

Potential impacts of the CDM post 2020 and lessons learned

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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.



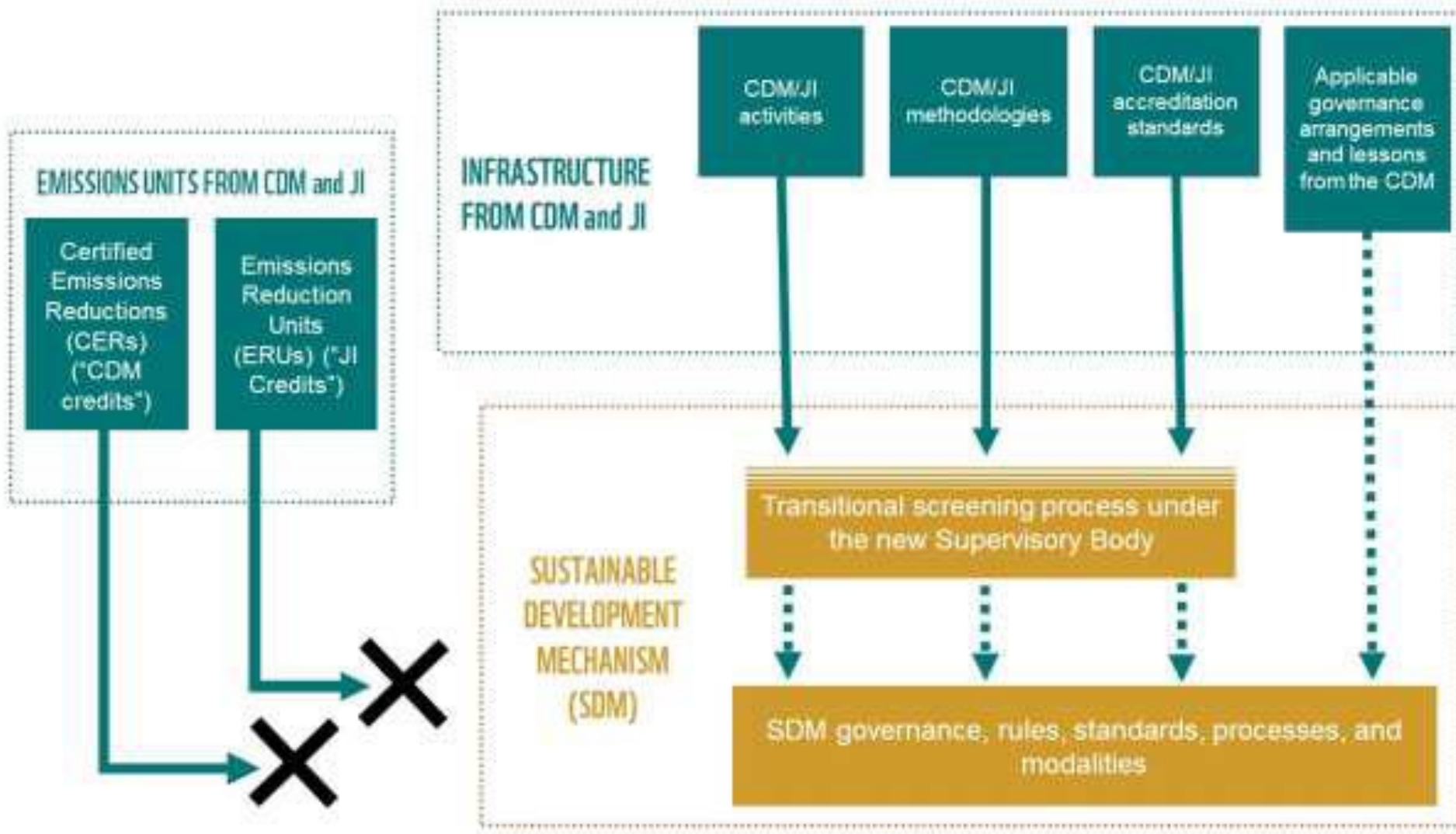
2) The CDM lacks social and environmental safeguards

- 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 « *Practitioner'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**

