



Carbon Market Watch Summary of the 70th CDM Executive Board Meeting

The CDM Executive Board held its last meeting of 2012 in Doha, in November before COP18.

December 2012

CER prices continue to erode, as demand is at an all-time low and oversupply of offsets from non-additional CDM credits continues. Despite the CDM's dismal future, project developers are rushing to get their projects registered before the end of 2012. Starting in 2013, the EU will only allow new projects that are located in Least Developed Countries to sell credits into the EU-ETS. Almost 2000 projects applied to get registered during the second half of 2012. Currently over a billion CDM offsets (CERs) have been issued and over 5100 projects registered.

Amidst all this registration frenzy and market upheaval, the CDM Executive Board met and made several decisions. Following key decisions were taken at the meeting:

- 1) Documents for standardized sent back to the UNFCCC Secretariat for further revision
- 2) Proposed improvements of additionality testing rejected
- 3) No action to improve projects that destroy N₂O in nitric acid plants
- 4) Weak new voluntary tool on sustainable development approved
- 5) Improvements to stakeholder consultation processes adopted

1) Standardised baseline guidelines sent back to the drawing board

The Board sent several documents on standardised baselines back to the Secretariat for further revisions. Carbon Market Watch welcomes this decision, because the draft documents were seriously flawed. We had submitted detailed comments (see submissions made in October 2012 [here](#))

2) Board continues to weaken additionality

The Board made several decisions that weaken additionality requirements:

The Board approved several methodology revisions that removed the reference to a fixed crediting period and therefore enables project developers to renew the crediting period. The Methodologies Panel had approved several methodologies which had a 10 year crediting period limit. This was to strengthen the environmental integrity of such projects, which the Meth Panel assessed were unlikely to be additional after 10 years. Yet the Board was not interested in such an approach. Claiming that such restrictions would not be in accordance with Marrakesh rules, the Board forced the Meth Panel to change all those methodologies.

The Board had also in one of its previous meetings refused to consider CER revenues for demonstration of additionality. This would have been an important improvement to the additionality assessment of projects. At this meeting the Board tasked the Meth Panel to change methodologies that use such an approach, further weakening the already weak additionality assessment of CDM projects.



These decisions are especially troubling in light of a recent [research paper](#) commissioned by the CDM High Level Policy Panel. It estimates that up to 3.6 billion CERs could come from non-additional projects by 2020.

3) Delaying tactics on Nitric Acid

The Board once again refused to take action on projects that destroy N₂O in nitric acid plants. N₂O is normally an unwanted by-product of nitric acid production. The Meth Panel showed clearly that the existing methodologies (AM0028 and AM0034) give project developers a perverse incentive not to adopt an already widely available technology that would minimize N₂O formation. With these methodologies it is currently more lucrative for project developers to maximise N₂O production so that it can then be destroyed and credits earned. This issue has been known for many months and yet the Board is refusing to act. Instead the Board sent the issue back to the meth panel to assess once again what the situation is. Clearly this is just a delaying tactic, as the evidence is quite clear. It is another example of the poor performance of the Board when it comes to improving the environmental integrity of the CDM.

4) Weak new voluntary tool on sustainable development approved

The Board approved the [voluntary tool for reporting sustainable development co-benefits](#) of CDM projects. Unfortunately this tool will do little to improve the CDM's performance on sustainable development. For this to happen we would need a tool that is mandatory and requires monitoring and verification throughout the lifetime of a CDM project. Neither countries negotiating the future of the CDM at COP18 nor the CDM Board were willing to take steps to establish such much needed requirements. Instead we are given a voluntary tool that will at best enable project developers to tout sustainable benefits that have neither been measured nor audited.

5) Improvements to stakeholder consultation processes

The Board also discussed how to improve the stakeholder consultation processes. To improve the global stakeholder consultation process, the Board requested the secretariat to draft new language that would:

- (a) Expand the types of documents that are required to be published;*
- (b) Define the scope of comments to be submitted;*
- (c) Improve the consultation section of the UNFCCC CDM website, including the notification to stakeholders;*
- (d) Analyse the feasibility of accepting comments in the official language of the host country;*
- (e) Provide guidance to DOEs on the treatment of comments received.*

The Board further agreed that, if significant changes have occurred in the project design after the initial local stakeholder consultation, the DOE, as part of its validation process, will have to assess whether the stakeholder consultation that was conducted is still valid. The Board could not agree on what should happen if the DOE was to decide that the consultation was no longer valid. The Board requested the Secretariat to draft language that the Board will discuss at a future meeting.

To improve the local stakeholder consultation process, the Board requested the secretariat to:

- (a) Refine the minimum groups of stakeholders to be invited for consultations;*



(b) Look into options that would provide flexibility to project participants in defining adequate means of consultation. We are not sure what exactly this would mean but would oppose any changes that would further weaken the requirements of local stakeholder participation.

The Board discussed how to address stakeholder concerns that are raised after the project has been registered. It requested the secretariat to develop a proposal that the Board will discuss at a future meeting that would:

- (a) Delink the time period where stakeholders could raise concerns from the monitoring of the project activity or PoA;*
- (b) Would constitute a formal process for dealing with those concerns.*

We commend the Board for taking further steps in enhancing stakeholder participation and encourage the Board to implement these changes as quickly as possible.