

## **Carbon market experts stress need to simplify CDM procedures , adopt standardized criteria for sustainable development: FICCI Survey**

NEW DELHI, March 15, 2013. The need to simplify CDM (Clean Development Mechanism) procedures, adopt standardized criteria for sustainable development and NAMA (Nationally Appropriate Mitigation Actions) crediting as preferred options for New Market mechanisms are some of the suggestions by carbon market experts on the impact of the revised procedures introduced post the Cancun and Durban conferences on Climate Change.

The opinion of Indian carbon market players on the functionality of CDM and expectations from the New Market Mechanism defined at Durban (2011) and Doha(2012) are captured by a FICCI Survey on 'Reformed CDM and Transition to New Market Mechanisms'. For India, which is the second largest contributor of CERs in the carbon market, the significance of market based mechanisms is enormous.

The key findings of the survey conducted by FICCI Quality Forum (FQF) are:

- General agreement on need to simplify CDM operational procedures
- Divided opinion on whether the new regulatory framework and standardized baselines will help reduce the complexities and lower transaction costs.
- High expectation that adoption of standardized criteria for sustainable development by host country DNAs will boost sustainable development in their respective regions
- NAMA Crediting is among most preferred options for New Market Mechanisms
- Divided opinion on whether to gradually replace CDM with New Market Mechanisms or operate the two schemes in parallel
- High hopes that credit price will increase though it will vary under different mechanisms if all international schemes are operated in parallel

With the end of the first Kyoto Protocol (KP) commitment period on 31 December 2012, many questions have been raised about the future of the Clean Development Mechanism (CDM). In Durban (2011) it was agreed that work had to be completed no later than 2015 to adopt a new instrument at the 2015 UN Climate Conference which would replace the KP and be implemented from 2020. Cancun (2010) approved a set of decisions anchoring national mitigation pledges and taking initial steps to strengthen finance, transparency and other elements of the multilateral climate framework. Since Cancun, CDM has been witnessing several reforms which would change this mechanism over time, particularly for China, India and Brazil. These changes were further strengthened at COP17 in Durban and COP 18 in Doha.

The FICCI Survey received responses from 64 key CDM stakeholders including CDM project consultants, project developers, auditors, traders and others.

Around 90% of the survey respondents believe that the current CDM framework is plagued by the issue of complicated operational procedures. Therefore any new reform, which is well-thought out, should not further complicate the operational procedures. After 2012, a new regulatory framework will be implemented based on the Project Standard (PS), Validation and Verification Standard (VVS) and Project Cycle Procedure (PCP), including new

and revised guidelines and forms. On the question of how this new framework would impact the CDM operational procedures, about 40% of the participants believed it would simplify the procedures, while about 30% expected further complications adding to the confusion prevailing in the market. 38% of the respondents expected more time delays resulting from the new framework while 35% were unsure about its impact.

On whether the use of Standardized Baselines would help in reducing transaction cost of CDM project development, a majority of the respondents said that this would lead to positive outcomes in terms of reduced transaction costs, reduced time requirement in developing CDM PDD, and simplification of procedures of CDM project registration and issuance.

On being asked about the purchase restriction of CERs generated in non-LDCs by EU post 2012, about 70% respondents anticipate negative impact on Indian CDM market.

As for expectations from New Market Mechanism, a majority of the respondents believed that NAMA crediting will be more impactful in GHG abatement.

Note: A detailed Survey Note is attached.

<http://ficci.com/Sedocument/20227/FICCI-NMM-Survey-2012-Final.pdf>

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