

World Bank Statement on the CDM

CDM CMP6 Plenary, Wednesday, December 1, 2010 (10:00-13:00)

Thank you Madam Chair.

My comments draw from the World Bank's experience supporting 200 projects and reviewing over 1,000 project ideas. We have seen first-hand how CDM can make a difference. Not only does it lower the cost of reducing emissions, but it also improves lives. For example, it provides solutions to waste management, provides health benefits, improves energy services, generates livelihoods, and transfers technology. It is vital that all developing countries enjoy these benefits. Madam Chair, we are working in middle-income countries but increasingly in low income and low capacity countries. In fact, about 20% of our portfolio is located in Africa – this is in sharp contrast to the approximate 2% the continent represents in the overall CDM portfolio.

The CDM has achieved impressive results. The World Bank's 2010 publication on "*10 years of experience in carbon finance*" highlights many of these. We do, however, share the concerns made by a number of developing countries and are concerned that if not addressed, confidence in the CDM will erode.

The lack of clarity on what will happen post-2012 and on whether there will be a demand for certified emission reductions is a key concern, but not the only one. Existing CDM regulatory risks – leading to low predictability and high transaction costs - are consuming more and more of the CDM benefits and hampering the viability of good projects that need a reliable carbon finance revenue stream. We join others, in acknowledging the CDM Executive Board's efforts over the past year in working towards streamlining procedures. However, the long delays, complex and frequently changing rules and procedures, multiple checks and uncertainties associated with the CDM decision-making process remain a major challenge. This is especially the case in low income countries. We therefore recommend action in 5 areas:

First - Enhance regulatory reliability through more predictable and objective rules and guidance.

This means moving towards more objective and practical rules to assess additionality. It requires streamlining baseline and monitoring methodologies. This is *not* about compromising environmental integrity; it is about improving it through conservative yet pragmatic standardization.

Regulatory reliability also requires that liability provisions be clear and reasonably limited in time and in scope – for both projects and programmes.

Second - Reduce timelines and streamline CDM procedures to reduce transaction costs.

It is essential to promote a uniform interpretation of regulatory requirements among all DOEs and the Executive Board through training, communications and knowledge sharing.

Reducing timelines and backlogs can be further facilitated by distinguishing between errors in project documentation that meaningfully affect estimates of GHG reductions and those that do not. The latter should be minimized; but they should not lead to disproportionate penalization, nor should they contribute to clogging the CDM system for everyone else.

CHECK AGAINST DELIVERY

Action is needed to limit losses to project participants from regulatory delays that are no fault of their own or due to non-material issues. One important step is to allow the crediting period to start from the date of a project's *submission* for registration - instead of *actual* date of registration.

Third – Encourage innovation, scaling up and extending the CDM reach through *programmatic* CDM

We believe that it is possible to dramatically enhance the CDM's impact. The much welcomed streamlined and pragmatic guidelines for demonstrating additionality of very small-scale projects should be extended to programmes of activities. For example, programmatic CDM should be applicable to city-wide programs, as suggested by the representative of Jordan, where several underlying activities cover different project types with different technologies, but are confined to a geographic boundary.

Fourth – Open new opportunities for the poorest countries to benefit from the CDM. In addition to the 3 other action areas highlighted, Parties need to encourage the expansion of the CDM into new directions in agriculture and forestry - with important co-benefits for livelihoods, wildlife and other ecosystem services. Agreement is also needed on practical solutions for situations of suppressed energy demand to enable CDM projects in countries with inadequate energy access.

Fifth – It is essential to ensure that the CDM governance structure evolves to strengthen trust, enhance transparency and ensure due process.

We suggest consideration be given by the Parties to launch a review of the CDM governance. A clear separation of roles and tasks, as well as engaging full-time professional staff to govern the mechanism would be key elements to consider. We should also look to enhance communication and opportunities for *meaningful* stakeholder input to benefit from experience on the ground.

Madam Chair, we hope these recommendations are viewed as helpful. We thank you for the opportunity to speak and remain available to provide inputs and assistance to the Parties as needed.