

## Agenda item 5

Paragraph 24 of the annotated agenda

## Update on the CDM Loan Scheme



**CDM EB 104**

Bonn, Germany, 9 to 12 September 2019



# Purpose

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- EB was updated on the status of the loan scheme at EB102.
- As part of the EB report to CMP, the status of the CDM loan scheme is also reported.
- This update serves to give the latest update and outlook for the CDM loan scheme



# Procedural background to the CDM Loan Scheme

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- In 2010, the CMP adopted CDM Loan Scheme guidelines and modalities. These **cover the whole loan cycle in detail**.
- United Nations Office for Project Services (UNOPS) is the implementing agency.
- The secretariat oversees the implementation of the CDM Loan Scheme.
- Lending was launched in April 2012.
- 63 loans were agreed and implemented.
- Evaluation in 2016 led to CMP adopting further guidance that set out **further conditions where write-off of loan funds is acceptable**.
- This presentation intends to update the CDM Executive Board on the status of the CDM Loan Scheme.



# Status as of 30 June 2019

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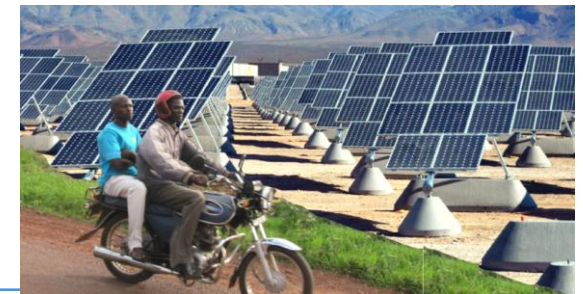
As of 30 June 2019, UNOPS has informed the secretariat that:

- 191 applications were received in total since the start of the loan scheme, 73 loans approved, and 63 loans proceeded to execution.
- 19 loans have repaid fully
- Five loans have been partially repaid and partially written off
- 13 loans have been fully written off
- The remaining 26 loans were still being processed by UNOPS to either be repaid or written-off.



# Loan distribution

- Loan sizes vary from USD 2.500 to 167.500.
- 44 loans in LDCs and 19 in non-LDCs
- 19 loans support large scale projects, 33 PoAs, and 13 small scale projects
- Even distribution across 18 project types, the top project types are:
  1. Efficient cook stoves (16)
  2. Hydropower (7)
  3. Solar voltaics (6)
  4. Biomass (6)
  5. Landfill gas (4)



# Current activities

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- In consequence with decision 3/CMP.12, paragraphs 11 to 17, the loan scheme is now operationally closed, with UNOPS executing the recovery phase to process loans to be repaid or, when circumstances warrants, to write them off.
- The closure of the loan scheme is set for 30 September 2019.
- Final financial closure can only take place when the annual audit of UNOPS accounts is completed, why the financial closure is now set for mid-2020.
- UNOPS, supported by the Secretariat, is currently reviewing each loan to determine whether:
  - a) The loan recipient can repay the loan
  - b) The loan meets criteria to write it off
  - c) If neither of the above apply, alternative means to handle the loans are considered.



# Current activities

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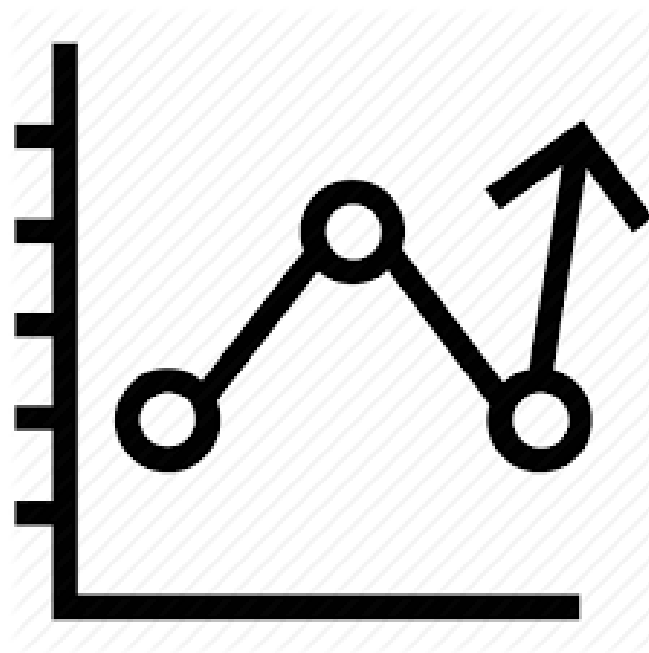
- In assessing the loans to be closed, three categories of loans can be identified:
  - a) Loans that clearly meet criteria for write-off. These are handled on an individual basis to have their loans written off by UNOPS and the corresponding amounts written down in the receivables of UNFCCC.
  - b) Loans for which UNOPS is not able to collect sufficient documentation to decide on a write-off. This may be because the project has been abandoned, due to Force Majeure in the host country or similar cases. UNOPS, in consultation with the Secretariat, is assessing each case to determine if the known circumstances warrants that these loans are also written off.
  - c) Other loans where the loan recipients have stopped responding to UNOPS, or where the loan recipient claims to not be able to repay the loan but is also not able to provide evidence to that end, repayment will continue to be pursued and the concerned projects will be blocked from issuing CERs in the CDM registry until repayment is achieved.



# Financial status as of 30 June 2019

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- a) Total loan commitment:  
USD 3,902,070
- b) Funds disbursed to loan recipients: USD  
3,702,987
- c) Loan funds repaid: USD  
1,075,049
- d) Loan funds written off:  
USD 580,376
- e) Remaining loan amounts: USD 2.246.645





# Next steps and recommendation

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- All loans to be processed by end September 2019.
- Administrative closure may be extended. Financial closure based on audited accounts to be presented by mid-2020.
- All loans will then be repaid, written off, or be subject to measures to achieve repayment.
- UNOPS and UNFCCC are preparing a closing report, highlighting facts and figures, lessons learned, and recommendations for the future, by mid 2020.
- The Executive Board is invited to take note of this information.



## Annex 4 of EB 104 annotated agenda – CDM Loan Scheme: Annual Report. Submission by Project Developers' Forum.

- Concerns about UNOPS “aggressive legal reminder” to prompt some of those defaulting projects to repay their loans.
- Argues that the defaulting projects were in the belief that loans were to be repaid in full by the ‘scheduled date’, which was defined as 12 months after first CER issuance.
- Also argues that if loan recipients are able to repay from other revenue streams than from the sell of CERs, the additionality of the project would be doubtful.
- The Forum asked UNFCCC to refrain from withholding CER’s issuance on behalf of UNOPS for targeted recipient projects.
- CDM Loan Scheme has become a significant administrative and financial burden to mitigation projects.
- Concerned about the costs for loan recipients and consultants, reputation of CDM.
- Recommends drawing a line under the scheme, extracting lessons learnt and allowing full attention to switch to the opportunities to support the broader goals of the Paris Agreement.





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