



# Watch This!

Progress and gossip about carbon markets at COP 17

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## Sanibona!

As this COP-17 kicks off in Durban, the CDM Watch team adds some colour to the negotiations with its first WATCH THIS! on progress and gossip about carbon markets. But before we dive in, let us present crucial carbon market issues that are cooking over the next two weeks.

## Equitable effort sharing approach

Don't put the cart before the horse! While CDM reform and new market mechanisms are being negotiated we remind you that any market-based mechanism, including the CDM, must be part of a legal mechanism based on ambitious and binding emission reduction commitments. Without such targets, market-based mechanisms are rendered meaningless. And yes, supplementarity – use as many offsets as you like – but only on top of binding targets of at least 40% below 1990 levels by 2020.

## It's hot in here!

In COP-talk, 'hot-air' or assigned amount units (AAU) surplus, is one of the flaws (or loopholes) in the Kyoto Protocol system that further weakens their pledges. The total amount of AAUs alone is astronomic: 7.5-10 Gt CO<sub>2</sub>e, or in other words, roughly one-third of current 2020 emissions reduction targets pledged by Annex 1 countries. Other loopholes that are bothering the climate are non-additional carbon credits from Joint Implementation and the Clean Development Mechanism. This needs to be dealt with!

## Net benefits for the climate!

Now here is a chance to make carbon markets help the climate: Countries will probably adopt a framework for new market based mechanisms. The crucial part is that they need to be designed in a way that creates a net decrease of emissions, beyond simple offsetting. Not only that, any framework must also include a core set of rules that governs the overall interaction of different mechanisms and includes safeguards that ensure sustainable development, uphold environmental treaties and the Declaration of Human Rights.

## No carbon credits to criminals

CDM projects related to human rights violations have caused widespread dismay that international climate finance lends support to criminals.

*We call on Parties to acknowledge here in Durban that the United Nations, including all its bodies, are required by the UN Charter to protect human rights!*

## Farewell to dirty carbon credits

Under the CDM, industrialised countries can offset their emissions by investing in new coal power projects in developing countries. Quite obviously, this is neither clean nor sustainable, the two principles of the CDM. The good news is that the CDM Executive Board just suspended the flawed crediting rules because they would lead to over-crediting in the millions. The bad news is that they are thinking about revising them although an independent study shows that flaws are inherent to the project type and may not be fixable. Here is an easy way to avoid millions of non-additional carbon credits while fostering small scale sustainable projects and cutting down on oversupply:

*Exclude coal power projects from the CDM!*

## No climate finance for oil recovery

Carbon capture and storage (CCS) in the CDM means exporting unproven and risky technologies to developing countries and allowing oil companies to generate millions of carbon credits from enhanced oil production. Under pressure from several oil rich countries, Parties will negotiate how to deal with CCS. Our message is clear:

*CCS must remain ineligible because environmental, legal and safety conditions for CDM inclusion have not been properly addressed and resolved!*

## Gossip of the day!

Get your gossip published tomorrow!

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## Let's move on guys...zzz...zzz

The EU, Australia and New Zealand have already banned the use of carbon credits from projects that destroy HFC-23 because the CDM is an extremely ineffective way to deal with the HFC-23 emissions. Yet, Parties will again discuss if new HCFC-22 facilities should be eligible under the CDM to destroy their HFC-23. But the high profits for HFC-23 projects create perverse incentives, both in the context of the CDM and JI.

*Let's move on – there are different ways to quickly and effectively reduce HFC emissions, say through non-market-based mechanisms, such as the Montreal Protocol.*

## We want REAL emission reductions

Additionality, the proof that projects are only viable because they receive CDM support, has long been criticised as ineffective. The number of non-additional projects in the CDM has been estimated to be 40-70%. Carbon credits from such free-riders do not represent real emissions reductions and lead to an increase in global greenhouse gas emissions.

*Now is the time to revise current CDM rules on additionality to strengthen the environmental integrity of the CDM!*

## CDevelopment

In principle, the CDM has two objectives – achieving cost-effective emission reductions and sustainable development in the host countries. It is not new that many CDM projects have been known to cause social and environmental harm. It can be done better.

*At least we need guidance on indicators for the assessment of sustainable development benefits and ways to ensure that promised co-benefits are actually realised!*

## Have your say

Although it is a key requirement in the CDM process cycle, the stakeholder consultation process is a formality and hardly ever seriously implemented by project developers and validated by Designated Operational Entities (DOEs). More than 5.000 projects are currently in the pipeline and will be operational for many years to come.

*The current procedure of stakeholder involvement in the CDM project cycle and implementation needs to be reassessed and improved!*

## Right to appeal

Local communities have often complained that their rights were ignored in the CDM project approval process. Now is the time to act! Parties will decide on an appeals procedure against decisions of the CDM Executive Board. It is crucial that civil society will be eligible to launch an appeal.

*Parties should take this a critical opportunity to introduce much needed quality control in the CDM decision-making process!*

## A model for the future?

In Cancun, Parties asked to simplify and streamline the CDM through increased standardisation of CDM crediting rules. We are very worried about how the CDM Executive Board has started to implement this mandate. We fear that the rules and procedures that have been approved by the CDM Executive Board will severely hamper the environmental integrity of the CDM. The CDM will serve as a model for future mechanisms. Standardised baselines are the basis for new market-based mechanisms, e.g. sectoral approaches. It's important to get this right!

*Parties must require the CDM Executive Board to tighten up the CDM's approach to standardisation!*



**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](http://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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