Potential impacts of the CDM post 2020 and lessons learned

Gilles Dufrasne
Policy Officer, Carbon Market Watch
The CDM threatens the integrity of the Paris Agreement

Key reasons for ending the CDM in 2020:

1. The CDM has undermined domestic climate action and led to an increase in emissions (negative climate impact)

2. The CDM does not have necessary safeguards in place to prevent and remedy adverse impacts (negative environmental and social impacts)
1) The CDM undermines climate action

- Offsetting = zero sum game, at best
- CDM credits with low environmental value increase emissions
- A large majority of projects do not rely on CDM revenues to reduce emissions.
2) The CDM lacks social and environmental safeguards

- Involving all local stakeholders in project design, and protecting them from harm is beneficial for all.

“Prevention is the best medicine”: Compensation is not always possible!
What is the next step?
What can we learn from the CDM for art. 6?

- Lesson 1: Article 6 cannot undermine climate action
- Lesson 2: Article 6 must go beyond offsetting
- Lesson 3: Article 6 cannot generate harm to people or the environment
Lesson 1: Art. 6 cannot undermine climate action

« Parties shall [...] apply robust accounting to ensure, inter alia, the avoidance of double counting » (6.2)

• Avoiding double counting is essential for post-2020 markets. This requires at least 2 key elements:
  1. Transparent tracking of all units through a publicly accessible transaction log
  2. Application of corresponding adjustments for ALL UNITS transferred (including outside UNFCCC mechanism e.g. CORSIA)
Lesson 2: Article 6 must go beyond offsetting

Article 6 must « *deliver an overall mitigation in global emissions* » (6.4d)

Overall mitigation is achieved through a discount/cancelation rate.

Example: Project x reduces emissions by 100tCO2e, corresponding adjustments are applied for the 100tCO2e, but only 50 credits (=50tCO2e) are issued.

See: L. Schneider et al. (2018), « *Operationilizing Overall mitigation in global emissions under article 6 of the Paris Agreement* »
Lesson 3: Art. 6 cannot generate harm

Article 6 must promote/foster sustainable development (6.2/6.4)

Essential minimum safeguards include:

• Detailed rules on local stakeholder consultations
• A grievance mechanism governed by an independent body

See Carbon Market Watch report « Practicionner’s guide for Local stakeholder consultations »
End the CDM in 2020

Do not allow the CDM to undermine ambition of the Paris Agreement

Learn from these lessons to design markets which increase ambition