

Rethinking CDM

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What is CDM?

- Article 12 of Kyoto Protocol, purpose of CDM is to:
 - to assist developing country Parties in achieving *sustainable development*, thereby contributing to the ultimate objective of the Convention, and
 - to assist developed country Parties in achieving *compliance with part of their quantified emission limitation and reduction commitments under Article 3.*

In Reality.....

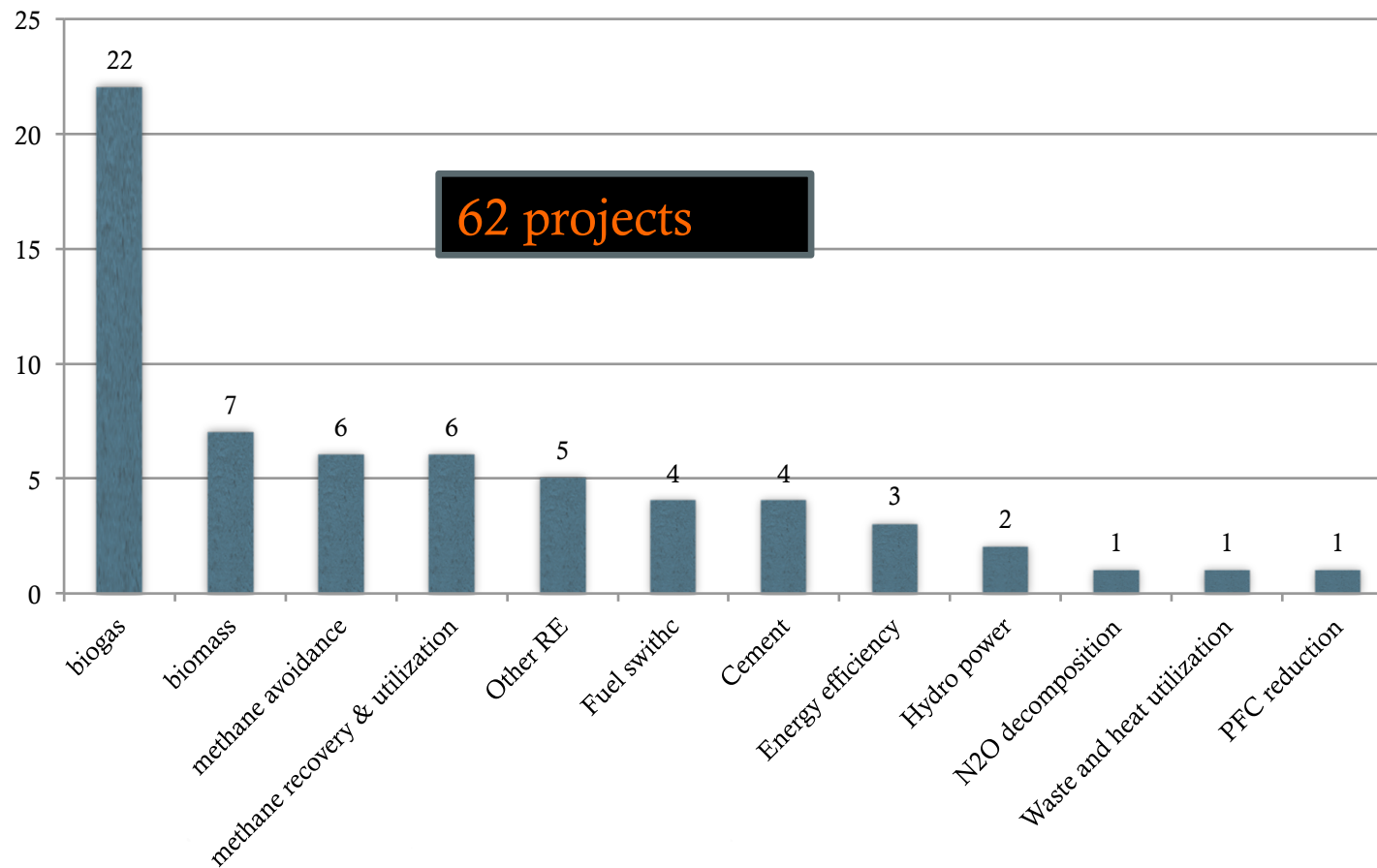
- CDM is a cheap mechanism for rich North to meet their emission reduction obligation under KP
- It's "zero sum game" (or not at all) in regard to GHG mitigation
- Global commodity, currently multi-billion dollar business globally
- CDM makes less (or not at all) contribution to the sustainable development in developing countries
- *It's needed by the Annex-1 to meet their GHGs mitigation obligation – due to cost of mitigation option domestically*

CDM Projects in INDONESIA

- By March 2011:
 - 62 projects registered @ CDM EB
 - 1 biogas project rejected
 - Annual average emission reduction: 133,413 tCO₂
 - CERs issued: 1.234 million TCO₂
 - 133 projects approved by Indonesia DNA
 - 42 projects are in validation process

CDM Projects in Indonesia

(as of March 2011)



Source: IGES (2011)

CDM: Critical Questions (1)

- Sustainable development criteria
 - How robust is the criteria in ensuring “sustainable development?”
 - How these criteria contribute to or benefit the local and country development?
 - How strong of these criteria is imposed in the approval process in DNA
- Transparency and Accountability issues in regard to public consultation and public participation (local community) in the decision-making process of CDM project.

CDM: Critical Questions (2)

- Capacity of national institution dealing with CDM (DNA):
 - Conflicting priorities: getting more CDM projects vs. ensuring sustainable development.
 - Capacity to ensure the requirements are met before approval and to monitor impact or realization of promise after the issuance of LoA (after the project established).
 - Transparency and accountability in decision making to approve CDM project.

CDM: Critical Questions (3)

- Integrity and Effectiveness of CDM project – beyond the CER.
 - Additionality – how to ensure additionality of CDM project
 - What is the relevance of CDM with national/country development priority?
- How to prevent conflict of interest of DOE and project proponent?
- Who get the benefit most (financially)?
 - Fair price mechanism

What can be improved?

- Political reality from UNFCCC negotiation flexible mechanisms are key to meet A1 emission reduction, and there is strong interest of developing countries to establish carbon market and getting financial benefit from flex-mech or any off-set mechanism.
- If CDM still exist after KP (first commitment period) expired in 2012:
 - Overhaul entire CDM regime and the mechanism itself.
 - Imposing more robust sustainable development criterion.
 - Limit the eligible project: banned forestry based project and fossil fuels (clean coal, CCS), focus on RE and EE type projects
 - Established “fair price” mechanism
- Institutional reformed: improve capacity of DNA and tools to monitor CDM project deliverables on sustainable development indicators.

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