Highlights of the CDM Executive Board 68th meeting

The following report is a short summary of the most relevant outcomes of the last CDM Executive Board meeting, held in Bonn from 16-20 July 2012. This summary provides information about key decisions taken at the meeting and includes our comments.

The 68th meeting was an important milestone for CDM Watch and its campaign against coal in the CDM. The methodology had been put on hold by the CDM Executive Board late last year. At this meeting the Board requested that the revised rules that would allow new coal power plants in India and China to receive carbon credits be scrutinized further. This means these projects are effectively barred from the EU. Any future revision will come too late for projects to get registered before the EU restriction on new CDM projects LDCs will take effect. This means that no more coal power projects can get registered in time to be eligible to be sold in the EU ETS. Well done everyone!!

Furthermore, sustainable development was high on the agenda, especially in the discussions about the new sustainable development reporting tool and discussions about withdrawal of letters of approvals for CDM projects. Important discussions were also held about new additionality rules for small scale projects, new guidelines for suppressed demand, standardized baselines and the new working group on CCS. For more information see below.

Major decisions on these issues are expected at the upcoming Board meeting taking place from 9-13 September. We'll particularly look forward to discussions about the sustainable development tool and potentially new requirements for local stakeholder consultations. Also the report by the CDM Policy Dialogue Panel will be released at this meeting. The September meeting will also be important for the annual report that will provide recommendations COP 18 in Doha.

All documents and annexes of the 68th meeting can be downloaded from the UNFCCC site here.

The end for dirty carbon credits from coal power in the EU

In November 2011, the CDM Executive Board suspended the crediting rules of coal power projects (methodology ACM0013). The board could not come to agreement on the revisions. Therefore the rules continue to be suspended, despite multiple revisions by the Secretariat. One main reason for the disagreement was that EB members couldn't agree whether accounting for CER revenues and fuel prices should be included in the additionality analysis. This decision is significant because it means that any future approval of the coal methodology will come too late for projects to get registered by the end of this year. Beginning next year new CDM projects will only be eligible for the EU Emissions Trading Scheme (EU ETS) if they are from the world's poorest countries (LDCs). This rules out the coal projects which are all located in India and China and effectively bars coal projects from the world's largest carbon market, the EU ETS. For more information about CDM coal power projects, see here.

New additionality rules for micro-scale projects

The Board at its 66th meeting requested the Small-scale Working Group (SSC WG) to revise the additionality analysis of micro-scale projects so as to include a revised definition of "underdeveloped zones". Also, at its 67th meeting, the Board considered a concept note on the extension of simplified modalities for the demonstration of additionality of small-scale CDM project activities and requested the secretariat to recommend a positive list of technologies that would qualify for automatic additionality. Feedback was provided by the SSC WG, which proposed to expand the positive list of additional project to, inter alia, off-grid/distributed generation and other isolated units/technologies of very small size and rural electrification projects. Baseline thresholds were chosen so that a higher amount of PoAs and host countries would result eligible. In principle, this decision will help small projects in underdeveloped countries to apply for the CDM. However, in order to avoid potential abuse, permissive thresholds must be counterbalanced with complementary measures to ensure environmental integrity.

Standardized baselines

Last July 2011, the CDM Executive Board approved a framework[1] that outlines rules on how to develop standardized baseline methodologies (SBL). In principle, this is a good idea but the current framework is not sufficiently comprehensive. The risk is that it could lead to standardisations that would allow large numbers of artificial credits into the CDM system. The UN's own Methodology Panel and external stakeholders have also raised a series of concerns about the applicability of the framework.[2]

During their last meeting, not much advance was made: A newly-created database that will provide information on the efficiency and costs of technologies under standardized baselines, was presented. A modified scope was proposed to clarify how to use SBL in a CDM project or PoA and funding limits

[1] Draft Framework For The Establishment Of Sector Specific Standardized Baselines

[2] Methodology Panel Informal note: Remarks on the "Draft framework for the establishment of sector specific standardized baselines"

and modalities were set for eligible parties. Potential impacts on CDM projects were considered and, finally, draft guidelines were proposed to expand the applicability of baselines to forestry projects. Risks for possible free-riders still need to be eliminated. CDM Watch therefore recommends that the SBL guidelines are road-tested and analyzed so that the effects of baseline and additionality thresholds can be assessed.

Suppressed Demand

The Board approved amended guidelines for suppressed demand. Suppressed demand expresses the fact that poor people tend to consume less (energy, water, goods) than they would if they were less poor, or if the services to which they had access were cheaper. If suppressed demand is taken into account the baseline that is used for a CDM project is not what people actually emit but instead it is set at the level it is thought the emissions would be if people were less poor or gets access to other technologies or energy sources. Such projects that take into account suppressed demand therefore do not reduce existing emissions but potentially avoid future emissions by providing an incentive for a cleaner development pathway.

The amended guidelines clarified the definitions of so called Minimum Service Level (MSL) and added a definition of basic human need with transport, sanitation and heat as the three main characterizing categories. Board members expressed the need for further clarification so at to avoid misunderstandings on local communities' needs. Edits were also made on the guidelines' applicability and scope and several examples on how to demonstrate suppressed demand were added.

CDM Watch welcomes the improvements but points out that major efforts still have to be made to assess projects' mitigations goals and their potential negative impact with development strategies.

The SD co-benefits voluntary reporting tool

The Executive Board is currently developing a voluntary "tick-box" questionnaire for CDM project participants to highlight sustainable co-benefits of the CDM. The Board launched a public call for input and aims to approve the next verison of the tool at its upcoming meeting in September.

For the first time, Board members addressed no-harm safeguards. To some EB members the proposed safeguards are inadequate to expose possible harmful consequences of CDM projects on local communities and environment. Known as a politically challenging topic, the issue of national sovereignty and third-party involvement on the definition of sustainable development was addressed. Although the tool's taxonomy was deemed comprehensive, it was stressed once again that sustainable development is a sovereign issue. Some Board members argued that more power should be given to DNAs in outlining sustainable development criteria and that third-party assessment was not recommendable.

Together with Ciel and Earthjustice, CDM Watch has made a submission to this public call for input which closed on 10 August. For more info please see here, visit our website and see our latest Newsletter.

Withdrawal of Letters of Approval (LoA)

The CMP, at its seventh session in Durban in late 2011, requested that the Board assess the implications of the withdrawal or suspension of the Letter of Approval (LoA) and make recommendations to be considered at the upcoming climate negotiations in Doha. For each prospective CDM project, the host country has to issue a LoA before the project can apply for registration. Once an LoA is issued, there is currently no way for a host country to revoke their approval.

A thorough presentation was given by the secretariat on the legal context, impacts and procedure for a LoA withdrawal or suspension. In the subsequent discussion EB members voiced concerns that a number of measures contained in the proposal would impinge on national authority. It was also pointed out that it was not the mandate of the Board to sort out potential legal implications between DNAs and project proponents since a DNA should have the power to withdraw a Letter of Approval in case a project does not contribute to sustainable development.

Experts of CCS WG appointed!

Further to the decision by the CMP in Cancun in 2010 to include carbon capture and storage (CCS) activities in the CDM, the Board established a new Working Group on CCS (CCS WG). Following experts were appointed to the **CCS WG**: Mr. Gregory Leamon, Mr. Paul Zakkour, Mr. Lambert Schneider, Ms. Shujuan Wang, Mr. Luis de La Torre, and Mr. Jeremiah Muia.