

Public Data on CER issuance and understanding potential supply of CERs in the context of Article 6 of the Paris Agreement

ERCST

London, England 20 and 21 February 2020



Content of this presentation

- All information in this presentation is publicly available
- *What issuance rates have we seen in the past?*
- *What factors are relevant for estimating future supply?*



Current CDM registry holdings (does not include CERs held in Annex I registries)

Aggregated holdings in the CDM registry as at 31 January 2020 (UNFCCC)

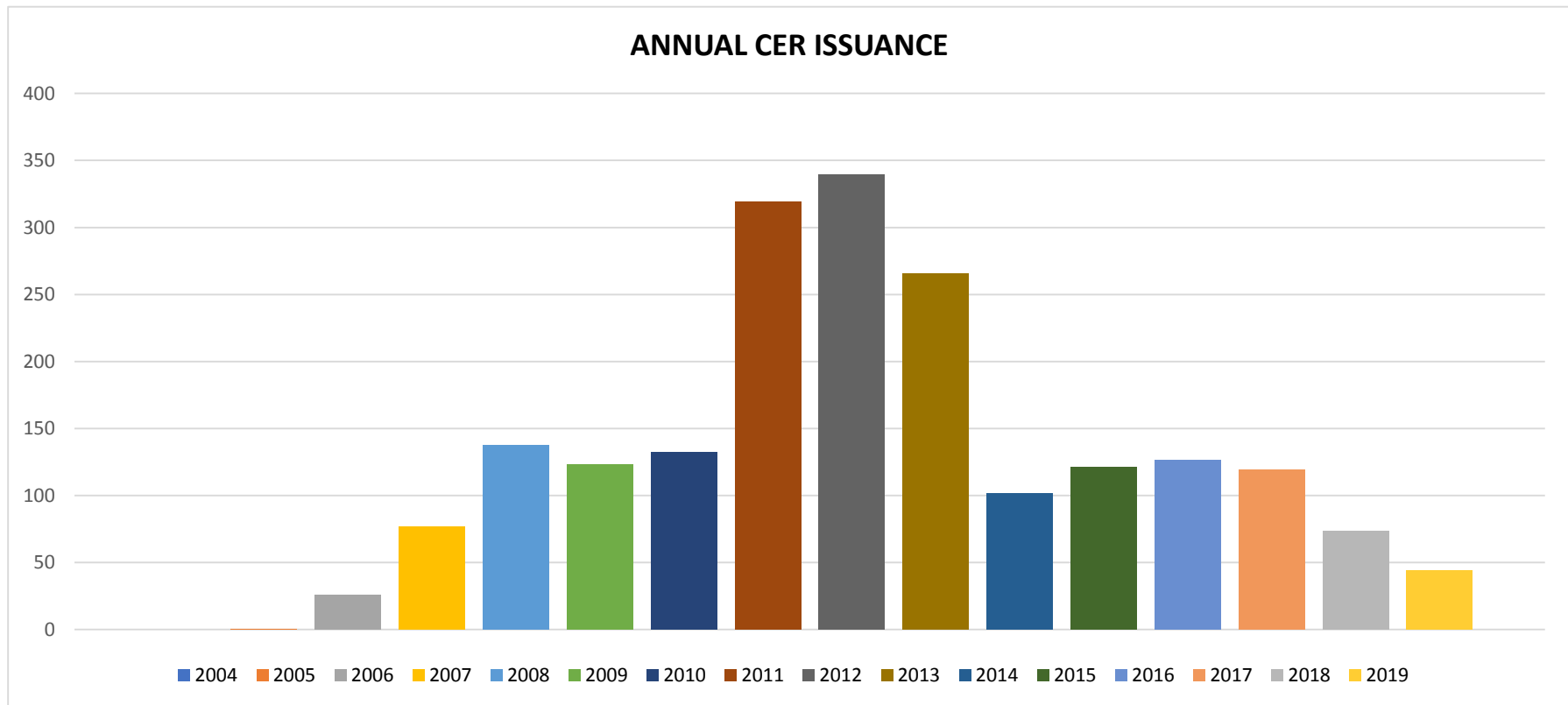
	Account Type	CER	tCER	ICER	Total
1	Total units in the pending account and in holding accounts for CP1	157,325,732	3,491,590	406,901	161,224,223
2	Total units in the pending account and in holding accounts for CP2	264,318,003	1,415,768	7,033	265,740,804



CER supply 2012-2020: PDD volumes, volumes adjusted for issuance rate, actual issued volumes



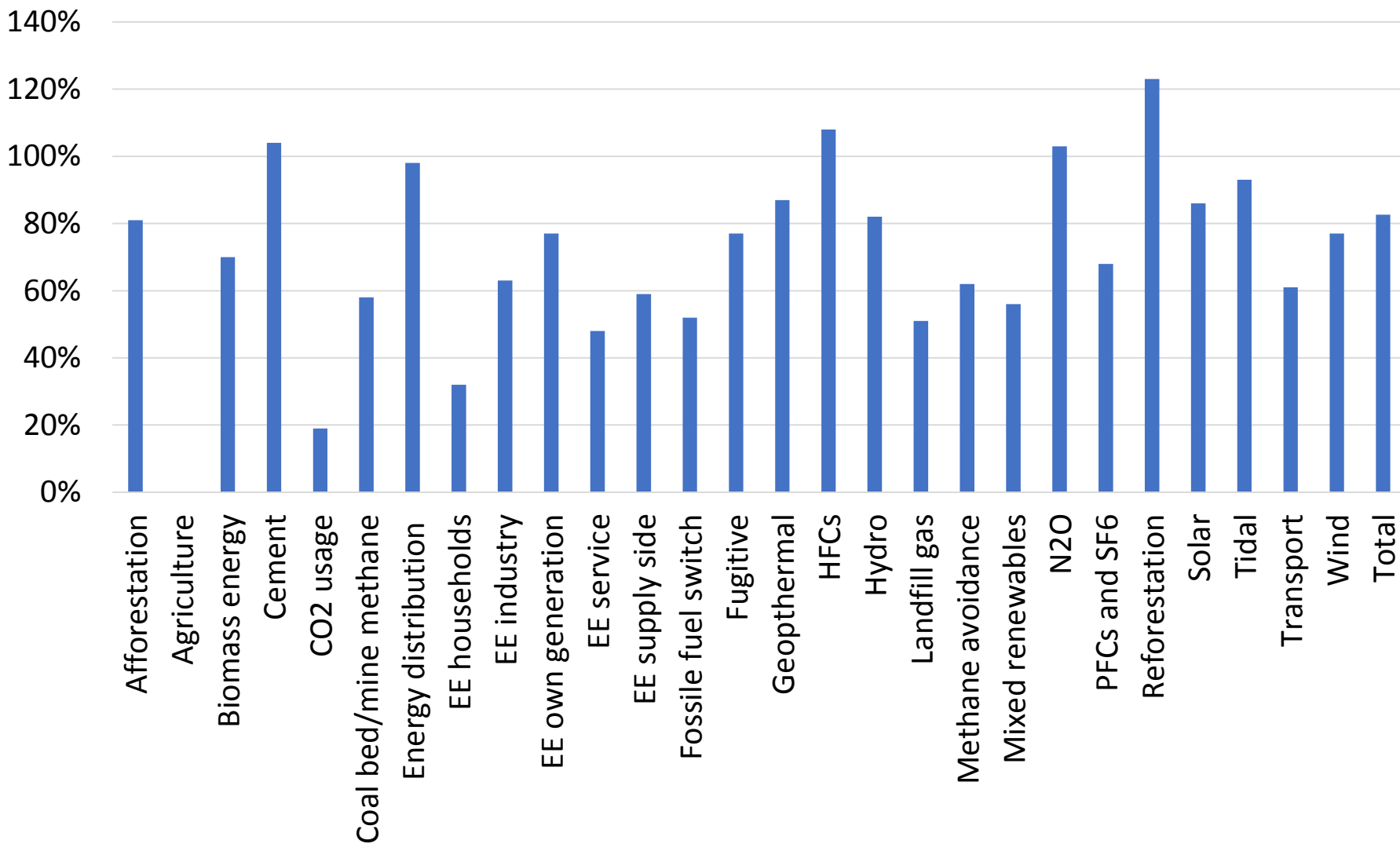
Annual issuance during life of CDM to date



- Shows that with 330 million CERs issued, **2012** has been the “peak” year so far
- **Overestimation has been a trend:** “*CDM emission reductions in 2014 is estimated to be in the order of 270 million CERs, and thus considerably lower than widely acknowledged maximum supply potentials of an average 640 million CERs per year*”. (https://newclimate.org/wp-content/uploads/2015/11/newclimate_impacts-of-the-cdm_2015.pdf) – Actual issued volume was 101 million

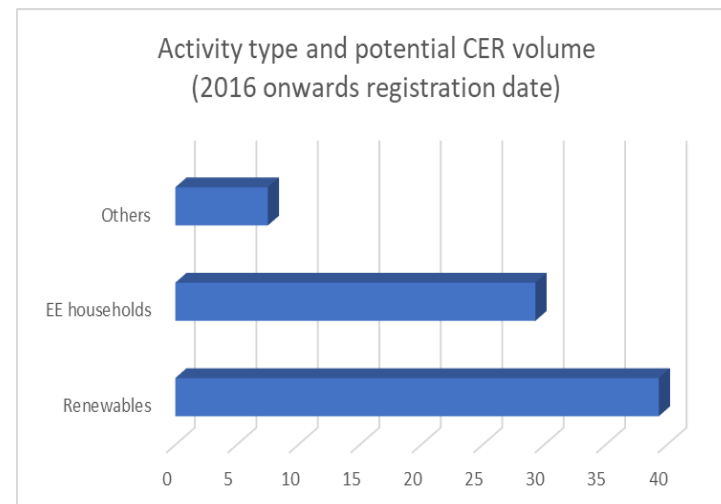
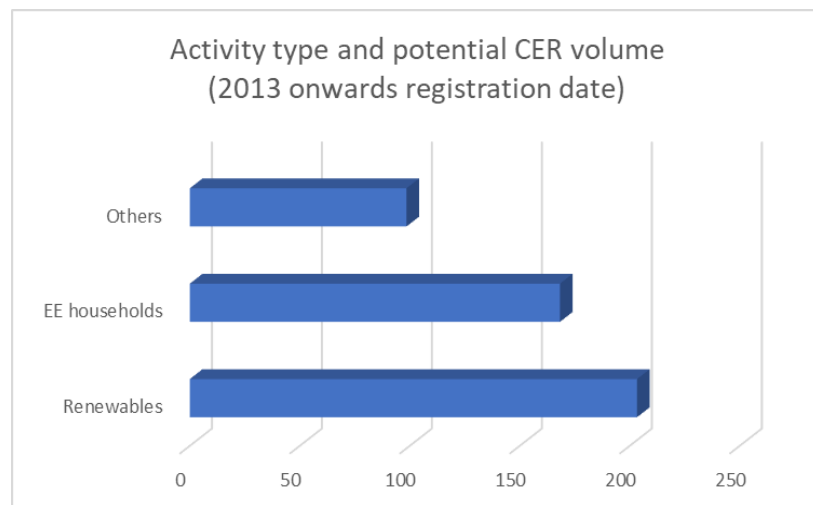


Issuance success rate against registered PDD



Registration and PDD volumes using possible “eligibility” dates

Year	Project activities registered since 1 January	POAs registered since 1 January	Total activities registered since 1 January	PDD volume based potential CER issuance from registered project activities	PDD volume based potential CERs issuance from registered PoAs	PDD volume based potential CER total
2013	655	114	769	382.5	87.48	469.98
2016	112	36	148	41.73	34.44	76.17



Issuance rate, transaction cost and market price are connected (studies)

- EUR 2 market recovery will only lead to a modest increase in supply and thus could be initiated by a modest increase in demand. (https://newclimate.org/wp-content/uploads/2015/11/newclimate_impacts-of-the-cdm_2015.pdf)
- A CER price in excess of EUR 5 could restore market confidence by significantly reducing the gap between the volume of emission reductions taking place and the feasible volume of credit issuance.
- For 53% of projects, a CER price below €5 is sufficient to continue verification and issuance activities.
- For 82% of projects, a price below €10 is sufficient.
- 33% of projects report total costs per verification and issuance cycle of less than €10,000.
- 66% of projects report total costs below €25,000.
- Only 36% of registered projects will aim for renewal at the end of the crediting period. https://newclimate.org/wp-content/uploads/2015/05/cdm_evaluation_mainreport_2015.pdf
- According to the PDDs in all the CDM projects that are alive, the total amount of additional 2020 CERs expected in CP2 is 284 Million CERs.

<http://www.cdmpipeline.org/cers.htm>



REFLECTIONS

Using PDD volumes...

- Projections based on CDM PDD volume can lead to unduly high projections of potential CER supply because reality is much more nuanced. For example:
 - Activity types have different trends – newer CDM activity types currently have lower actual issuance rates compared to the PDD volume than older CDM activity types (EE household compared to renewables).

Assumptions that are “technical” need sufficient nuance

- Technical aspects that limit issuance ALSO include technology specific issuance limits such as declining grid emission factors and increasingly conservative defaults in methodology revisions.

Technical limitations are not the only factor...

- **The expected/average market price of the CER compared to the verification and issuance cost may be determinative of whether to issue or not. Empirically, this is the UNFCCC secretariat experience as regulatory support body to the CDM EB.**
- Legal and regulatory changes are also relevant – such as the Kigali Amendment (to the Montreal Protocol) and national level rules (China, HFC).



CDM data can be accessed:

- <https://cdm.unfccc.int/Statistics/Public/CDMinsights/index.html>

