of GCF process

Side Event: Linking carbon markets and climate finance: potential for Africa, Friday May 27nd, 10:00-11:00, Room 03, Second Floor

- **Moderation :** Axel Michaelowa, Perspectives
- **Presentations**
 - **Linking Climate Finance and carbon markets**, Sandra Greiner, Climate Focus
 - **UNFCCC exploration in linking CDM and climate finance**, Grant Kirkham, UNFCCC Secretariat / Stephanie Sfakianos, BNP Paribas
 - **Africa's views on linking CDM and climate finance**, El-Hadj Mbaye Diagne, African Lead Negotiator, Market Mechanisms
 - **German support initiatives for strengthening the CDM in Africa**, Thomas Forth, German Ministry for the Environment
- **Discussants**
 - Sohel Pasha, UNFCCC Regional Collaboration Center (RCC)
 - Ghrmawit Haile, Ministry of Forest, Environment and Climate Change, Ethiopia

Thank You!

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