Dear friends,

This WatchThis! edition takes a critical look at the upcoming climate change conference in Peru: Plates of negotiators will hopefully not only be filled with delicious Ceviche but also with a healthy portion of climate finance that will be crucial for a constructive dialogue to agree on rules needed to lay the essential groundwork for a future climate treaty to be agreed in Paris in 2015.

We remind about lessons learnt from the CDM Policy Dialogue back in 2012 and explain why it is critical that civil society is actively involved in discussions about the shape of new market mechanisms. We also look at why the CDM in its current form cannot be eligible for accessing climate finance under the Green Climate Fund (GCF) and how the important mandate to protect human rights in climate change related matters can be operationalized.

This edition also looks at the challenges and opportunities of the post-2015 global development framework which will replace the Millennium Development Goals (MDGs) at the end of 2015.

Finally, our Guatemalan friends provide a first-hand account about how the infamous Santa Rita hydroelectric dam is becoming a showcase of the power of civil society despite the struggle faced by the indigenous Q'eqchi´ and Poqomchi communities.

Happy Reading!

**Carbon Market Watch Network and Friends**

Watch This! NGO voices on Carbon Markets’ appears quarterly in English and Hindi with campaign updates and opinion pieces from around the world. If you would like to contribute to the next edition or have any comments please get in touch with Urska: urska.trunk@carbonmarketwatch.org
Expectations for COP20 in Lima

By Eva Filzmoser, Director at Carbon Market Watch

Success at the upcoming COP20 in Lima to establish the groundwork for a future climate treaty will largely depend on the willingness of rich nations to live up to their promises of delivering climate finance. With tangible commitments on climate action only expected throughout 2015, the challenge in Lima will be to establish necessary rules without having certainty of the level of ambition countries are prepared to make.

Filling up the Green Climate Fund

One of the key outcomes of COP19 in Warsaw was a deadline for countries to present how they intend to contribute to the global goal to combat climate change. Big expectations are looming for the announcement of concrete commitments on climate action in the first quarter of 2015. This means that COP20 will take place in limbo before key countries such as the US, China, Brazil and India have put their numbers on the table.

However, developing countries rightly keep insisting on an adequate amount of climate finance to be made available before any such commitments will be made. Despite the pledge to deliver USD 100 billion a year by 2020, the Green Climate Fund has so far only seen USD 2.3 billion in pledges. Progress in Lima on a UN climate deal by 2015 will therefore strongly depend on finance by rich nations.

Eligibility criteria for access to carbon markets

This uncertainty brings particular challenges as to how Lima can put rules in place without having certainty over the level of ambition that countries are prepared to make. Yet, some Parties, such as the European Union, the US, Canada and New Zealand have already made clear that they will want to use carbon markets to meet their commitments.

An important lesson learnt from the Kyoto Protocol needs to be kept in mind: When countries set their Kyoto targets, it was very well known that targets for economies in transition such as Russia and Ukraine were set so weak that they allowed them to significantly increase their emissions. However instead of increasing emissions, these countries accumulated billions of carbon credits, so called “hot air” that astronomically undermined the economic viability and the environmental integrity of international emission trading. A key issue for Lima and beyond will therefore be to learn from this lesson and ensure that only countries with stringent targets are able to participate in international carbon markets. In other words, high level of ambition must be a core eligibility criteria if countries want to use markets to count towards their commitments.
Double counting

Another key point will be to ensure that carbon markets do not lead to the possibility to count emission reductions twice - so called double counting. This can only be avoided by an all-encompassing international accounting framework that makes sure that each unit used in one place will not be used again - or even a third time! - in another country.

Overarching accounting framework

Accounting of emissions will clearly be a cornerstone of a future climate treaty and is hugely important, both for carbon market related developments as well as beyond carbon markets. For example non market approaches for the delivery on contributions in developing countries, e.g. as is foreseen for activities that protect forests (REDD+). Accounting rules are also needed for emissions from the land-use sector and to account for emissions reductions from nationally appropriate mitigation actions (NAMAs). The accounting framework not only needs to avoid double counting of emission reductions but also needs to ensure that emissions reductions from NAMAs that are used towards a country’s national contributions are not also counted towards finance commitments from a developed country. Finally, an international accounting framework also needs to take into account the emission reductions that are attributed to International Cooperative Initiatives (ICIs) that are established by countries to enhance their pre-2020 pledges outside the UNFCCC framework.

New Market Mechanisms & Framework for Various Approaches

Since Warsaw, the issues related to an accounting framework were discussed as part of the so called Framework for Various Approaches (FVA). However, given the need for accounting of emission reductions far beyond the use of markets, an accounting framework must therefore be embedded under the new climate treaty, separate from the FVA. The FVA on the other hand can be a good place to work out in detail accounting rules that are applicable for carbon markets and eligibility requirements that will allow countries to use carbon markets for their commitments but should be consistent with the international accounting framework. This accounting framework is also a good instrument to clarify how existing carbon markets from the Kyoto Protocol and the potential new market mechanism which will also be further developed in Lima will interact in the future.

Reform of Kyoto Protocol mechanisms

Lima will also continue to reform the Kyoto's offsetting mechanisms Clean Development Mechanism (CDM) and Joint Implementation (JI). Although technical reforms are again on the agenda, progress is likely to go slow mainly because the uncertainty about future demand to prop up carbon prices injects little interest from developing countries to keep investing time and scarce human resources in further developing offsetting projects no-one is buying and because political willingness for thorough necessary reform remains low.

Human Rights & Climate Change

Last but not least, Lima will see an opportunity to address the social dimension of climate mitigation mechanisms. Several parallel processes on safeguards are currently under way and need to be urgently streamlined. These processes relate especially to establishing a grievance mechanism under the CDM, the implementation of the REDD+ safeguards information system (SIS) and the eligibility criteria for programmes to access climate finance through the Green Climate Fund.
It is critical that civil society is actively involved in discussions about the shape of new market mechanisms. But what lessons can be learned from previous efforts to promote reform such as the CDM Policy Dialogue?

Launched at the end of 2011, the CDM Policy Dialogue was a year-long initiative that grew out of the 64th meeting of the CDM Executive Board (EB). In the wake of scandals about the dubious additivity of projects, allegations of human rights violations, and critiques about its failure to deliver sustainable development benefits, the EB attempted to re-claim legitimacy by launching a ‘policy dialogue’. The intention was to generate ‘recommendations regarding how to best position the CDM to respond to future challenges and opportunities and ensure the effectiveness of the mechanism in contributing to future global climate action in an ‘independent’, ‘transparent’ and ‘balanced’ manner. The practice was somewhat different.

Firstly, there was the issue of who would sit on this High Level panel. Members were drawn from the public, private and civil society sectors, nominated by Martin Hession, then chair of the EB and Christiana Figueres, head of the UNFCCC, in consultation with the EB. Nominations were meant to represent a broad geographic area and gender balance and avoid members who are currently engaged in the carbon markets. The panel members nevertheless ended up being either architects of the CDM, civil society organizations supportive of the CDM, or individuals with links to firms that benefit from the CDM. It hardly represented a genuine cross-section of opinion about the performance of the CDM.

Second, limited opportunities for input and stakeholder meetings and inadequate support for travel made it almost impossible for civil society representatives to participate in stakeholder meetings that were heavily dominated by business lobbyists. One participant, Dr. Leena Gupta, from the Society for Promotion of Wastelands Development, India noted: ‘It was really sad that there was such a low civil society presence in a crowd of companies and consultants ... Social and ecological aspects were neglected in the discussion...’ Moreover, the time frame for written submissions was only about 6 weeks and coincided with the festive holidays in many parts of the world. This inhibited the collation of new evidence, the formation and articulation of common positions and inputs from relevant groups and affected stakeholders.

Third, the research underpinning dialogue was selective and produced by supporters of the CDM. The secretariat commissioned a series of reports to evaluate its performance in relation to issues such as sustainable development and technology transfer. Report authors were, however, largely CDM consultants and former architects of the system or members of the CDM’s own panels. Alongside this great effort was made to discredit critical activists and academic research on CDM projects, all the while accepting entirely the positive claims contained in PDDs about sustainable development benefits reported by project developers.

It was really sad that there was such a low civil society presence in a crowd of companies and consultants ... Social and ecological aspects were neglected in the discussion and it felt as if the policy dialogue was focusing on the commercial aspects of the CDM only’ (Dr. Leena Gupta).
So what difference did the dialogue make? The report of the high-level panel contained a list of 51 recommendations, which inter alia addressed opportunities and guidelines for stakeholder participation, appeals and grievances, monitoring of sustainable development benefits and sanctions in cases of harm. In the wake of the report, Parties to the UN climate negotiations called on the CDM EB to act. It did so by approving a voluntary tool for describing sustainable development co-benefits of CDM projects which still falls short of the binding mechanism sought by Carbon Market Watch and others.

The experience of the CDM Policy Dialogue suggests that civil society actors need to be alert to the ways such processes manage and contain criticism while continuing with business as usual. When claiming to open up dialogue they often then limit its terms to incremental reforms only; include only representatives with a prior commitment to carbon markets; discredit the value of ‘lived’ knowledge produced by ‘non-experts’ while privileging desk-based and quantitative assessments of performance; provide narrow windows of opportunity for effective engagement; and exclude non-market based policy and political alternatives. Fighting for genuinely open-ended and plural processes in which all affected parties can seriously participate is critical to avoiding further dialogue of the deaf.

Why CDM projects do not qualify for GCF finance

By Urska Trunk, Policy Researcher at Carbon Market Watch

With a large baggage of stranded carbon credits with no buyers in sight, the CDM has started to flirt with the idea of accessing climate finance through the Green Climate Fund to pay for emission reductions delivered by CDM projects without using the offset credits. However, the criteria of the adopted GCF accreditation framework suggest that the CDM in its current form seems out of the climate finance game.

With more than 7,500 projects registered within a decade, the CDM has been the main vehicle for transferring private finance into mitigation projects in developing world. However, with hardly any climate targets until 2020 and uncertainty about the level of ambition of future climate action offset credits remain stranded with hardly any buyers in sight.

CDM advocates have therefore started to look beyond traditional funds for offsets and are now eying at climate finance through the Green Climate Fund to pay for emission reductions delivered by CDM projects without using the offset credits produced. The notion that the GCF could purchase some of the current oversupply of CDM credits which does not find buyers elsewhere has already proposed by the CDM High-Level Panel on the CDM Policy Dialogue back in 2012. Carbon Market Watch believes that this is a bad idea for a number of reasons.

Firstly, the GCF mandates to channel ‘new, additional, adequate and predictable financial
resources to developing countries. This notion should exclude the potential purchase of stranded offset credits that result from existing CDM projects per se. Moreover, numerous scientific reports and studies highlight the lack of additionality for a large number of implemented projects which means that the amount of stranded offset credits that do not represent real emission reductions is potentially enormous. Purchasing such emission reductions would be a terrible waste of scarce climate finance.

Another reason why the GCF should shy away from CDM projects is enshrined in the GCF’s Interim environmental and social safeguards (ESS), based on Performance Standards of the International Finance Corporation. The accreditation process of GFC requires applicant entities to have ‘demonstrated ability to undertake the assessment of environmental and social risks’ and ‘capacity to undertake monitoring of measures for the management of environmental and social risks.’ Adopted safeguards foresee extensive stakeholder participation and a grievance mechanism as a part of accreditation process. However, the CDM to date does not have safeguards or an established grievance mechanism in place. From this it must be understood that in its current design, the CDM does not comply with the safeguards policies of the GCF and can therefore not be accredited as an eligible entity to access funds.

If the CDM wants to access climate finance for emission reductions from future project activities, it will need to undergo a reform process and catch up with the more advanced safeguard systems of other mitigation instruments.

However, even with a social safeguard system in place, a thorough review of future projects under the CDM must separate the wheat from the chaff also on the basis of environmental integrity, firmly excluding projects that have a high risk of not being additional or projects that keep investing in fossil fuels.

**Courting the “rights” path for a changing climate: Developments in UNHCR and UNFCCC**

By Ademola Oluborode Jegede, LLD Candidate and Tutor at the Centre for Human Rights, Faculty of Law, University of Pretoria

With the adoption of human rights language in Decision 1/CP. 16 of the UNFCCC COP held in Cancun in 2010, the initial resistance which trailed the conception of climate change as a human rights issue may have been defeated, but critical issues remain unresolved. The upcoming COP20 in Lima will provide a crucial opportunity to address these issues and advance the operationalization of the important Cancun decision.

A watershed, Decision 1/CP.16 crystallized the hard-fought aspirations of local and international non-governmental organizations to put human rights on the agenda of negotiations under the United Nations Framework Convention on Climate Change.
Earlier, when the link between climate change and human rights came up for discussion at the United Nations Human Rights Council (UNHRC) pursuant to its Resolution 28/3 of 2008, it met with resistance from some of the parties, particularly, the United States of America and Canada. The argument of these parties was that the debate and referral to human rights were unnecessary at the forum of UNHRC considering global efforts under the UNFCCC aegis. The United States contended that international co-operation and not contestations were necessary to fix the climate change crisis. On its part, Canada argued that UNFCCC is the ‘most appropriate’ venue for climate change discussion and not the UNHRC.

Resolution 10/4 of 2009, however, put this controversy to rest as it was recognised officially at the UNHCR that climate change has implications for the realisation of human rights including, the right to life, the right to adequate food, the right to the highest attainable standard of health, the right to adequate housing, and the right to self-determination. If ever there was doubt about the link, it was effectively removed by Decision 1/CP.16 which called for the ‘respect for the knowledge and rights of indigenous peoples and members of local communities’ in implementing climate related actions. Subsequent to this decision, there have been two further resolutions of the UNHCR, namely, Resolution 18/22 of 2011 and Resolution 26 L/23 of 2014 which reinforced the implications of climate change for human rights.

Despite the development above, as negotiation is being finalised toward a global treaty in 2015 which will be binding in 2020, it remains unclear whether and how human rights will be engaged in the wordings of the treaty. It is uncertain how it is to address issues of disproportionate causation of climate change, vulnerability of populations in low-island states and other populations living elsewhere, particularly in Africa who will be adversely affected by climate change owing to factors of poverty, gender, age, disability and indigeneity. It is equally uncertain whether and how activities of non-state actors involved in the cause and addressing the effects of climate change can be construed in human rights lens.

While the outcome of the treaty is still awaited, what is certain is that human rights can be conceived as a value to shape discussions at all levels of climate change negotiations. The ‘rights’ language remains an important benchmark to assess the climate change regulatory framework in relation to climate related actions involving vulnerable populations – particularly their participation, benefit sharing and general protection of rights. Human rights remain an important legal and moral tool in the hand of practitioners and activists to test the sincerity of the world effort to address the threat of climate change.
How the post-2015 global development framework can address climate change

By Diego Martinez Schütt, Policy Analyst on Post-2015 at CAFOD – Catholic Agency for Overseas Development

The current global development framework, the Millennium Development Goals (MDGs), expires at the end of 2015 and will be replaced by the post-2015 global development framework, which will include a set of new Sustainable Development Goals (SDGs). As climate change poses a critical challenge to the post-2015 agenda, its adequate inclusion across the post-2015 framework is of key importance to step on a development pathway capable of minimising both the contribution to, and impacts from climate change over development efforts.

In September 2015 global leaders will take decisions affecting the lives of millions of people as they agree the framework that will replace the MDGs. The MDGs have shaped development policy and political agendas for the last 13 years and have brought some real improvements from reducing the number of people living on very low incomes, to increasing people's access to medicines for HIV. However, other results such as MDG7 on environmental sustainability have been rather disappointing. Currently, the international community and stakeholders around the world are negotiating a new global framework to eradicate poverty through sustainable development: the post-2015 development agenda. This agenda will include both an overall narrative and guiding principles, and a new set of global goals, target and indicators to incentivize and measure progress – proposed to be known as the sustainable development goals (SDGs).

Climate change currently poses the biggest challenge to development with great potential to undermine the international community's efforts to end poverty and achieve sustainable development through the post-2015 process. While emissions continue to rise at an alarming pace, the window of opportunity to avert catastrophic climate change is closing rapidly. To keep global warming below 2°C, countries will have to accelerate their pledges and actions to address climate change. The post-2015 framework can become an important contributor to our collective response to climate change by helping governments to articulate climate-sound development policies. This can be done by having one specific and ambitious SDG on climate change while introducing climate-related targets under other SDG areas that lead to adaptation, resilience and mitigation.

Currently, the adopted SDG report does include one specific goal on climate change and various targets under other goal areas such as agriculture, poverty, energy and sustainable consumption and production. However, in the upcoming intergovernmental negotiations, the “climate goal” will be under threat because some countries don't see its relevance in the development debate. In the past years, the inclusion of climate change has seen a lot of opposition, with Member States arguing it overlaps with the UNFCCC and fearing it would “contaminate” the post-2015 process. Also, in an attempt to decrease the number of SDGs, many countries see the climate change goal as unnecessary given the UNFCCC existence. But the post-2015 framework as a voluntary framework aimed
at eradicating poverty cannot and will not supplant the UNFCCC. Rather, action and political commitment towards tackling climate change through a post-2015 framework can provide support and momentum for an ambitious legally binding climate deal at COP21 while restoring faith in multilateralism.

The post-2015 process has seen a humble but positive integration of climate action across the SDGs. But our role as civil society organizations is to ensure that the current content remains and its ambition increases in the run-up to a post-2015 agreement. NGOs working on climate and human rights issues play a pivotal role in pushing countries to connect the dots. We have the opportunity to ensure that a future sustainable development agenda becomes a powerful tool to tackle climate change, and that this agenda safeguards the rights and benefits of the poorest and most vulnerable people and their livelihoods.

Campaign focus:
Santa Rita’s oppression does not silence communities

By Anne Bordatto, Activist, Colectivo MadreSelva

Local oppression of indigenous communities in the vicinities of the Santa Rita hydroelectric dam in Guatemala has not seen remedy of the situation after the project was registered by Clean Development Mechanism in June 2014. Despite the continued struggle the indigenous Q’eqchi’ and Poqomchi communities face, the project is becoming a showcase of the power of civil society.

The Clean Development Mechanism (CDM) project Santa Rita hydroelectric plant has been sparking a wave of criticism over violations of the local stakeholder consultation requirements and indigenous peoples’ rights over the past years. Since its registration in June 2014 the government strengthened the oppression against civil population. The project has a history of violence, brought forward not only by the affected communities, but acknowledged by international human rights bodies. A report of the UN High Commissioner for Human Rights noted the murders of these two children from the community opposed to the Santa Rita project. Also, after her visit to Guatemala last year, the IACHR’s Rapporteur on indigenous peoples’ rights recognized “that the current licenses for mining and hydroelectric plants were granted without the State having implemented prior, free, and informed consultation with affected indigenous communities, as it is obligated to do under international treaties signed by Guatemala”.

Santa Rita is a good example of CDM project going wrong, but it is at the same time a great example of civil society pooling strengths together to raise concerns and compel international bodies and financial institutions to adhere to their responsibilities and take action.

MadreSelva is an activists’ collective committed to the defense of nature from a political and social perspective that supports proposals for accompanying People who defend natural resources or resist to projects that threaten the balance and ecological processes.
Faced with a flawed set of rules that does not provide a legal remedy, several civil society organisations rounded up and sent letters to relevant international bodies to call for an independent investigation of the case: Letters were sent to the United Nations Special Rapporteur on the Rights of Indigenous Peoples, Victoria Tauli-Corpuz, the Rapporteur on the Rights of Indigenous Peoples of the Inter-American Commission on Human Rights, Commissioner Rose Marie Belle Antoine, the Independent Expert on Human Rights and the Environment, John Knox, and the head of the Unit on Economic, Social and Cultural Rights of the IACHR, Commissioner Paulo Vannuchi.

Moreover, financial backing of the project is provided by a number of banks, which are supposed to adhere to their safeguard system. The story behind Santa Rita drew together several civil society organisations, content to alarm about the hefty misconduct around the project. Given the primary responsibility of investors to the project to know what is taking place in projects they fund, civil society organisations together approached investors from the Latin Renewables Infrastructure Fund, which has been used for the construction of Santa Rita Hydroelectric Plant. Accordingly, they reached out to the German development finance institution Deutsche Investitionen (DEG), the Netherlands Development Finance Company (FMO), the International Finance Corporation (IFC) and the Swiss Investment Fund for Emerging Markets (SIFEM) managed by Obviam.

The demands are simple: respect the universally declared rights of indigenous communities, existing stakeholder consultation laws and grant the respect for life the indigenous communities.

Keep up to date with developments on the campaign. Please email us if you’d like to learn more or get involved!

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Central and Latin American countries with Carbon Market Watch Network members

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The story behind Santa Rita drew together several civil society organisations, content to alarm about the hefty misconduct around the project.
Carbon Market Watch brings you a list of suggested reading material to learn more about various topics.

Enjoy the reading!

- **Temperature sensitivity of soil respiration rates enhanced by microbial community response**
  [Access](http://www.nature.com/nature/journal/v513/n7516/full/nature13604.html#access)

- **New York Declaration on Forests Pledges to Halt Natural Forest Loss by 2030**
  Climate Summit 2014

- **Summary Report of the UN Climate Summit 2014**
  IIISD, vol. 172, no. 18, 26 September 2014.
  [Access](http://www.iisd.ca/download/pdf/sd/crsvol172num18e.pdf)

- **Assessing Forest Governance: A Practical Guide to Data Collection, Analysis and Use**
  - PROFOR and FAO, June 2014.

- **Regenerative Organic Agriculture and Climate Change**
  [Access](http://rodaleinstitute.org/assets/RegenOrgAgricultureAndClimateChange_20141001.pdf)

- **The Carbon Underground: Reversing Global Warming**
  Cummins, R., Organic Consumers Association (OCA), September 2014.
  [Access](http://www.organicconsumers.org/articles/article_30945.cfm)

- **The Soil Will Save Us: How Scientists, Farmers, and Foodies Are Healing the Soil to Save the Planet**
At the summit on 23 and 24 October, the EU’s Heads of State are expected to decide on the headline climate and energy targets for the year 2030. Carbon Market Watch urges leaders to keep the door open to a domestic greenhouse gas emission reduction target going well beyond the proposed 40%.

CMW participated at a civil society workshop “Sustainable development and future climate policies” in India, bringing together 60 participants representing 11 different states in India and 37 NGOs. The outcome of the workshop was a decision to establish a working group to draft a national CSO open letter for India’s Prime Minister Narendra Modi ahead of COP20.

After facing stiff questions at European parliament hearing and wide opposition against his appointment, Miguel Arias Cañete was approved as the new EU Commissioner for Climate and Energy.

Carbon Market Watch recently launched a campaign on the 4 billion tonnes of hot air in the EU that could put a dark shadow on the EU’s 2030 climate target. It is now up to the European governments to close the door to these loopholes once and for all. For more information see: http://carbonmarketwatch.org/eu2030-loopholes/

About Carbon Market Watch

Carbon Market Watch, a project by Nature Code, provides an independent perspective on carbon market developments and advocates for stronger environmental and social integrity. Carbon Market Watch was launched in November 2012 to expand the work of CDM Watch to areas beyond the CDM.

The Carbon Market Watch Network connects NGOs and academics from the global North and South to share information and concerns about carbon offset projects and policies. Its purpose is to strengthen the voice of civil society in carbon market developments.
2030 GREENHOUSE GAS EMISSION REDUCTIONS

This is what we think we get

40%

If EU governments water-down the target

35%

... and if industry get their way

26%

2030 CO₂ reduction target  40%
Effort Sharing Decision Surplus -5%
Emissions Trading Scheme Surplus -9%

Actual reductions  26%