



Impressions of the UN Climate Change Conference Courtesy of www.flickr.com/photos/adoptanegotiator

Dear friends,

It's been a busy two months! We participated in the CDM Practitioners Workshop on Standards organised by the UNFCCC Secretariat and attended the 61st CDM Executive Board meeting. We were also at the 6-17 June UN Climate Change Conference lobbying for a meaningful CDM appeals procedure. Delegates from 183 countries attended the meeting trying to advance the negotiations in preparation for the UN Climate Summit in Durban later this year. Not much progress was made. A few Parties, including the EU made it clear that they will only sign on to a new commitment period under the Kyoto Protocol if new market-based mechanisms are passed. We tried to learn more about the new market mechanisms, however, no one could tell us how they should work, let alone how they would coexist with the CDM, NAMAs, MRV, FSF, and LCDS (to pick just a few of ever growing number of UNFCCC acronyms)¹.

CDM Executive Board called to suspend methodology for super critical coal projects

The upcoming 62nd Executive Board Meeting is promising to be very exciting. Just as we finalised this newsletter, we found out that the CDM Methodology Panel is recommending to the CDM Executive Board to suspend the super critical coal methodology (ACM13) on the grounds that it grossly inflates baseline emissions, leading to a potentially serious over-issuance of credits. We are very happy about this because CDM Watch has long argued that super critical coal projects do not belong in the CDM. Firstly, they perpetuate the use of coal, fundamentally undermining climate mitigation goals. Secondly, all CDM coal projects we have examined are clearly non-additional (including the four already registered). The guest article by Sierra Club provides an overview on this issue. Thirdly, we have argued for a while that the methodology is flawed and leads to over-crediting. We welcome the Methodology Panel's recommendation and strongly support a suspension of the super critical coal methodology.

HFC-23 update

The CDM Executive Board will also discuss the methodology revision for HFC-23 projects. This decision was postponed at the last meeting where there was a lot of disagreement on the topic. Much is at stake: enormous profits from HFC-23 projects have created resistance from parties to changing the rules. So there is an urgent need to address the abatement of HFC-23 in the most effective and climate-sound way. HFC-23s have also been discussed at the UN Climate Conference and at the EU. UN Parties have (again) postponed a decision of how to deal with HFC-23 emissions from new facilities (these are not currently eligible under the CDM). Last but not least, a bit of good news on HFC-23s: many EU member states have decided to extend the ban to their non-ETS sectors. (Hey Italy, Poland, Spain, the Netherlands, Finland, Romania and Lithuania, what are you waiting for?!) Are you confused about HFCs? Actually, if you are, our article on [page 11](#) will bring you up to speed on the issue.

¹ Clean Development Mechanism; Nationally Appropriate Mitigation Action; Monitoring, Reporting and Verification; Fast Start Finance; Low Carbon Development Strategies.

Strengthening human rights and sustainability in CDM projects

At its upcoming meeting, the CDM Executive Board will decide whether to register the controversial CDM project in Honduras. This project has triggered debate on how human rights violations that are linked to CDM projects could be addressed on a wider policy level. We give you a brief update and provide a follow up on the discussions about an appeals procedure that was discussed at the UN Conference. We also provide an overview of our submission (and recommendations) to the CDM Executive Board's 'Call For Public Inputs on Sustainability Benefits'.

The guest article by GAIA explains how CDM waste management projects can undermine the livelihoods of wastepickers. A previous article in our newsletter seriously criticised the Mtoni Landfill Gas Project in Tanzania. In this issue we publish a response from CSG (one of the project developers) because they felt that the first article was not accurate.

And let's end with some good news! We are happy to announce that we launched our CDM Watch Network, a platform set up to encourage communication and capacity building. It aims to strengthen the role and influence of civil society in individual CDM project decisions, CDM policy discussions and wider carbon market developments. To join up, please fill out the online registration form at <http://registration.en.cdm-watch.org>.

Happy reading!

The CDM Watch Team

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1. CDM Watch Network Launched!

We are happy to announce the official launch of the CDM Watch Network!

The CDM Watch Network is a platform set up to encourage communication and capacity building. It aims to strengthen the role and influence of civil society in individual CDM project decisions, CDM policy discussions and wider carbon market developments.

The CDM Watch Network provides

- › Information exchange through English and Spanish mailing lists (you can subscribe to both)
- › Alerts about opportunities to voice concerns, including public input periods to projects and policy developments
- › Coordination of activities and campaigns
- › Information about working groups, workshops, conferences and other civil society forums.

How to join the CDM Watch Network

The CDM Watch Network is free and open to all non-profit civil society organisations. To become a member, organisations must be formally independent of governments and commercial organisations and be active in the fields of climate change, environmental protection, social rights or related areas. We especially invite NGOs, activists and local movements from CDM host countries to join the Network.

If you would like to join the CDM Watch Network, please fill out the online registration form at <http://registration.en.cdm-watch.org>.

We are looking forward to hearing from you!

The CDM Watch Team

2. Why coal projects threaten the integrity of the CDM

Guest article by Steve Herz, Justin Guay from Sierra Club

Why is coal included in the CDM?

Coal is the world's most carbon intensive fossil fuel. So, using massive investments in coal as a tool for reducing carbon emissions may sound like a joke. But with a slew of coal projects lining up for CDM support, no one is laughing. What matters for CDM purposes is that new more efficient coal projects may emit less carbon than if less efficient, outdated technology were used instead (never mind the hundreds of millions of tonnes of CO₂ these projects will emit over the decades they will be in operation).

Project sponsors claim that these 'emissions reductions' can only be achieved if they are granted hundreds of millions of euros in CDM funding. So far the CDM Executive Board has approved four new coal plants (three in India, one in China), representing



Update! CDM Executive Board called to suspend coal projects

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We are very happy about this because CDM Watch has long argued that super critical coal projects do not belong in the CDM. Firstly, they perpetuate the use of coal, fundamentally undermining climate mitigation goals. Secondly, all CDM coal projects we have examined are clearly non-additional (including the four already registered). The guest article by Sierra Club gives an overview of this issue. Thirdly, we have argued for a while that the methodology is flawed and leads to over-crediting. We welcome the Methodology Panel's recommendation and strongly support a suspension of the super critical coal methodology.

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The CDM Executive Board will discuss this issue at its upcoming 62nd meeting.

CDM Watch has long argued that super critical coal projects do not belong in the CDM.

- › They perpetuate the use of coal, fundamentally undermining climate mitigation goals.
- › All CDM coal projects we have examined are clearly non-additional (including the four already registered).
- › The baseline methodology is flawed and leads to over-crediting.

We welcome the CDM Methodology Panel's recommendation and strongly support a suspension of the super critical coal methodology.

roughly 56 million CERs worth, which is about EUR 560 million at current market prices. With 32 more projects in the process of applying, hundreds of millions more non-additional CERs (worth billions of Euros in windfall profits) threaten the integrity of the CDM.

Coal Projects are non-additional

There are many reasons new coal plants should not be eligible for CDM support. Firstly, it is a contradiction in terms to call coal plants 'clean', regardless of their efficiency. They cause enormous environmental damage at the pithead, lock in decades of new carbon emissions and then poison their location and host community with a myriad of toxic pollutants. Moreover, CDM support for coal would lavish hundreds of millions of dollars on an already grossly profitable fossil fuel industry at a time when the world desperately needs to dedicate scarce climate finance towards new renewable energy.

In addition, CDM coal projects are non-additional: they don't generate emissions reductions that wouldn't have happened anyway. This is because super critical coal technology is the mainstream modern technology of choice in the coal industry, with over 500 supercritical units in operation², representing more than 20 per cent of units installed worldwide³. Super critical and ultra super critical technology is increasingly preferred as dramatically rising coal prices worldwide provide a strong incentive to coal power producers to use more efficient technology.

In India, where the bulk of the CDM coal projects are originating, the government has declared that all new ultra mega power projects (UMPPs) "shall be based on supercritical technology"⁴ while the Planning Commission has decided that roughly 60 per cent of thermal power contemplated in the 12th Five-Year

² Qingshan Zhu, 2005. Clean coal technology– Gasification vs. (pulverized coal) combustion, at 4. available at <http://www.interacademycouncil.net/Object.File/Draft/10/338/0.pdf>

³ World Bank, 2008. Clean Coal Power Technology Review: Worldwide Experience and Implications for India, at 2. available at <http://moef.nic.in/downloads/public-information/LCGIndiaCCTjune2008.pdf>

⁴ See, Central Electricity Regulatory Commission, Petition 128/2010; paragraph 22, 25, available at <http://www.cercind.gov.in/2010/ORDER/July/signed.order.in.Pet.No.128-2010.pdf>

Plan will be supercritical⁵, moving to 100 per cent of new coal-fired plants in the 13th Five-Year Plan⁶. This move is a response to domestic coal shortages as well as coal prices that have nearly doubled since 2001 despite government price controls. Finally, nearly all projects in the pipeline are moving forward regardless of CDM funding. One project in Andhra Pradesh described CDM funding as merely “a new revenue stream for the Company”.

What’s being done to maintain the integrity of the CDM

Despite the fact that coal projects undermine climate protection goals⁷ the CDM Executive Board does not have the explicit mandate to exclude a technology on the grounds that it is non-sustainable. Such decisions have to be made by the Parties of the Kyoto Protocol (as was the case when nuclear was excluded). Yet, it is the CDM Executive Board’s mandate to ensure that only real emissions reductions are eligible for CDM credits.

So far the CDM Executive Board has a mixed record when it comes to coal projects. It correctly rejected the 3,960 MW Tata Mundra project (ref. 3020) but has approved four other non-additional projects⁸. In the past month, the Sierra Club and CDM Watch have challenged the

approval of three new Indian UMPP coal plants, including the previously rejected Tata Mundra project that is once again trying to get registered⁹. Of these, the board has requested the review of one of the projects due to additionality concerns (ref. 4629). While this is a start, the CDM Executive Board must extend its review to all coal projects to properly determine additionality. It is imperative that the CDM Executive Board reject all projects where: super critical coal technology is already business-as-usual, financing is already secured, or project activities are currently underway, because such projects are obviously non-additional.

Sierra Club and CDM Watch continue to lobby against coal projects in the CDM. You can view our comments to coal projects at [this link](#). If you are interested in keeping up with our campaigns, please sign up to our network at <http://registration.en.cdm-watch.org>



Indian Coal Plant, Courtesy Sierra Club

⁵ Planning Commission, 2011. Interim Report of the Expert Group on Low Carbon Strategies for Inclusive Growth at 37. available at <http://moef.nic.in/downloads/public-information/Interim%20Report%20of%20the%20Expert%20Group.pdf>

⁶ International Energy Agency, 2011: Technology Development Prospects for the Indian Power Sector, at 47. available at http://www.iea.org/papers/2011/technology_development_india.pdf; Central Electricity Authority, Letter of 2 February 2010, available at http://www.cea.nic.in/more_upload/advisory_mop_sourcing_domestic_mfrs.pdf

⁷ See for example: Hansen, J., Mki. Sato, P. Kharecha, D. Beerling, R. Berner, V. Masson-Delmotte, M. Pagani, M. Raymo, D.L. Royer, and J.C. Zachos (2008). „Target Atmospheric CO₂: Where Should Humanity Aim?“. Open Atmos. Sci. J. 2 (1): 217–231. http://www.columbia.edu/~jeh1/2008/TargetCO2_20080407.pdf.

⁸ Registrerd projects: 1,320 MW Tirora project (3225); 3,960 MW UMPP Sasan (3690); 2,000 MW Shanghai Waigaoqiao (3288); 1,320 MW Adani Mundra (2716)

⁹ 3,960 MW Tata Mundra (3020); 3,960 MW Jarkhand India (4629); 3,960 MW Andhra Pradesh India (4533); 660 MW Koradi plant in Maharashtra, India.

3. D-day for the Aguan biogas project in Honduras linked to human rights abuses

The issue of human rights violations linked to CDM projects (and how to address them) has been highlighted by the Aguan biogas project in the Bajo Aguan region of Honduras. The project is linked to serious human rights violations. Five people have allegedly been killed by the project developer's own security forces. The project is currently seeking registration under the CDM. It intends to reduce emissions by collecting biogas from methane emissions to replace the use of fossil fuels for heat generation in a mill of a palm oil plantation of Grupo Dinant's subsidiary Exportadora del Atlantico. It is a relatively small project in the context of the CDM, forecasting an annual reduction of about 23,000 tonnes of CO₂ that could generate about US\$2.8 million between 2010 and 2017.

CDM Executive Board members will decide whether to register the project at their 62nd meeting starting on 11 July 2011. CDM Watch has written several letters to the CDM Executive Board about the human rights violations associated with this project. We have highlighted that the local stakeholder process was not conducted properly because affected communities were not given sufficient notice about the consultation meeting which hampered their participation ([see recent letter to the CDM Executive Board](#)).

We ask the CDM Executive Board to reject the Aguan biogas project and to initiate actions against the performance of the auditor (DOE) who issued a positive validation despite clear concerns about the adequacy of local stakeholder consultation.

The CDM was created by the international community to contribute to sustainable development. However we have witnessed many cases where it is creating negative consequences for local populations and the environment. The damages caused by CDM projects are often direct violations of the obligations countries have undertaken in other international treaties such as the UN's human rights treaties or the International Covenant on Economic, Social and Cultural Rights. The UN's human rights regime requires nation states to respect, protect and fulfill their inhabitants' human rights, and to prevent private actors (such as CDM project participants) from committing human rights violations. It is also stipulated that people affected by political decisions have to be adequately consulted in advance.

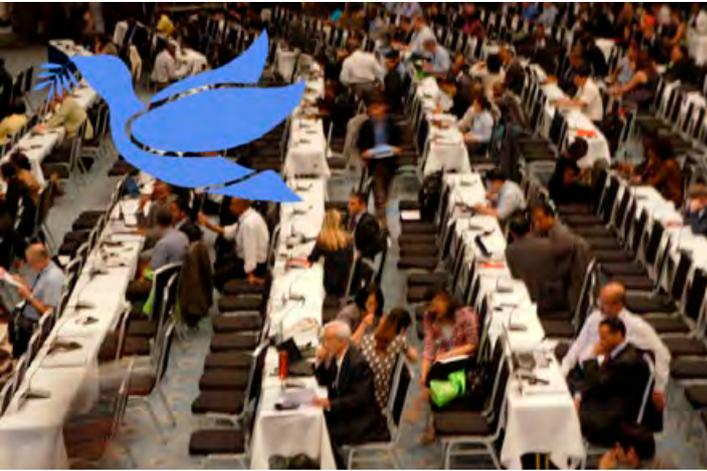
We believe that the international community therefore has a responsibility to ensure that the mechanisms it creates are consistent with achieving the protection of human rights. The Conference of the Parties recognised this obligation in Decision 1/CP.16, which stipulates that "Parties should, in all climate change related actions, fully respect human rights". It is now the responsibility of the CDM Executive Board (EB) to put this into practice for the CDM.

The Aguan case also highlights the need for an appeals procedure that provides remedies in cases where fundamental principles, such as the right to public participation have been violated. The following two articles focus on these topics.

"Parties should, in all climate change related actions, fully respect human rights"



4. A meaningful CDM Appeals Procedure



Negotiations in Bonn 2011 Courtesy of www.flickr.com/photos/adoptanegotiator

At the UNFCCC intersession a few weeks ago, Parties continued negotiating the details of an appeals procedure, including who should have the right to appeal against decisions of the CDM Executive Board. This is a positive step towards creating a more accountable, democratic and fair system for populations affected by CDM projects.

CDM projects have repeatedly been criticised for violating the rights of indigenous peoples and local communities, for example, through displacement or loss of livelihood. Such populations often complain that they have not been properly consulted, even though there is a local stakeholder consultation process that is legally required by the CDM

validation process. Currently if problems arise, there is no possibility to seek recourse. This is why a CDM appeal procedure is needed.

Last year in Cancun, Parties decided to establish an appeals procedure for “stakeholders directly involved” with CDM activities. In Bonn, the Parties argued over defining which stakeholders should have the right to appeal against decisions of the CDM Executive Board and under which circumstances. Unfortunately, quite a few delegates in Bonn advocated for a definition that would exclude local stakeholders and only allow appeals to projects that have been rejected. CDM Watch believes that to help ensure that environmental and social impacts of CDM projects are addressed, it is essential to include project-affected civil society groups in the definition of ‘stakeholders’.

CDM Watch spent a lot of time in Bonn meeting with delegates to talk about the importance of creating an effective, fair appeals procedure. There is still time to convince parties of the urgency of this matter. Nothing final was decided in Bonn¹⁰ and the issue will be taken up again in Durban. CDM Watch will continue to work with local stakeholders, NGOs and policy makers to push for a legitimate process that provides a means of recourse in cases where rules related to environmental integrity and public participation were breached, or DOEs or project participants have violated the CDM rules.

5. Sustainability Benefits of CDM Projects back on the Agenda

At its last meeting back in June, the CDM Executive Board issued a call for public inputs on sustainability benefits in the CDM¹¹. CDM Watch submitted recommendations to the CDM Executive Board on how co-benefits and negative impacts can be included in the documentation of CDM project activities to maximise a project’s sustainability benefits while minimising its potential risks and harmful consequences. We also explained how stakeholder participation can be improved to achieve greater civic participation, transparency and fairness.

¹⁰ The final text that came out of the Bonn meeting: <http://unfccc.int/resource/docs/2011/sbi/eng/l1n.pdf>

¹¹ http://cdm.unfccc.int/public_inputs/2011/sustainability_benefits/index.html

Substantial improvements need to be made to address the fact that most CDM projects not only fail to deliver sustainability benefits. In addition, many projects have caused significant harm to the local population (see also our update on [Aguan and the appeals procedure](#)). This has been confirmed by numerous academic studies and by our work with grassroots groups in developing countries¹².

Why is the CDM failing to contribute to sustainable development?

The reasons are numerous, but a major problem is that host countries get to define their own sustainability criteria for projects. Because countries want as many CDM projects as possible because of the investment they bring, there is little incentive to require strong sustainability criteria that could dampen investment. Sustainability criteria applied by host countries usually lack specificity, transparency and stringency. The assessment process performed by the host country DNAs is usually hasty and superficial. Sustainability requirements are further undermined by the lack of follow up or verification during the monitoring period of a project. Sustainability benefits have no financial value in the current system which results in the majority of CERs coming from projects with little or no sustainability benefits (such as industrial gases and large hydro).

The box summarises our suggestions. Our full submission can be found [here](#).

CDM Watch's recommendations to the CDM Executive Board

Include co-benefits and negative impacts in the documentation of CDM project activities:

1. Implement detailed mandatory safeguards and criteria on environmental and social impacts

There is currently no matrix of project-type specific sustainability requirements for projects. The CDM Executive Board should create a matrix of requirements for each methodology to give clear guidance on how sustainability benefits and risks are to be assessed, validated, monitored and verified.

2. Introduce sustainable development monitoring plans to assess sustainable development benefits

There are no provisions in place to monitor or verify sustainability criteria. The absence of follow-up renders the already weak sustainability criteria of host countries ineffective. Project proponents should be required to submit a sustainable development monitoring plan which spells out how the project will comply with sustainability. These indicators should be monitored and regularly verified by the DOEs.

3. Suspend or exclude projects from the CDM if they fail to comply with do-no-harm safeguards

If a project activity is found to violate fundamental do-no harm principles, it must be suspended. If the negative impacts are irreversible or not addressed the project must be permanently excluded from the CDM. Project participants must be held responsible for damages caused by the project activity.

4. Exclude project types that do not uphold UNFCCC goals or undermine other international treaties

Some project types currently eligible under the CDM harm climate protection goals. For example, the construction of new super-critical coal power plants (see the guest article by Sierra Club on this topic). Other activities such as issuing carbon credits for the destruction of HFC-23 undermines the goals of the Montreal Protocol (see our update on HFC).

CONTINUED ON NEXT PAGE >

¹² For example: Haya, B. (2007) "Failed Mechanisms: Hundreds of Hydros Expose Serious Flaws in the CDM" <http://www.internationalrivers.org/en/node/2326>. Schneider, L. (2007), "Is the CDM fulfilling its environmental and sustainable development objectives? An evaluation of the CDM and options for improvement" <http://www.oeko.de/oekodoc/622/2007-162-en.pdf>; Sutter, C., Parreño, J. C. (2007). "Does the current Clean Development Mechanism (CDM) deliver its sustainable development claim? An analysis of officially registered CDM projects." http://cleanairinitiative.org/portal/system/files/articles-72508_resource_1.pdf

Projects that pose a significant risk to climate and sustainability goals must be excluded from the CDM. A procedure should be put in place that enables the CDM Methodology Panel to recommend the rejection of methodologies on these grounds and enables the CDM Executive Board to exclude project types that don't fulfill the UNFCCC mandate or create perverse incentives that undermine other international treaties.

Strengthen and improve the role of stakeholders in the process

To be effective, sustainability criteria and safeguards need strong stakeholder participation rules and requirements. We recommend the following reforms:

1. Provide clear rules and guidelines on how to conduct local stakeholder consultation

2. Increase access to information within the global stakeholder consultation process, for example:

- › Set up email notification systems for registration, issuance and methodology processes as well as for all public participation procedures that are time sensitive
- › Improve the user-friendliness of the UNFCCC CDM website
- › Allow submissions of comments in the language(s) of the host country
- › Increase the duration of the public commenting period for projects and new methodologies

3. Establish a grievance mechanism for affected stakeholders

If negative project impacts develop during project implementation, it should be possible for stakeholders to raise complaints.

6. CDM waste methodologies in the spotlight

Guest article by Mariel Vilella – Global Alliance for Incinerator Alternatives (GAIA)

The Global Alliance for Incinerator Alternatives¹³ (GAIA) has been closely examining CDM waste management projects. Most CDM municipal waste management projects are problematic for three main reasons:

- › They help perpetuate waste management strategies that prevent truly sustainable and more cost-effective options
- › They usually threaten the livelihoods of wastepickers¹⁴ – some of the poorest people in developing countries' cities
- › They overestimate the GHG reductions that can be attributed to these CDM projects.

Incinerators and landfills are not sustainable

The majority of CDM waste management projects focus on 'downstream' strategies. These include producing energy by incinerating waste ('waste-to-energy') or they capture landfill gas, which contains a large amount of methane (a strong greenhouse gas (GHG)). Landfill gas is either flared (burned) or the methane is captured to

¹³ GAIA is a worldwide alliance of more than 650 grassroots groups and NGOs in over 90 countries whose ultimate vision is a just, toxic-free world without incinerators, landfills, and other end-of-pipe interventions. Our goal is clean production and the creation of a closed-loop, materials-efficient economy where all products are reused, repaired or recycled.

¹⁴ Wastepickers is the accepted English word to refer to the informal recycling sector amongst the wastepickers organisations. Terms like scavengers or rag pickers are considered pejorative.





Indian Wastepicker courtesy of GAIA

produce heat and/or electricity. There are currently 278 of these projects in the pipeline, 154 of which have been registered¹⁵.

Upstream waste management strategies such as recycling and composting, avoid waste from reaching landfills in the first place, saving resources and energy. Upstream strategies are environmentally preferable: they usually reduce more GHG emissions than conventional downstream waste management practices¹⁶. This has been widely acknowledged, both in the academic literature and by the CDM itself. As a result, the CDM has approved three small-scale methodologies: one for plastics recycling and two for composting projects¹⁷.

The plastics recycling methodology AMS.III-AJ attempts to incorporate the informal recycling sector. GAIA welcomes this recognition of the role of wastepickers, but highlights that this has not been extended to the methodologies for large-scale projects such as landfill-gas projects¹⁸ (ACM0001) or waste projects (AM0025) other than landfills, including incinerators¹⁹, which continue to pose significant environmental and social threats.

Wastepickers lose their livelihoods

'Waste-to-energy' technologies threaten the livelihoods of people who make their living picking waste and selling what they have collected in the informal recycling sector. In most of the developing world, wastepickers recover recyclable material from the waste stream and return it to useful production via recycling and re-manufacturing. Incinerators compete directly with waste pickers. Municipal solid waste is low in calorific value and high in moisture, so incinerators need to maintain a high proportion of the materials that burn well, such as paper and plastic – which are the materials wastepickers seek for recycling. When these recyclable materials are incinerated they are no longer available as a source of income for waste pickers.

Projects overestimate emissions reductions

Both ACM0001 and AM0025 have flaws that lead to inflated credit generation. For example, projects rarely (if ever) account for recycling when calculating the baseline emissions. But recycling and composting, which reduce waste going to landfill, are prevalent in developing countries. In Cairo, for example, recycling rates have been estimated to be as high as 95% primarily due to the informal wastepicking sector²⁰. If the recycling and composting that happened before the project was implemented were taken into account, the baseline emissions would, in many cases, be considerably lower and result in fewer credits.

¹⁵ Projects under ACM0001 and AM0025 on the Riso Database. Accessed 30th June 2010.

¹⁶ See for example: US EPA (2006). Solid waste management and greenhouse gases: a lifecycle assessment of emissions and sink. 3rd Edition. UNEP, Waste and Climate Change – Global Trends and Strategy Framework, December 2010.

¹⁷ Recovery and recycling of materials from solid wastes AMS-III.A.J. Avoidance of methane emissions through excavating and composting of partially decayed municipal solid waste (MSW) AMS- IIIA.F. Avoidance of methane emissions through composting AMS-III.F.

¹⁸ Consolidated baseline and monitoring methodology for landfill gas project activities

¹⁹ Avoided emissions from organic waste through alternative waste treatment processes

²⁰ Drabinski, S. (2009), Domestic waste management in Cairo – a case study, Muell und Abfall 2/09, Erich Schmidt Verlag

Both methodologies underestimate project emissions and lead to inflated credit generation that does not reflect the actual emissions reductions achieved. In the case of AM00025, biogenic emissions from incineration do not have to be taken into account. Biogenic emissions are CO₂ emissions from burning organic waste such as paper, food, wood, and non-synthetic textiles.) In the case of one CDM waste-to-energy plant that GAIA analysed, only 16% of its CO₂ emissions from burning waste are included in the project emissions, the other 84% were assumed to be biogenic in origin²¹. This approach is flawed: the IPCC guidelines on how to calculate national emissions inventories explicitly state that in waste-to-energy plants, both fossil and biogenic CO₂ emissions should be taken into account²².

The UNFCCC has recognised these flaws

Both methodologies are currently under revision²³. The Practitioners Workshop on CDM Standards held in Bonn, 8-10 June devoted a half day to the problems with these project types²⁴. GAIA welcomed the opportunity to present and discuss the issues with the CDM Secretariat and other stakeholders. GAIA together with the Indian Alliance of Wastepickers, REDLACRE and the South African Association of Wastepickers also submitted detailed comments to the CDM Secretariat about methodologies AM00025 and ACM001 and the “Tool to determine methane emissions avoided from disposal of waste at a solid waste disposal site”²⁵.

GAIA eagerly awaits the results of the revision of these waste methodologies. We will be watching closely to see how the CDM Methodology Panel addresses the methodological flaws to stop undermining truly just and sustainable waste management strategies.

7. HFC-23 update: UN bodies stall, EU moves ahead

The HFC issue continues to be a hot topic of discussion. We update you on the latest developments in the EU and at the UN. To help you navigate this complex topic, we have added some background information and three summary boxes.

EU Member States extend the EU ETS ban on HFC-23 credits

All 27 of the EU Member States²⁶ have agreed to ban HFC-23 and N₂O (adipic acid) CDM project credits from the ETS as of May 2013. This decision has been hailed as a long overdue move to prioritise the integrity of the EU ETS over the financial interests

²¹ Estimates done by GAIA based on information provided in the project PDD, Annex 3.

<http://tinyurl.com/5tjz9q7>

²² Guedenhou S. et al., (2006) IPCC Guidelines for National Greenhouse Gas Inventories; Chapter 5: Incineration and Open Burning of Waste, IPCC National Greenhouse Gas Inventories Programme, p.5-5.

²³ 60th CDM EB Meeting Report, Meth Panel Work Plan, p.6

²⁴ Practitioners Workshop on CDM Standards, Session IV on Waste Standards
http://cdm.unfccc.int/methodologies/Workshops/cdm_standards/index.html

²⁵ Full text is available at <http://www.no-burn.org/cdm>.

²⁶ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:149:0001:0003:EN:PDF>

Latest HFC-23 news at a glance: 1

EU has made progress:

- › HFC-23 carbon credits are banned in the EU ETS as of May 2013
- › At the last Environment Council meeting in June 2011, 16 EU Member states extended the EU ETS ban on HFC-23 CDM project credits to their national targets in non-traded sectors (e.g. agriculture and transport)

UN bodies continue to stall:

- › CDM Executive Board puts off deciding on a methodology revision for HFC-23 projects
- › UNFCCC decides (again) to put off deciding what to do about new HFC-23 plants not currently eligible under the CDM.

HFC: who's who 2

HCFC-22

- › An ozone depleter and a strong greenhouse gas (GHG) (Global Warming Potential: 1,810)
- › Used as an alternative to the highly ozone-depleting CFCs ('Freon') because it harms the ozone layer less. However, even this lower ozone depletion potential is no longer considered acceptable. HCFC-22 is therefore being phased out under the Montreal Protocol, to be replaced by other refrigerants with lower ozone depletion potential such as propane.
- › Just one of many different HCFCs.²⁸

HFC-23

- › A waste gas produced in the HCFC-22 production.
- › A very strong GHG (Global Warming Potential 14,800) but not an ozone depleter.

of corporate investors. However, this ban does not cover EU Member States' national targets in the non-traded sectors (such as building, agriculture and transport). This is significant given that under the Effort Sharing Decision, up to two-thirds of the total emissions reductions required of EU Member States from 2013-2020 can be met through offsets. It is therefore vital that EU Member States do not use the spurious industrial gas credits for national mitigation obligations.

To address this loophole, the Danish government launched a voluntary initiative to encourage all member states extend the ban to their own national targets. At the EU Environment Council meeting on the 21st of June, 15 countries joined Denmark in extending the ban to non-traded sectors and four others are expected to do so²⁷.

CDM Watch calls on the seven remaining countries to commit to the full ban: Italy, Poland, Spain, the Netherlands, Finland, Romania and Lithuania.

The CDM Executive Board put off a decision about the methodology revision for HFC-23 projects (AM0001)

After the HFC-23 methodology (AM0001) was suspended last year due to evidence of serious misuse and over-crediting, the CDM Executive Board tasked the CDM Secretariat to develop a methodology revision to address the loopholes. To avoid carbon credits being issued for the destruction of inflated

or unnecessary emissions, the CDM Methodology Panel proposed to lower the waste generation rate from 3% to 1%.

At their 61st meeting in June the CDM Executive Board had a heated debate about the proposed revision. The most vocal opponent of the revision was the Chinese delegate (China has 11 of the 19 HFC-23 CDM plants and several new HCFC-22 plants). CDM Watch was also opposed to the revision because it is not strong enough. Even a 1% waste generation rate doesn't eliminate the risks of undermining the goals of the Montreal Protocol to phase out of ozone depleting substances, including HCFCs. It also doesn't address the risks that CDM plants may displace HCFC-22 production in

²⁷ Germany, UK, France, Austria, Belgium, Estonia, Greece, Slovenia, Sweden, Czech Republic, Slovakia, Luxembourg, Malta, Latvia, Bulgaria signed the petition. Ireland and Cyprus responded directly to CDM Watch that they will officially support the ban. Portugal and Hungary were unofficially reported as supporters but did not sign.

²⁸ A handy list of HCFC, and their ozone depletion and global warming potentials: <http://www.epa.gov/ozone/science/ods/classtwo.html>

Montreal or Kyoto?

The Montreal Protocol covers chemicals that destroy stratospheric ozone

- › **Covered:** HCFC-22 for “emissive uses” such as refrigerants, where at some point the HCFC-22 is emitted to the atmosphere.
- › **Not covered:** HCFC-22 for “feedstock uses” where the HCFC-22 is turned into another end product that does not harm the ozone layer.
- › **Not covered:** In both cases HFC-23 is created as a waste product. However, because HFC-23 is not an ozone depleter, it is not directly covered. As emissive HCFC-22 will be phased out, the related HFC-23 emissions will also indirectly be reduced through the Montreal Protocol. This is not the case for HFC-23 emissions from HCFC-22 feedstock facilities.

The Kyoto Protocol covers greenhouse gases

- › **Covered:** HFC-23 emissions from existing HCFC-22 facilities
- › **Not covered:** HFC-23 emissions from new HCFC-22 facilities

3

more efficient plants, or in plants that are located in countries that have an emissions cap (so called ‘carbon leakage’). Last year, CDM Watch had proposed a waste generation rate of 0.2%, a more appropriate rate to minimise perverse incentives.

The CDM Executive Board put off its decision because it could not agree. The Board also did not resolve how to address the HFC-23 project that has requested a renewal of its crediting period (Ulsan project 003).

CDM Watch urges the CDM Executive Board to:

- › **Reject the proposed 1% or 1.4% ‘waste generation rate’ and instead to adopt a rate of 0.2%.**
- › **Or, to reject the methodology and send it back to the CDM Methodology Panel to fully address the risks associated with undermining the Montreal Protocol and with potential ‘carbon leakage’.**

› **Support the inclusion of all HFC emissions in the project emissions. This incentivises additional abatement, reduces the potential of plants emitting unabated HFC and further protects the goals of the Montreal Protocol.**

› **Resolve the methodology issues before projects can renew their crediting period.**

Parties to the UNFCCC put off deciding what to do about new HFC-23 plants

For years nations have been arguing if new HCFC-22 facilities should be eligible under the CDM to destroy their HFC-23. Currently they are not. The issue was discussed again at the UNFCCC’s June meeting in Bonn. Ahead of the meeting, the UN published a technical paper that summarised how the phase out of HCFC-22, an ozone depleter and strong greenhouse gas (GHG) covered under the Montreal Protocol and the destruction of HFC-23, a strong GHG and waste product of HCFC-22 production could be coordinated and financed²⁹.

Looking forward: what can be done about the HFC issue?

The issue is complicated and politically tricky. Not all HCFC-22 production is covered under the Montreal Protocol. When HCFC-22 is used as a ‘feedstock’ (a product that is then turned into something else), it does not lead to ozone depletion because it

²⁹ The Technical Paper (FCCC/TP/2011/2) can be found here: <http://unfccc.int/resource/docs/2011/tp/02.pdf>
Global Warming Potential (GWP) of HCFC-22: 1,810; GWP of HFC-23: 14,800
(IPCC 4th Assessment Report)



is not released to the atmosphere. Such HCFC-22 feedstock uses are therefore not covered under the Montreal protocol, only 'emissive' uses such as refrigerants. However, both feedstock and emissive uses still produce the very potent GHG HFC-23 as a waste product.

Parties have argued for years about whether HFCs should be covered under the Montreal Protocol. There are many different types of HFCs. Many HFCs are refrigerants used to replace ozone-depleting CFCs and HCFCs - so as they are being phased out, HFC production is likely to increase, especially given the growing demand for air conditioning in developing nations.

In 2010, 91 Parties to the Montreal Protocol signed a statement to "declare our intent to pursue further action under the Montreal Protocol aimed at transitioning the world to environmentally sound alternatives to HCFCs and CFCs.³⁰" The United States, Canada and Mexico put forward a proposal on such an approach which will be discussed at the next conference of parties of the Montreal Protocol in November 2011. China, India and Brazil, who are all major producers of HFCs, are likely to be opposed.

Parties to the UNFCCC have put forward different proposals of how HFC-23 emissions from new HCFC-22 facilities should be addressed under the UNFCCC. The proposals include:

1. Keep the ban on new facilities.
2. Allow new facilities under the CDM and mediate risks by:
 - › Establishing a more stringent benchmark (as is proposed in the revised methodology for existing CDM HFC-23 facilities, see above)
 - › Taxing them (which China already does at 65%)
 - › Limiting the use of the CDM to new facilities that produce HCFC-23 for feedstock purposes only.

Over the last six years, many proposals have been made by parties under the Montreal Protocol and the UNFCCC. Yet this issue remains unresolved. Once again, parties decided in Bonn to postpone a decision.

This is not all bad, because it means that new HCFC-22 will remain ineligible under the CDM. The CDM's current rules for existing HCFC-22 facilities are so lax that the exorbitant profit margins of these projects are undermining both the goals of the Montreal Protocol and the UNFCCC. These risks were confirmed by an investigation launched by the CDM Executive Board. Given that the CDM Executive Board has not been able to agree on strengthening the current methodology, where gaming was clearly shown, it is unlikely that rules for new facilities would be strict enough to avoid perverse incentives. It is therefore important that new HCFC-22 facilities remain ineligible.

³⁰ Look for Annex III in the official document:
http://www.unep.ch/ozone/Meeting_Documents/mop/22mop/MOP-22-9E.pdf

„We have about 600 gigatonnes left that we can emit into the atmosphere if we want to have a 75% chance of staying below 2 degrees warming.

Emissions from all HFCs (HFC-23 is just one of them) urgently need to be addressed. The EU estimates that by 2050 HFC emissions could lead to 100 gigatonnes of CO₂e emissions³¹. Keep in mind that we have about 600 gigatonnes left that we can emit into the atmosphere if we want to have a 75% chance of staying below 2 degrees warming³². Both climate and ozone protection goals need to be preserved. Incentives to destroy HFCs should not hamper the phase out of ozone depleters.

A good solution would be to simply pay for the incremental costs of HFC-23 incineration in all HCFC-22 production plants in developing countries, implemented under the Montreal Protocol. The Montreal Protocol already has the necessary expertise and infrastructure, including a fully operational financial mechanism to provide sufficient financial and technical assistance to developing countries. Alternatively, HFC-23 destruction in new HCFC-22 plants could be tied into developing country Nationally Appropriate Mitigation Actions (NAMAs).

The question of whether to allow new HFC-23 projects under the CDM will be taken up again at the next meeting in Durban, in November 2011. CDM Watch will continue to lobby for solutions that permanently safeguard the ozone layer and the climate from these potent chemicals. We'll keep you posted.

8. Comment by Project Developer on Mtoni Landfill Gas Project in Tanzania

Guest comment by Consorzio Stabile Globus www.globusitaly.com



Mtoni landfill gas plant, courtesy of CSG

The following article is a response by the Italian project co-developer Consorzio Stabile Globus (CSG)³³ to the article “Mtoni Dumpside CDM Project putting livelihoods of farmers and wastepickers at risk” written by local Tanzanian journalist Mr. Finnigan Wa Simbeye (CDM Watch Newsletter April 2011). The article heavily criticised the project. CSG asked us to publish their response because they felt that the article was not accurate. In the interest of fairness and openness, we publish below their main comments. The full length article they sent us can be found [here](#).

The Mtoni Dumpside was not forced to close due to the project participants’ activities. On the contrary, the landfill closure is one of the worst things that could have happened for the Mtoni landfill gas project. As a consequence of the closure of this landfill nine years before the expected closure, the amount of landfill gas that can be extracted has been drastically reduced from the projected 202,000 CERs/year to around 21,000 CERs/year. We would be far happier to work with an open active landfill instead of a closed one. The amount of landfill gas that was generated would be much higher and as would the CER revenues.

³¹ See: http://unfccc.int/files/meetings/ad_hoc_working_groups/lca/application/pdf/hungary_submission_non-market_based_mechanisms.pdf

³² See: <http://sei-us.org/publications/id/309>

³³ Consorzio Stabile Globus (CSG) is a project participant, together with the Dar Es Salaam City Council (DCC), of the CDM project “Landfill gas recovery and electricity generation at “Mtoni Dumpside”, Dar Es Salaam, Tanzania” (UNFCCC reference 0908).

It may be correct that Mtoni Dumpsite releases leachate into the local river, especially during heavy rains. It may also be correct this negatively impacts local farmers. However leachate is not the result of the CDM project. Mtoni landfill site was opened well before the CDM project implementation. CSG had no influence over the decision of where the landfill should be located or how the landfill foundations should be designed and managed to avoid leachate.

The claims made by Mr. Finnigan Wa Simbeye concerning the financial aspects of this project are also incorrect. All the initial investment for project implementation (such as landfill covering, well drilling and pipe installation) and all the related annual expenses (such as employee salaries, electricity bills and DOE fees) were paid by CSG. The sale of CERs is the only revenue from this project and is shared with DCC. Thus this project is fully additional, and without our risky upfront investment the project would never have happened.

CSG never received any communication from the local DNA complaining about the project. The only communication received is a letter dated 22/10/2010 (signed Ngosi C.X. Mwiha) from the Vice President's Office – Division of Environment as local DNA, congratulating the project on being the "first CDM project in Tanzania to generate real money from the sell [sic] of CERs".

It is true that no biogas electricity generation plant has been implemented at the project. The reason is that the closing of the landfill reduces the amount of landfill gas that can now be extracted. It will no longer be able to produce enough electricity to warrant the investment.

Mr. Finnigan Wa Simbeye did not verify his claims. Most of the points made in this response can be verified by looking at the [project page](#) on the UNFCCC website. The rest of the points could have been found by simply asking any party with common knowledge on landfill gas projects.

CSG never refuses to provide information on the project when it is properly requested. Also the pictures used in the article do not show Mtoni CDM project. CSG invited Mr. Finnigan Wa Simbeye to visit the plant on June 2011 to verify his claims. After showing an initial interest, he did not participate in the organised visit.

CSG is proud to be one of the participants in the first and only registered CDM project in Tanzania, even though the payback is extremely long, unsure, and risky. CSG strongly supports the sharing of third parties' opinions and discussions because these are the foundations of pluralism. However we do not want to allow incorrect information to discredit an additional CDM project that is improving the environment and living conditions of people in a Least Developed Country.

Please forward this newsletter to anyone interested. To subscribe or unsubscribe to this newsletter, send an email to info@cdm-watch.org – please specify »subscribe« or »unsubscribe« in the subject line.

About CDM Watch

CDM Watch is an initiative of several international NGOs and was re-established in April 2009 to provide an independent perspective on CDM projects, methodologies and the work of the CDM Executive Board. The ultimate goal is helping to assure that the current CDM as well as a reformed mechanism post-2012 effectively result in emission reductions that are real, measurable, permanent, independently verified, and that contribute to sustainable development in CDM host countries.

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