

International Political Developments of CDM and Carbon Markets

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Decisions (not) taken in Durban

CDM: Hot Issues in 2012

New Market Mechanisms: Hot Issues in 2012

Carbon market economy – not so hot

Summary

Durban Update: **The BIG picture**



A new body called the *Ad Hoc Working Group on the Durban Platform for Enhanced Action* was established to negotiate a global agreement by 2015 that will take effect in 2020 and include mitigation commitments for all countries.

Parties agreed to a *second commitment period of the Kyoto Protocol* but many details remain unresolved.

CDM decisions (not) taken in Durban

Decision:

- Rules for carbon capture and storage (CCS) projects under the CDM were approved.

No Decision:

- No agreement was reached on the CDM appeals procedure.
- New HFC-23 facilities remain ineligible.
- Strengthening rules for public participation in den CDM was once again dropped in the final guidance text.
- No decision on whether countries that do not commit to a KP2 can buy and sell CDM and JI credits.



Durban Decisions on New Market Mechanisms



Two important decisions:

1. Parties decided that new bilateral or regional market mechanisms should follow a **common framework** of rules developed under the UNFCCC.
2. A **new international market mechanism** under the UNFCCC was 'defined'.

CDM: Hot Issues in 2012

- CDM High Level Policy Dialogue
- Public participation (Local Stakeholder Consultation, Withdrawal of Letters of Approval)
- Last year for CDM project registration for eligibility in the EU from non LDCs
- Coal & Large Hydro Power in the CDM
- Additionality reassessment
- Sustainability guidelines



New Market Mechanisms: **Hot Issues in 2012**

- **Decision on Common Framework and Standards for Rules to avoid:**
 - Double counting
 - Race to the bottom
(weak additionality / baseline rules)
- **Co-Existence of New Market Mechanisms and CDM**



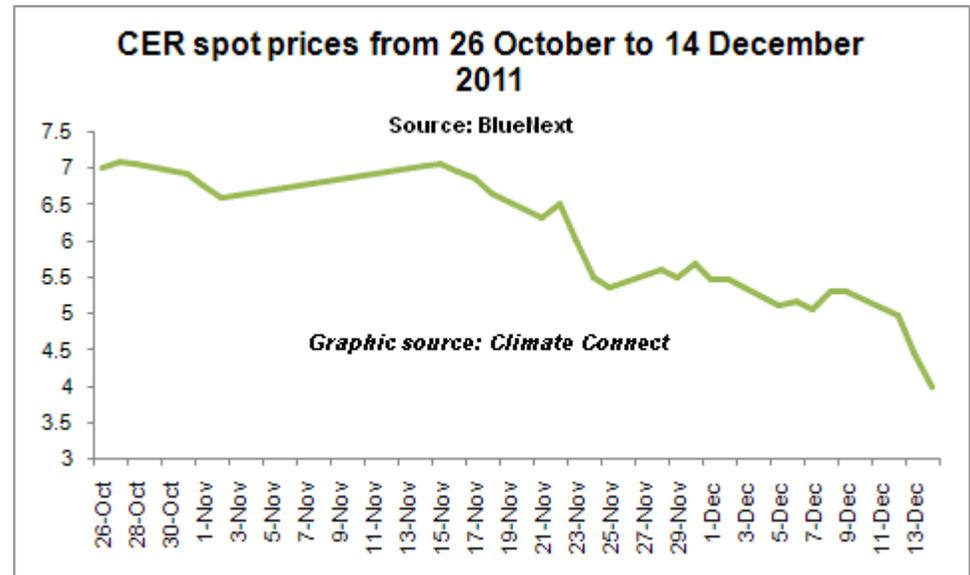
Double counting

*“Our analysis of potential offset demand and supply suggests that double-counting of international offsets, if not addressed, could effectively reduce the ambition of current pledges **by up to 1.6 billion tons CO₂e in 2020, equivalent to roughly 10 percent of the total abatement required in 2020 to stay on a 2 ° C pathway.** To the extent that offsets do not represent real, additional reductions, then the effective dilution of pledges could be even greater.”*

Erickson, P. ; Lazarus, M. (2011) [The Implications of International Greenhouse Gas Offsets on Global Climate Mitigation](#) *SEI Working Paper WP-US-1106* or read their [Policy brief](#)



Current markets....



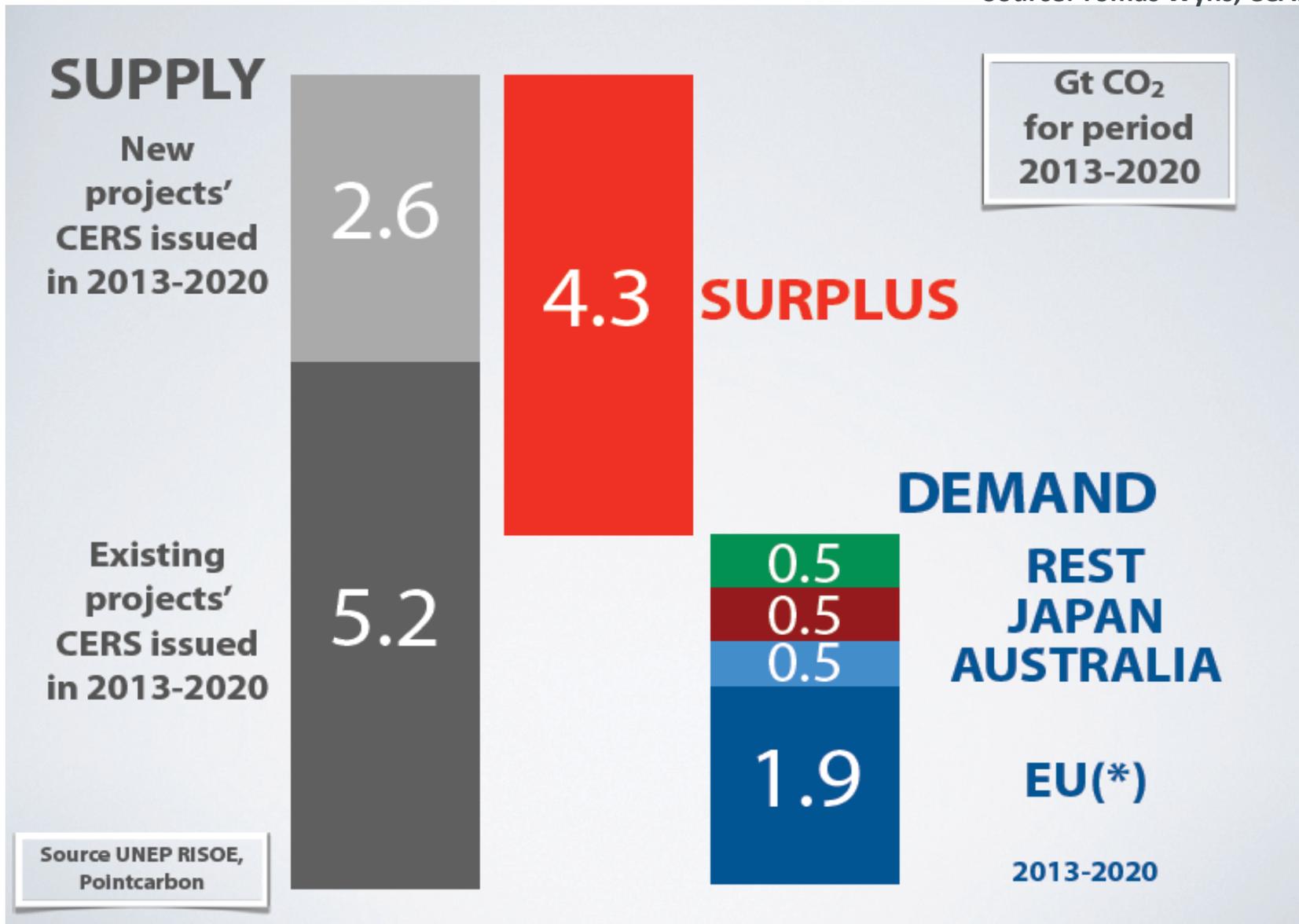


EU Demand for Offsets 2013-2020

Table 10. Estimated Offset Demand until 2020 (million tCO₂e) by Deutsche Bank (2010)⁴⁰

	EUETS Quota of CDM/JI credits over 2008-2020 (including aviation)	Total EUETS demand over 2008-2020 Phase 3 scope with shipping included from 2015	Max. realistic EU Government demand	Total EU Demand
EU wide 20% target	1,685	1,750	885	2,635
EU wide 30% target	2,580	2,800	1,060	3,860

Source: Tomas Wyns, CCAP



Summary

CDM: Many reforms urgently needed...

NMM: modalities and procedures possibly decided in Doha. But will take years.

Markets: current targets do not justify need for carbon markets. Too much supply. Not enough demand.

Thank you!

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