CDM Watch
Scrutinizing Carbon Offsets

Watch This!

NGO Voices on the CDM

Welcome

to the pre-COP edition of our NGO newsletter "Watch This! NGO Voices on the CDM"!

As carbon prices continue to plummet, resuscitation measures are being discussed everywhere. CDM Watch will be making sure to warn you about recommendations that ignore inherent flaws of the CDM and initiatives that only attempt to fix the carbon market for its own sake. Countries should concentrate on the essentials when they meet at the next international climate negotiations (COP 18) at the end of November in Doha, Qatar. **Our message is simple and clear: countries must dramatically increase their pledges to reduce emissions immediately, otherwise we will not stand a chance to prevent catastrophic effects of climate change.**

In this edition you'll hear about the CDM Reform panel's recommendations and why they have to be taken with caution. We'll take a look at the CDM Executive Board's latest set of bad decisions, including returning coal into the CDM. What follows is not despair but an invitation to join our fight to stop climate finance for coal. We'll also introduce you to the problems of the EU Emissions Trading Scheme (ETS) and prepare you for COP18. In a series of guest articles from our India Network you'll hear about the impacts that afforestation projects can have on the livelihoods of farmers and how even clean energy projects, when implemented carelessly, can have unwanted impacts on local communities and biodiversity. Lastly, we finish off with some good news with the recognition of recycling in the CDM.

Watch This! NGO voices on the CDM' appears quarterly in English, Spanish and Hindi with campaign updates and opinion pieces from around the world. If you would like to contribute to the next edition of **Watch This!** or have any comments please get in touch with **antonia@cdm-watch.org**

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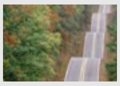
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Reform Panel ignores inherent flaws of the CDM

By Eva Filzmoser, Director, CDM Watch

In September, the High-Level Panel on the Clean Development Mechanism (CDM) Policy Dialogue presented its final report with recommendations on how to improve the CDM. Overall, the report fails to address fundamental flaws of the CDM, is strongly based on political opinions and ignores important research. It does however include important recommendations about improving accountability, establishing a grievance mechanism and stresses the importance for the CDM to go beyond offsetting. Nevertheless, decision-makers need to be careful with some of the recommendations of the Panel that simply aim at saving the CDM for its own sake because of the impending collapse of carbon markets.

Over the past eight months, the High-Level Panel on the CDM Policy Dialogue has carried out stakeholder consultations and commissioned a number of reports to draw conclusions about the CDM and to develop recommendations to make the CDM "fit for the future". On the basis of a combination of stakeholder meetings and a research programme, a final report was presented to the CDM Executive Board in September. Policy Dialogue members are expected to be peddling at the COP-18 in Doha with the hope that their recommendations be adopted in the final negotiations texts. While their positive recommendations should definitely be adopted, **CDM Watch will be making sure to warn delegates about recommendations that ignore inherent flaws of the CDM and initiatives that only attempt to fix the carbon market for its own sake.**

Oversupply is caused by fake emissions reductions

The Panel's report rightly points to the lack of ambition in climate targets and the lack of demand for CDM credits which has contributed to the current price crash. However, the report fails to acknowledge that part of the problem has been created by CDM's own rules. CDM rules have caused the market to flood with fake credits from projects that would have been built anyway and with questionable industrial gas projects. Such credits have significantly contributed to what is now an over-supply of credits at incredibly low prices and, most importantly, a serious undermining of the environmental integrity of the CDM. **If credits from non-additional projects are used to comply with emission reduction targets, the result is increased global emissions** *See box 'What is additionality and why is it important?' on the right.*

What is additionality and why is it important?

The Clean Development Mechanism (CDM) as such does not reduce net global greenhouse gas emissions. For every tonne of emissions reduced in a host country, an investor is allowed to emit one tonne more at home. If a CDM project does not reduce emissions compared to what would happen anyway ("business as usual scenario"), then the net effect is an increase of global emissions. Therefore business-as-usual CDM projects actually increase global emissions. The additionality principle is therefore fundamental for the CDM and any offsetting mechanism that works under a cap.

There have been estimates that 20-70% of all CDM projects are non-additional. Very large infrastructure projects, where revenues from carbon credits make up only a tiny fraction of profits, are particularly unlikely to be additional. For example, large hydro power and coal power projects have repeatedly been shown to be business-as-usual.

Many research studies and investigative media reports provide solid evidence that a significant number of CDM projects are unlikely to be additional, a fact which is disregarded by the Panel. *"By-and-large projects do meet the additionality tests because that is what the research has indicated,"* said Mohammed Valli Moosa, chair of the Panel, at his presentation to the Board.

The recent carbon market collapse underlines once more that many CDM projects don't rely on the additional CDM financial support to be viable. With credit prices being so low it is difficult to see how new projects can be additional. **Additionality rules need to be fundamentally reformed. However, without ambitious climate targets, there is no need for an offset mechanism.**

Green Climate Fund must not finance windfall profits

The Panel recommends establishing a fund that would purchase and thereby cancel part of the current oversupply of CDM credits. This could provide huge windfall profits to industrial gas and large infrastructure projects which deliver the vast majority of credits but have very limited environmental integrity and only few or no sustainability benefits. **In the absence of strict rules that ensure truly additional and sustainable projects it does not make sense to save the CDM for its own sake and potentially at the expense of tax-payers. Much larger emission reductions can be achieved by directly supporting new and effective climate policies.**

REDD must not be included in the CDM

The Panel recommends to allow *Reducing Emissions from Deforestation and Forest Degradation* (REDD) and other forest management pilot activities in the CDM, despite the fact that REDD has long been identified as unsuitable in this project-based mechanism. The Panel's report identifies only a very limited set of risks associated with such projects and ignores key issues and risks discussed in the UNFCCC and in relevant literature, such as non-permanence of emission reductions, establishing crediting baselines, carbon leakage, and demonstrating additionality or potential impacts on biodiversity and livelihoods. **In Doha UNFCCC delegates must remain firm and keep REDD out of the CDM.**

Decision makers need to be careful with some of the recommendations of the High-Level Panel on the CDM Policy Dialogue that simply aim at saving the CDM for its own sake because of the impending collapse of carbon markets.

Thumbs up for verification and monitoring of sustainability benefits

The Panel recommends that sustainable development impacts be reported, monitored, and verified throughout the lifetime of a CDM project and that safeguards against negative impacts on sustainable development be enhanced. The Panel also recommends strong guidelines for adequate local consultation procedures, which were long awaited. CDM Watch very much welcomes these suggestions, however, not so for the CDM Executive Board. In the meeting following the presentation of the Panel's report, the Board, decided to adopt a voluntary set of reporting guidelines that will do little to improve sustainability benefits of CDM projects.

Moving the CDM beyond offsetting

Although the Panel recommends moving the CDM beyond offsetting, the report lacks a comparative assessment of the CDM with other policy instruments, such as emissions trading schemes (ETS), carbon taxes and other domestic policies. **Given the urgency to reduce global greenhouse gas (GHG) emissions, the future of the CDM and other market mechanisms can only be based on net emissions reductions and ambitious binding climate targets, not offsetting alone.**

The Panel's report can be downloaded here: http://www.cdmpolicydialogue.org/
The studies and inputs the report bases itself on can now be downloaded here: http://www.cdmpolicydialogue.org/research

The CDM Executive Board amazes with wrong-headed decisions

By Anja Kollmuss, Carbon Market Expert, CDM Watch

When the Clean Development Mechanism (CDM) Executive Board held its meeting in September in Bangkok more than 4,500 CDM projects had been registered and more than 1 billion CDM offset credits or Certified Emission Reduction (CER) units issued. At the same time, CER prices had fallen to less than 1.5 EUR. Point Carbon, an independent industry analyst, projected that prices for CERs would fall to 0.5 EUR by 2020. Too many credits and not enough demand are causing this price collapse. It is doubly unfortunate that the Board made several decisions that will increase the number of credits issued that come from projects with very questionable environmental integrity.

Still no improved additionality testing

The CDM supports too many large infrastructure projects (such as large power and industrial projects) that are clearly not additional. Using these credits to achieve emissions reduction targets increases global emissions. To address the damage caused by offset credits from non-additional CDM projects, Parties at the last UNFCCC in Durban asked the CDM Executive Board to improve the rules that determine whether a project is considered "additional" (whether it wouldn't have happened without the CDM). Despite this clear mandate, the Board keeps declining to adopt effective ways to address the fundamental flaws in how additionality is demonstrated. Several options put forth could have addressed some fundamental problems, e.g. requiring a project to show that CDM offset revenues will cover a significant portion of the operational budget of a project. **This decision yet again shows that environmental integrity is not a priority of the CDM Executive Board.**

Coal power plants are back in the CDM!

In November 2011, the crediting rules for CDM coal power projects were suspended over concerns about environmental integrity. However, against all odds and protest by civil society organisations, at the last meeting of the CDM Executive Board reinstated revised rules despite the fact that they did not address the identified shortcomings. New, heavily polluting coal power plants can again receive carbon credits under the CDM for claiming to build a more efficient plant because of the CDM incentives. In an unprecedented move, the Board decided to remove several safeguards that had been recommended by its technical body, the Methodologies Panel.

Key decisions of the last CDM Executive Board meeting:

- Refusing to consider alternative approaches to test project additionality (see box on what is additionality above);
- Letting coal power projects back into the CDM;
- Insisting on weak voluntary rules for sustainable development and removing the 'No harm' clause from the draft report;
- Not agreeing on how to improve stakeholder involvement.

Now, hundreds of millions of Euros could potentially flow to more than 40 coal power plants in India and China currently seeking approval. CDM financing for non-additional and 'dirty' carbon credits only serves to support emissions-intensive coal power at the expense of the climate. **We will keep fighting to kick coal out of the CDM!**
(for more information see story 'No Climate Finance for Coal! Join our Fight! on page 6).

Weak voluntary rules for sustainable development
The CDM is clearly not delivering on its second goal: enhancing sustainable development. Currently these requirements are defined by host countries themselves. In many cases they are too weak and very vague. To improve the situation, the CDM Executive Board proposed a voluntary tool be used for sustainable development co-benefits.

CDM Watch welcomes the tool as a step in the right direction, as it facilitates reporting. However, the absence of any monitoring and verification requirements and the voluntary nature of the tool undermine its legitimacy and greatly limit its utility. The already weak tool has also been further weakened by the Board's decision to remove a clause on 'no-harm' safeguards that would have spelled out obligations and reflected the full scope of human rights obligations.

Experience shows the lack of monitoring, reporting, and verification of claimed sustainability benefits has led to the registration of CDM projects without any sustainable development benefits. Some projects have had severely negative impacts.

You can download the draft SD tool here: https://www.research.net/s/SD_tool_vers6

Still no decision on improved stakeholder involvement
CDM stakeholder consultations are often carried out insufficiently. *(See articles in Watch This#2.)* There is a lack of clear rules on how to conduct local consultations and guidelines to enable an independent entity to effectively assess the consultations are unclear. Yet, many improvements can be accomplished within the existing mandate, as an elaboration or interpretation of the existing rules. At its last meeting, the Board discussed recommendations for improving the local and global stakeholder consultation processes but has not yet adopted any improvements. Instead, many Board members have argued against the much needed clarifications and additional requirements.

Rules should clearly define the consequences for a project proponent who carries out faulty consultations. If a project proponent remains non-compliant, projects should not receive a positive validation and should not be registered. If valid concerns are raised after project registration (e.g. human rights abuses) such projects should be suspended and not be issued any further CERs.

We must keep pushing for strong rules to improve the current situation. Reform is long overdue and should happen at the Board's next meeting, prior to the UNFCCC COP18 in Doha.

Download our detailed comments to all these issues here:
http://cdm.unfccc.int/public_inputs/2012/eb69_10/index.html

No climate finance for coal! Join our fight!

By Antonia Vorner, Network Coordinator CDM Watch

Last month coal was let back into the CDM. Yes you heard right, despite all evidence new heavily polluting coal power plants can once again apply to earn carbon credits. So, theoretically, a coal-fired power plant in Europe can still offset its emissions with carbon credits from another dirty coal power plant in India. The situation is absurd! It's the worst decision the CDM Executive Board has made in years and essentially helps to subsidise the construction of new coal power plants. This must be stopped. No more climate finance to coal!

Currently there are 6 registered coal power projects in the CDM. All of them are business-as-usual projects meaning they would have been built regardless of the CDM. Over the next 10 years they will receive about 90 million undeserved carbon credits. But there is hope! Over the past years CDM Watch has fought hard against these projects, which resulted getting 4 projects rejected and 10 projects terminated their validation processes. Yet, victory for the environment is still far away. Another 26 projects are currently under validation and can apply for registration at any moment. Together, they could potentially add another 220 million carbon credits over the next ten years.

No coal offsets in the EU ETS

Against the current state of the carbon market, where one carbon credit is worth less than 1$US, you mightask: why bother with it?! Here's why: carbon credits from the 6 currently registered coal power plants are eligible to sell their offsets to the European Unions' Emissions Trading Scheme (EU ETS). New projects registered after 2012 are only eligible for the EU ETS if the CDM projects are located in Least Developed Countries (LCDs). All CDM coal power projects are right now situated in either China or India.

It is therefore essential that we make sure that:
1) no more coal power projects get registered before the end of the year, and
2) the EU bans carbon credits from the coal power plants already registered.

Coal facts

1kWh of electricity from coal produces about 1kg of CO2

Electricity from coal produces about twice as much CO2than electricity from natural gas

Over 40% of world electricity is generated from coal

Total coal combustion causes over 12 Giga tonnes of CO2 emissions/year, where two thirds comes from electricity production

Coal accounts for about 25% of all global greenhouse gas (GHG) emissions (source: IEA 2010)

No coal offsets to achieve climate goals in the EU or elsewhere!

But that's not all. Only half of the emission reductions in the EU are covered by its ETS. The other half is regulated by the so-called "Effort Sharing Decision" stipulating rules to reduce emissions in the sectors not covered by the ETS, such as agriculture and transport. For these sectors, national EU governments can decide how they want to go about reducing their emissions. Governments can buy more than 50% of all reduction efforts from international offsets. So, even if no more coal projects get registered before 2013, EU Member States can still buy offset credits from coal power plants if registered after 2013. Moreover, other emission trading schemes are emerging in places like Australia, New Zealand and South Korea and they are also considering to link them with the EU ETS. Further still, although the international aviation sector is working on measures to reduce its emissions (e.g. building airplanes more environmentally friendlier) but this is deemed expensive, they are thinking of doing so simply by investing in offset projects that could potentially include the remaining CDM coal power projects.

What else there is to say than: we must ACT NOW to kick coal out of the CDM! Contact antonia@cdm-watch.org if you want to join us in the fight against climate finance for coal.

Bumpy Road to EU ETS Reform

By Adela Putinelu, CDM Watch Intern

The European Union is considered a leader in the international negotiations on climate change. Its main instrument to cut greenhouse gases (GHGs) from industrial emitters is the European Emissions Trading Scheme (EU ETS). However, the effectiveness of the EU ETS has been increasingly questioned because of a massive over-supply of emission permits. Still, it remains a crucial model for the development of other carbon markets globally and influences the way policies are constructed to tackle climate change.

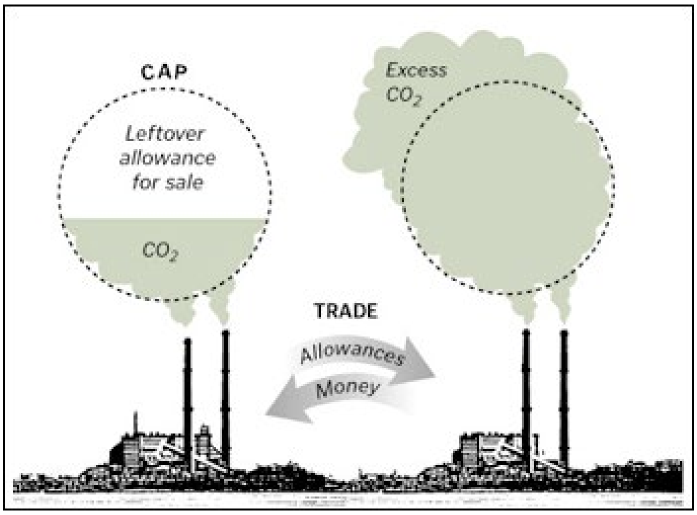
Ultimately, any carbon market reform only makes sense with ambitious binding climate targets

A quick look at history

The EU ETS began in 2005 with a two year pilot period. In tune with the first commitment period of the Kyoto protocol, the second phase lasted from 2008 to 2012. Starting January 2013 the ETS will enter a phase 3 which will continue up to 2020. With around 11 000 power stations and industrial plants in 30 countries (27 EU member states, Lichtenstein, Norway and Iceland), the ETS is currently the largest emissions trading market. Yet the ETS faces many challenges, worsened by economic recession still looming over Europe.

The role of emission permits (allowances)

The market functions on the 'cap and trade' principle. A 'cap' (limit) is set on the total amount of certain GHGs emitted by industrial installations in the system. Companies receive emission permits, or allowances, to cover emissions produced within this cap. They then have the option to either lower their emissions by investing in green technologies or continue to pollute and buy allowances from other companies with extra allowances. The progressive declining cap, or limit available, is meant to ensure the scarcity of allowances and, consequently, the overall reduction of GHGs. The problem is that projected emissions never accounted for a drop in industrial production due to the economic crisis. This means the loose cap was insufficient for pressuring industry to reduce emissions. Furthermore, allowances from the first and second phase (2005 up to 2012) were mainly handed out for free to industrial polluters. This resulted in significant windfall profits for the power sector, which was generously over-allocated such permits. In phase 3, there is full auctioning of permits for the power sector, wherein dangerous loopholes exist. For example, the Commission allows up to 70% of free allocation until 2019 for power generators in 10 member states to help modernise their energy sectors.



How Cap and Trade works in theory

Watch the over-supply!

Since 2009, there has been a gradual build-up of permit oversupply currently estimated at about 2 billion tonnes of CO2. The main reason for this glut is that the amount of allowances and use of international credits available for compliance was higher than verified emissions in 2009, 2010 and 2011. **Because there is oversupply and low demand, carbon prices continue to tumble to record lows which in turn threatens the very core of EU climate policy and questions the ETS as a viable policy mechanism**. EU decision makers are now trying to come up with a roadmap for reforming the ETS. Issues at stake are: tackling the market's oversupply of allowances and proposed structural measures to trigger a stable carbon market, as well as, creating conditions for a transition to a low carbon economy and investment in clean technologies.

Because there is oversupply and low demand, carbon prices continue to tumble to record lows which in turn threatens the very core of EU climate policy and questions the ETS as a viable policy mechanism

Bumpy road to reform

A European Commission proposal to delay the auctioning of a part of allowances in 2013 is expected for November 2012. This so called 'set-aside' is aimed at increasing scarcity and the subsequent rise in carbon prices. However, this plan has met fierce opposition from Poland, currently in a bid to convince other states to oppose such measures. Poland's economy is heavily reliant on coal and, together with other East European states, has a big surplus in unused allowances they wish to use.

A temporary set-aside of allowances, or a permanent cut, would increase the price of carbon and ensure the market is on its way to meeting the climate targets set under Kyoto Protocol.

But countries like Poland are determined to oppose anything that would increase the price of carbon arguing that the European Commission is unlawfully regulating a free market.

This is just one of the many challenges the carbon market is facing. In its bid to restrict companies from using environmentally and socially problematic offsets for compliance in the ETS, the EU has already implemented restrictions on international credits from certain types of projects (like the ban on HFC and NO2 projects). Yet, given the serious problems with current practices to test additionality of CDM projects, a large percentage of carbon offsets from CDM projects are likely to be non-additional anyway, thus adding to global emissions. As well, carbon credits from registered coal power projects will also add millions of non-additional carbon credits to the already over-supplied market. To this end, the European Commission has announced that offset credits from Joint Implementation (JI) projects in countries that do not sign on to a second Kyoto commitment period will be banned from trading in the EU ETS. The pressure is on and future quality restrictions are imminent!

While it is true that the EU has successfully imposed industry wide regulations to reduce GHGs, the road ahead is more than bumpy. Ahead of the UNFCCC in Doha, the EU carbon market faces record low prices that stand no chance in incentivising a low carbon economy. Yet, member states remain with divergent views on tackling the problems. Addressing systemic problems of the ETS market design and allocation, while further restricting the use of international credits for stronger domestic action, should be paramount in reforming the carbon market. **Ultimately, any carbon market reform only makes sense with ambitious binding climate targets.**

Getting hot in Doha

By Anja Kollmuss, Carbon Market Expert, CDM Watch

Carbon markets are in the dumps and the future for these so called "flexible mechanisms" is grim. It's no wonder carbon markets are collapsing; we don't need them because weak pledges and the economic crisis are reducing emissions for us. The next international climate negotiations (COP 18) are held at the end of November in Doha, Qatar. For two weeks delegates from close to 200 countries will negotiate the future of the planet.

DOHA 2012
UN CLIMATE CHANGE CONFERENCE
COP18·CMP8

It's getting hot in here

Prices for offsets from the Clean Development Mechanism (CDM) and Joint Implementation (JI) projects have collapsed to below 1 EUR per tonne while the European 'cap and trade' system (EU-ETS) – the largest such trading mechanism – is so severely oversupplied that if the EU does not intervene it is unclear if the EU-ETS will survive. The main reason for this collapse is the very weak emission reduction targets that rich countries have committed to.

Our message is simple and clear: countries must dramatically increase their pledges to reduce emissions immediately, otherwise we will not stand a chance to prevent catastrophic effects of climate change.

The targets are higher than emissions are predicted to be if countries just continue on their business-as-usual emissions path. This will create a lot of new "hot air" until 2020. To give an illustrative example:
a country has an emissions reduction target for 2020 of minus 10% below its 1990 emissions levels. Yet its emissions are projected to be 15% below its 1990 emissions in 2020. This means the country is committing to being allowed to emit more than it actually will! This leads to the accumulation of "hot air": leftover emission reduction permits due to very weak pledges.

Plus, instead of creating jobs through renewable energy and energy efficiency measures, we are losing jobs and people are struggling to make ends meet in many countries. **Our message is therefore simple and clear: countries must dramatically increase their pledges to reduce emissions now, otherwise we will not stand a chance to prevent catastrophic effects of climate change.**

Why a second commitment period matters
Parties have yet to decide if there will be a second commitment period under the Kyoto Protocol (KP-CP2). So far only the EU and a few other small countries have publically stated they will join KP-CP2. Australia and New Zealand are still on the fence. The US, Canada, Japan and Russia have already announced they will not join. **If we do get KP-CP2 it will exclude the major emitters and be based on woefully insufficient pledges. Nevertheless it would be better to have a weak KP-CP2 than to let the multilateral process completely disintegrate. Such an outcome would play into the hands of those countries refusing to take any action.**

The Clean Development Mechanism (CDM) and Joint Implementation (JI)
Carbon market issues will be negotiated in several of the negotiating tracks in Doha. Parties will give their recommendations about how to continue and reform the CDM and JI. Countries have not yet decided who should be able to use CDM and JI credits in the next commitment period. CDM Watch believes that only countries that are joining KP-CP2 should be able to buy or sell such offset credits. This may provide an incentive for countries to take on binding climate target. Parties will also discuss rules for carbon capture and storage, forestry projects and an appeals procedure. **We will follow this closely and publish recommendations ahead of the talks in Doha.**

JI is the CDMs naughty little brother: it allows for offsetting projects in countries that have a reduction obligation under the Kyoto Protocol. JI unfortunately is known for its hundreds of millions of credits from projects that have been implemented anyway, even without JI. JI rules are weak and host countries can issue as many credits as they want. (Ukraine, for example, just issued 18 million JI credits). **JI projects need to be strictly limited to countries that have taken emission reduction pledges below their 2012 emissions.**

New Market Mechanisms
Last year at COP17 in South Africa, Parties decided to establish a "new market-based mechanism" and a "framework for various approaches" to create minimum requirements for internationally traded credits from regional systems. On both issues this year's meetings saw little progress. Parties strongly disagree about how much oversight and quality control new market mechanisms need. It is highly

13 billion Kyoto surplus permits – the phantom menace

Assigned Amount Units (AAUs) are tradable emission permits under the Kyoto Protocol. One AAU allows a country to emit 1 tonne of carbon dioxide equivalent (CO_2eq). Current Protocol rules allow countries to carry over all unused emission allowances into its next commitment period.

The surplus from the first commitment period (2008-2012: KP-CP1) is estimated to be 13.1 billion tonnes of CO_2. Russia (5.8 tonnes), Ukraine (2.6) and Poland (0.8) are the largest surplus holders, followed by Romania (0.7), the UK (0.5) and Germany (0.5). The surplus is **over a thousand times higher than the estimated demand.** At the recent climate talks in Bangkok (August 2012), the G-77 and China presented a promising proposal on how to deal with the surplus. It allows for only limited domestic use of the surplus and does not allow for trading. At the end of KP-CP2 all left over surplus would need to be cancelled. We support this proposal and advocate the EU and other key stakeholders to actively support the elimination of the surplus.

It is essential that countries increase their reduction targets and close allowance loopholes before any new market mechanisms get operationalised.

unlikely they will reach agreement on detailed rules in Doha. It is a puzzling why the EU and some other countries are so keen on establishing new market-based mechanisms when there is no demand for such credits and when the EU does not manage to reform its own EU-ETS. Nevertheless, numerous national or regional trading systems are being developed independently of the UNFCCC. It will be difficult to address the risks of double counting and weak quality standards in such regional and national systems.

To ensure a minimum level of integrity, it is important to establish common core standards set at the UNFCCC level for such mechanisms.

The Nallakonda Windfarm CDM Project – a Good Concept Badly Implemented

By Dr Leena Gupta, Senior Scientist, Society for Promotion of Wastelands Development

Forest Cleared
Courtesy: SPWD

Wind power can be a great source of renewable energy, but if put in the wrong place it can have considerable negative impacts on local livelihoods and resources. This article tells how local eco-restoration efforts were annihilated by the installation of a wind park and why this project should not be rewarded with carbon credits.

20 years ago Anantpur district in Andhra Pradesh was barren - a desert like landscape scarred with erosion. For two decades the volunteer organisation Timbaktu Collective worked together with eight villages to slowly nurture the area back to life. 7000 acres of land became protected and regenerated into a forest by the people of the Kogir, Mushtikovila, Shyapuram and Kambalapalli villages under the aegis of the 'Kalpavalli Tree Growers Cooperative'. Now the decades of eco-restoration effort are being ruthlessly annihilated to set up a 50MW wind park inside this area.

Tadas Wind Energy limited chose Kalpavalli and the surrounding areas to set up 48 wind turbines because studies showed that the area had high potential for wind energy. Despite the area then being covered by forests, both the government and the company referred to obsolete revenue records which classed the area as "wastelands". The company and the government then entered into purchase agreements for one acre plots on 48 strategic hilltop locations at extremely low prices. Under the name 'Nallakonda wind farm in Andhra Pradesh' the company also submitted this wind farm project to the

SPWD

Society for Promotion of Wastelands Development, was set up in 1982 by scientists, social activists, representatives from government, industry and civil society concerned about the degradation of the land and its related life support systems. Based in New Delhi, the Society develops appropriate technological responses to reverse degradation and reaches out to strengthen local institutions. http://www.spwd.org/

UNFCCC for participation in the Clean Development Mechanism (CDM). Under this scheme, projects can receive carbon credits if they reduce emissions and contribute to sustainable development. If approved, the project could receive about 900,000 carbon credits until 2020.

Excessive Negative Impacts on Local Livelihoods and Resources

Environmental Impact Assessments (EIA) for renewable energy projects are not mandatory in India. The company has therefore not done any systematic EIA or Social Impact Assessment (SIA) study. However, neighboring communities to the project identified several negative environmental impacts, such as heavy deforestation, land degradation, affected water bodies and biodiversity loss already occurring from project activities. The PDD states: '... *the project activity does not cause any negative impact on the environment, [thus] no EIA study was conducted. There are no significant environmental impacts due to implementation of the project activity'* (p. 29 of PDD). During installation work the wind energy company has violated many national and state level forest protection and biodiversity conservation laws. A violation of Article 21 of the Indian Constitution has been committed, which grants 'Right to Life for all' and contempt of the definition of Forest given by the H'ble Supreme Court of India. **The letter of approval for the project from the Indian Government, a prerequisite to participate in the CDM, must therefore not be granted.**

Vegetation has been removed and hilltops flattened on almost all hillocks in the area. Deep cuts of about 3 to 4 meters have been made on these slopes to make roads, but without retaining walls, so this has lead to massive soil erosion. Under the last monsoon rains the roads have all but collapsed and the eroded soil and landslides are creating major damage to the ecology of the area. These cuts have also heavily disrupted pasture routes making it impossible for cattle to climb up the hills. Internal water aquifers were also cut, creating a drastic decline in water availability. A massive spillage of construction debris has gone into fields and water bodies, further affecting water resources and livestock. To make matters worse, the construction activity needed a huge amount of water and now the windmills also need a constant supply of water for cooling them down. This water is taken by the company from the traditional water bodies of the villages without permission and often without payment. If payment is occasionally made, it is a paltry amount.
A thorough impact assessment, including a proper consultation of local stakeholders, would have helped to identify such problems with this CDM project and could have avoided the damage it has caused to livelihoods and ecosystems as well as the current need for reparations.

This CDM Project must not be approved

Not only does this project have heavy negative impacts on local resources and livelihoods. The project design document (PDD)

Impacts of the project at a glance:

- Massive soil erosion due to illegal road construction
- 200 hectars of vegetation destroyed for construction of roads for transportation of wind park material
- Unauthorized water usage by wind park company for construction purposes
- Hilltops cut and deforested (48 acres of vegetation area degraded for construction of 48 windmills)
- Threats to paddyfields and water bodies (silting, construction debris)
- Heavy damage to pasture routes
- No share of local community in profit and energy distribution
- Pollution through packaging materials and construction debris
- Very high investment - Very low employment generation, destruction of local livelihood systems

lacks substantiation of factors / parameters / statements that are considered crucial for registration of CDM projects with the CDM Executive Board. See comment submitted to the UNFCCC by CDM Watch here.

What's more, the local consultation process for this CDM project has been heavily flawed even outside the scheme. Part IX of the Constitution of India enshrines the power of the Panchayats (the smallest unit of governance comprising a group of villages) and powers given to the Gram Sabha (a meeting where all members of the village above voting age are eligible to attend and give their opinion). Yet, neither the state government nor the company thought it fit to discuss the setting up of the project with these local governance bodies. Meetings were only held with government officials and elected representatives who were keen to promote wind farms because the investments were considerable and would result in certain benefits to these officials personally. The stakeholder consultation meeting was not properly announced and most villagers were completely in the dark about the consultations. Announcements were made in English within a local newspaper, but the language is seldom understood by local villagers. Through discussions with local villagers of the affected area, it was confirmed there was no announcement or notice in villages, village governance body meetings, or in the widely circulated local language newspapers. It was only when the roads needed to be constructed that a process of involving the community was conducted by making many promises. When concerns were raised about the effects on the cattle grazing nearby, villagers were assured that the project would not have any impacts on grazing, but that has not been the case. **The stakeholder consultation process of this project is heavily flawed and the project must therefore not be validated.**

Without a proper EIA and SIA process wind power projects can easily undermine the sustainability purposes for which they are intended. The impact on the life support systems of the local people have to be considered as an integral part of any project and must be factored into the assessment of the benefits and costs. Furthermore, introducing a mandatory provision of an Environment Impact Assessment (EIA) and Social Impact Assessment (SIA) for the construction of wind parks and other renewable energy projects would ensure there is a proper assessment of the potential damage before giving permission to companies.

This case shows that when developing international protocols for biodiversity conservation and protection of community rights under the Convention on Biological Diversity (CBD), lessons learnt from CDM projects with negative impacts must be taken into account. Rules for consultation and impact assessment need to be strengthened and safeguarded plus grievance mechanisms need be introduced. Local communities must be acknowledged as primary stakeholders for the preservation of biodiversity and natural resources. Any project that violates safeguarding provisions, or damages the environment or livelihoods must be ineligible for financial support in the name of climate or biodiversity.

For more details about this project, its impacts and why it should not be approved see our comment submitted to the UNFCCC during the global stakeholder consultation period here.

What must happen next:

- Restoration activity that reverses damage caused by the construction of roads
- Compensation for the loss of the livelihood due to the restricted grazing access and loss of other livelihoods from non-timber forest produce
- Negative validation of the CDM project due to breach of local stakeholder consultation and additionality rules
- Mandatory provision of an EIA SIA for the construction of wind parks in India

kalpavalli now - Courtesy: SPWD

Improving Rural Livelihoods Through Carbon Sequestration?

Personal accounts of farmers' experiences with CDM eucalyptus plantations in India

By Debjeet Sarangi,
Living Farms

Land grabbing in India takes many forms including expansion of plantation monoculture for carbon sequestration. Often, private companies are contracting farmers to grow eucalyptus trees, purportedly as raw materials for paper, promising higher income. Hoping it could be a ticket out of poverty, many farmers joined the ride with disastrous consequences. This article looks at the impacts that Afforestation and Reforestation (A/R) projects can have on local farmers.

The story of farmer Apparao Hikoka

In 2000 representatives from JK Paper Ltd, (JKPL) and Utkal Gramya Bank approached Apparao Hikoka, a 54 year old tribal farmer in the Sanabrundabadi village of the district of Rayagada in Odisha, with the proposal to plant eucalyptus. They promised he would earn more from this than from his previous agricultural practices. After he agreed he was given a loan of INR 48,000 (768 EUR) with 12% cumulative interest,for his two-acre land, but only half of the money was actually given to him. The other half was deducted against the cost of 8,000 saplings of eucalyptus from JKPL's nursery. Apparao used the half he received to buy chemical pesticides and to pay for additional labour to plant the seedlings. He then waited for the first harvest. He got a good return in 2007 earning INR 65,000 (1040 EUR). What the company did next was appalling to Apparao: they took his total earnings,adjusting it against his loan and interest. H. He felt very angry and helpless, but little did he know that it would be the same situation over and over again in the succeeding harvests. It has been 11 years now and the eucalyptus trees are still growing on his farm, but for Apparao Hikoka, they've been a constant source of heartbreak. His cycle of indebtedness has left him penniless.

The story of farmer Nari Praska

In the Majhialama village, every year farmer Nari Praska used to get 800 kilos of finger millet, 400 kilos of sorghum and 100 kilos of pigeon pea from his 4-acre (1.6 hectare) land. His six-member family received sufficient nutritious food from his land and he even earned INR 2000 (EUR 31) from selling his surplus grain. Malnutrition or food crises were never a problem and he owed it to the mixed cropping system that he followed. However once he started planting eucalyptus, everything has changed. Now his family faces 4 months of food shortage every year. Back in Sanabrundabadi, even his fellow farmer Apparao Hikoka said he was planting 6 varieties of millets and 2 varieties of pulses and oil seeds on his 4-acre land before planting eucalyptus. Today, just like Hikoka, Praska has to buy food for his family from the market as his harvest

Living Farms

Living Farms works with peoples' movements and tribes to protect their land and agriculture from being taken over from industrialization. Its goal is to promote local resource based ecological agriculture. You can contact the author at: debjeet2002@gmail.com

Parts of this article originally appeared in Leisa India, December 2011, Volume 13 No. 4. The story was also featured by the Third World Network.

from eucalyptus is only sufficient to feed his family for 4-5 months per year.

More farmers going bankrupt

Four other farmers in Sanabrundabadi have also claimed to have experienced the same thing. For them, it was a bigger mistake: the amount they get from eucalyptus plantation is not even enough to repay the loan. The experience of farmers in Sanabrundabadi is also shared by farmers in at least 7 other villages in the Rayagada district. JKPL's eucalyptus plantation project covers around 3,000 hectares of land in three districts of Orissa and Andhra Pradesh (Rayagada, Kalahandi and KoraputSrikakulam, Vizianagaram and Visakhapatnam).

Eucalyptus: the wrong choice

Though a potential industrial crop, many literary references point to eucalyptus as an inappropriate inter-crop species in agroforestry systems. This is because it releases inhibitory compounds that adversely affect the germination and growth of neighbouring plants by disrupting their energy metabolism, cell division, mineral uptake and biosynthetic processes. It is also an extremely water guzzling plant. Eucalyptus was first introduced in India before the turn of 20th century as a source of raw material for paper. Since 2000, paper mills have started considering the added value of these pulpwood plantations are that they act like "carbon sinks". In 2004 the Veda CDM Company, an affiliate of the World Bank's Biocarbon Fund, approached JKPL to contract out eucalyptus plantations under the CDM . As of July 2011, Veda claims that about 600 hectares of eucalyptus plantations in Orissa are under the CDM.

Who is profiting?

Not only does this scheme create a false sense of sustainability, it also opens up business opportunities for companies at the expense of local communities. Ironically, the CDM project most scrutinized here is named: *'Improving Rural Livelihoods Through Carbon Sequestration by Adopting Environment Friendly Technology Based Agroforestry Practices'.*

Needless to say, farmers in the villages of Rayagada cannot help but suspect that JKPL might be deriving double profits from the eucalyptus that they are growing – from paper production to carbon credits – and trying to keep them in the dark about it. Companies participating in the CDM are supposed to provide relevant technologies and guidance. But farmers continue to complain they are never told about the negative effects of eucalyptus in agriculture or the environment in general.

The PDD states that farmers are supposed to benefit from the carbon credits. So far they have not received any payments but are struggling to repay their loans.

Land grab of a different sort

When farmers are pushed into bankruptcy and left with nutrient-depleted soil and water resources that make growing food difficult, it is no less than a land grab. As Apparao Hikoka argues, he may have the land, but it is nothing more than dead earth. As these farmers' accounts show, there is nothing which is either clean or developmental in JKPL's eucalyptus plantation – whether it's to make paper or sequester carbon, and it hardly contributes to their economic wellbeing.

Looks are deceptive JK Paper Mill's A&R CDM project is double profit for the company, huge loss for local people

By Ranjan K Panda, Convenor of 'Water Initiatives Odisha'.

Visiting Dinabandhu Gand of Kauguda village in the Kalahandi district of Odisha shows that CDM projects in afforestation and reforestation can do the opposite to what they are designed to. In a place where climate change is already inducing ever more annual droughts, this business in the name of mitigating climate change is in fact causing a double effect on people. It raises serious concerns about the effectiveness of afforestation and reforestation projects under the CDM and the impacts they have on local communities.

Dinabandhu, a relatively poor and marginal farmer, owns two acres and twenty decimals of land. As small as his farm may be, it never failed him and, like many farmers on the belt of Odisha, he was practicing local crop diversity-based ecological farming. He explained, *"With paddy cereals, pulses, millets and vegetables these became enough for my family of three for the whole year. We've even earned cash by selling black gram, til and vegetables. However, ours is a drought prone area and the fate of our agriculture depends on the rain god."*

Five years back an official from the JK Paper mills visited him and asked him to abandon this kind of agriculture and grow eucalyptus instead. Dinabandhu recounts, *"They said that I would earn at least sixty to seventy thousand rupees per acre if I raised eucalyptus and I was promised all sorts of help."*

By Ranjan K Panda, Convenor of 'Water Initiatives Odisha', leading water researcher and practitioner of the countryand senior freelance journalist. He can be contacted at ranjanpanda@gmail.com.
A major portion of this article was covered in an article written by the author for Terra Green magazine.

The CDM Project that JK Paper mills had been referring to is entitled "Improving Rural Livelihoods Through Carbon Sequestration By Adopting Environment Friendly Technology based Agroforestry Practices" " and got registered on 28 February 2011 by the UNFCC. So far, personal accounts from farmers like Dinabandhu suggest that the project has left most listed beneficiaries bankrupt. Still, the project, funded by the World Bank's Bio Carbon Fund, has projected an estimated annual reduction of CO2 to the tune of 324,269 metric tonnes. If we go by the name of the project, it is supposed to be promoting sustainable agro-forestry practices. While Dinabandhu and his fellow villagers remain indebted to the bank, the company involved with the project says they have involved people in a participatory manner and many have voluntarily joined the initiative.

Yet Dinabandhu says, *"I am a layman on these things but I cannot understand, if there is very good natural forest here which can provide work for the whole life of a farmer, why is a killer tree [like eucalyptus] being promoted to be harvested."* Prof. Arttabandhu Mishra, a retired professor from Sambalpur University who has done extensive research on environmental impacts of this tree confirms, *"The eucalyptus sucks the water [right away from] the locality and it does more damage to the environment than doing any good."* He suggests that instead of eucalyptus trees, traditional agro-forestry can not only be a carbon sink but can also save agriculture from climate variations and enhance soil fertility and the water retention ability of crop fields. With eucalyptus, soil fertility decreases and water resources dry up.

This type of projects should not be promoted, especially not at the expense of the environment and the poor.

Recycling wins recognition in the CDM

By Mariel Vilella, GAIA's Climate Policy Campaigner

Courtesy: Gaia

GAIA is a worldwide alliance of more than 600 grassroots groups, non-governmental organisations, and individuals in over 93 countries whose ultimate vision is a just, toxic-free world without incineration. www.no-burn.org

We have some good news to share! After intense campaigning during the last two years by (GAIA) and the Global Alliance of Waste Pickers, the Clean Development Mechanism (CDM) has finally pulled back support to projects that could decrease recycling rates in the Global South.

As it can be read in the eligibility criteria of the recently launched methodology ACM0022 for 'alternative waste treatments': any project seeking CDM's approval through this methodology will have to demonstrate that it does not negatively impact recycling rates.

This new rule for CDM projects recognizes one of the strongest claims made by grassroots recyclers over the last years: CDM-backed landfill gas systems and incinerators compete with them to access and control municipal solid waste streams to ultimately bury or burn recyclable/compostable materials. This issue not only resulted in the displacement of waste pickers' livelihoods but also increases greenhouse gas (GHG) emissions, as most of the previous recycling was effectively prevented.

The direct implication of this new rule is that project developers seeking CDM's support will have to provide evidence of no harm to recycling when putting forward a proposal for an incinerator, a landfill gas system or a Refuse-Derived Fuel (RDF) plant.

However, how should project developers do so? Will they visit the grassroots recyclers' cooperatives on the ground and take notes on their recycling rates? How will they manage to argue that an incinerator or a landfill gas system can actually avoid damage to recycling? Not to doubt project developers' capacity to distort reality, but they have systematically ignored the informal recycling sector so it can be assumed that some further regulation and follow-up will be needed to make them compliant. **Essentially, it is fundamental to organize defend waste pickers rights on the grassroots level, so be aware that any project impacting recycling can now be reported to be out of the game!**

More information about waste projects in the CDM:

The **The European Union's Double Standards on Waste and Climate Policy** report reveals serious flaws in CDM-backed Municipal Solid Waste (MSW) projects.
See report here:
http://www.no-burn.org/-1-12

Also, the **CDM Case Studies: The Clean Development Mechanism in Solid Waste Management** presents four case studies that show how landfills and incinerators increase GHG emissions, increase toxic emissions, reduce recycling and displace informal-sector recyclers who offer better alternatives.
See cases here:
http://www.no-burn.org/cdm-case-studies

GAIA and the Global Alliance of Waste Pickers have extensively engaged in campaigning actions over the last three years, involving public interventions, cyber actions, and policy revisions, amongst others. See info here:
http://www.no-burn.org/article.php?list=type&type=156

Watch This!

NGO Voices on the CDM

Notice board

Discuss online

The CDM Watch Discussion Forum is the place to share your views on carbon markets with the world. I there anything you want ot reveal? All views are welcome. Visit:
forum.cdm-watch.org and leave a post.

CDM Watch Discussion Forum

Join our India Network!

Stay on the ball about carbon market developments, share information and concerns about CDM projects and policies and their consequences for Indian society. Together we will keep fighting to expose weak rules and governance. All NGOs, academia and activists are welcome. Follow this link for Network Registration.

The Phantom Menace

Countries have less than six months left to close the gigantic loophole that threatens the viability of new climate regimes. The Kyoto Protocol surplus allowance issue needs to be resolved otherwise climate commitments until 2020 could be nullified. Like! Burst Kyoto's "Hot Air" Bubble on facebook and stay informed on the campaign.

About CDM Watch

CDM Watch Scrutinizing Carbon Offsets

CDM Watch scrutinises carbon markets and advocates for fair and effective climate protection. CDM Watch was set up in 2009 as an initiative of international NGOs to provide an independent perspective on individual CDM projects and the political decision-making process affecting wider carbon market developments.

The CDM Watch Network connects NGOs and academics from the global North and South to share information and concerns about CDM projects and policies. Its purpose is to strengthen the voice of civil society in the CDM and carbon market developments.

Join the network

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