



Watch This!

Progress and gossip about carbon markets at COP 17

What has happened so far

The first week has come and gone. We had a fabulous party at the beach and here a quick review of what else happened:

- No one really felt like discussing new HFC facilities yet again, so the negotiation was once again postponed to SBSTA 37 at COP 18
- The discussion on forests in exhaustion was also postponed: to SBSTA 36 in Bonn June 2012
- The decision on the CDM appeals procedure has been postponed to the next SBI session in Bonn June 2012. Parties will get another chance to adopt a meaningful appeals procedure that will be applicable to positive as well as negative decisions by the CDM Executive Board and allow local communities to launch an appeal.

What's cooking this week

The CDM Watch team will keep you up to date on the following over the next few days:

- CMP ministerial discussion on CCS
- CMP negotiations on JI
- CMP guidance to the CDM Executive Board
- LCA negotiations on new mechanism
- KP negotiations on loopholes, particularly AAUs

But before we plunge into the nitty gritty of mechanisms discussions, let's take a step back. Here is what really matters:

We need bold, comprehensive and fast action to close the huge mitigation gap and also get rid of the loopholes that could easily make a farce out of the current commitments.

Don't waste your time on CCS!

Last week the SBSTA plenary agreed to forward the Draft Modalities & Procedures on carbon capture and storage (CCS) in the CDM to the CMP for minister's to consider. Despite intensive negotiations parties could not agree on all issues. Non-permanence, monitoring and liability remain unresolved.

Today, the South African Presidency will kick-off ministerial consultation. The workload for ministers will be gigantic. Despite the urgent need for ministers to spend every minute on protecting us from a world beyond 2°, some oil rich countries are sure to be pressuring them to waste their time with the tricky details of CCS.

If CCS is discussed it will likely lead to heated arguments we don't have time for. The issue should be postponed to the next CMP.

Dear Excellency,

Move the CDM beyond Coal!

Considering the world's most carbon intensive fossil fuel as an offset may sound like a joke, but we are not laughing: If approved, the 45 coal projects in the CDM pipeline will emit 400 million tons of CO₂ every year - more than France or South Africa. Diverting billions of euros in scarce climate finance to an already lavishly subsidized industry that causes severe human health and ecosystems damage undermines our common mission in Durban.

Today, together with 80 environmental organizations we are calling on the COP Presidency to work with Parties to ensure a CMP decision is taken during COP-17 that excludes coal projects from the CDM.

Given the urgency of the climate crisis, the exclusion of coal from the CDM at COP-17 is the only means of ensuring that these projects do not undermine mitigation commitments or divert significant levels of scarce climate finance to dirty energy projects. The COP presidency has a tremendous opportunity to ensure the integrity of the CDM's mission here in Durban.

Coal warriors will officially hand the Open Letter to the Presidency at 14.00 in front of Gate B1, just between the ICC and the DEC building. Join us for some action!

Invitation to Watchers



Short Documentary

"THE CARBON CON: The true cost of offsetting" followed by an informal discussion.

6 December 2011, 18.00, Berg River (DEC)

Please join us for our information meeting on coal power projects in the CDM and get the chance to look behind the scenes of a registered project.

CDM Negotiations: EU keep up the good work!

The negotiations about the CDM are in full swing. Here an overview of some really important suggestions in the current negotiation text:

Develop guidelines on stakeholder participation

Many CDM projects have been accused of plainly ignoring local stakeholders. Clear guidelines are necessary and would benefit everyone: stakeholders would get a better change to get their say, project developers would get more guidance on how to conduct a successful stakeholder process and auditors would be better equipped to assess if the local community was sufficiently involved.

Reevaluate the additionality of highly capital intensive projects

Project that are clearly non-additional (would have been built anyway) not only undermine mitigation goals but they also seriously hamper the credibility of the CDM. Having strong rules that exclude free-riders also ensures that prices are not artificially low because of the many non-additional credits. Again, such rules are in the interest of everyone.

Include registered CDM projects in the common practice analysis

Common practice analysis is intended as a credibility check to determine whether a proposed project type (e.g. technology or practice) is already common in a sector and region. However, the common practice test excludes from consideration any project that is registered or applying for CDM approval. For example, nearly all supercritical and ultra-supercritical plants in India and China are excluded on this basis, and, therefore none are considered common practice. While this exclusion makes sense for project types where there are clearly decisive cost or technical barriers, it does not make sense when a technology has reached a high penetration rate and is commercially attractive.

We would like to thank the EU and Norway for suggesting and supporting these three issues and we encourage them to stick to them in the coming days!

Jl: CDM's naughty little brother

Joint Implementation, the offsetting mechanism for projects in Annex 1 (A1) countries is not really famous for its fabulousness.... An utter lack of transparency and a glut of JI credits (Emissions Reductions Units – ERUs) from shady Russian projects have recently made headlines. The negotiations on the future of JI are ongoing. Here couple of the most important issues:

On the bright side, the current draft text includes an option to limit JI to countries that have ratified KP2. This may not entice Russia to change its opinion on KP2 but at least they could no longer sell their shady ERUs.

At the same time, the draft text also includes a paragraph which, if approved, would open the door to convert AAUs from the first commitment period to ERUs. Why is this a bad idea? Because both Russia and Ukraine have a huge surplus of AAUs-- these AAUs make up 9-13 Gigatonnes of 'hot air'. If they can convert them to ERUs, they can sell their hot air... This could easily lead to the complete collapse of JI maybe even drag down the CDM by causing a price crash.

Do you think we are making this stuff up? Here a bit of information for you to consider:

Earlier this year, Ukraine was suspended from participating in trading because of non-compliance with requirements under the Kyoto Protocol. At the end of August it became pretty clear that a suspension would soon be passed. Until then Ukraine had issued a total of about 30 million ERUs. When a country issues ERUs, it has to retire the same amount of AAUs to avoid double counting. In mid October, when the final suspension was passed, 63 million ERUs had been issued. In other words, in less than 2 month the Ukrainian government issued 33 million ERUs, that's more ERUs than it had since the start of JI!

Clearly, allowing countries to retire AAUs from their first commitment period so they can sell ERUs is a bad idea...

Let's conclude by pointing out one important distinction between Ukraine and Russia: Ukraine actively supports the second commitment period under the Kyoto Protocol. We commend Ukraine for their support of KP2 and call on them to negotiate a deal on their hot-air AAUs that let us close this very large and threatening loophole.



CDM Watch provides an independent perspective on the CDM and wider carbon market developments and advocates solutions that strengthen the environmental and social integrity of emission reduction projects.

www.cdm-watch.org



The CDM Watch Network is a free platform set up to strengthen the voice of civil society in the CDM. Already a thriving international community, the Network connects over 300 NGOs, activists and grassroots movements and offers capacity building, assistance with project campaigns, advocacy, and information about CDM project decisions.

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