

SUMMARY OF CDM EXECUTIVE BOARD MEETING 66

Held in Bonn, 27 February - 2 March 2012

Dear CDM Watch Network Members,

Brussels, 18 March 2012

By 2 March 2012, 3878 CDM projects have been registered and 879,027,214 CDM offset credits (CERs) issued.

This is a summary of the most relevant outcomes of the last CDM Executive Board meeting. It was the first meeting in 2012. You find information about the discussions and decisions at the meeting, including our comments. Feel free to get in touch if you would like to get involved and/or have comments and feedback. We added links to relevant documents where possible! All documents and annexes of the 66th meeting can be downloaded from the UNFCCC site [here](#) and [here](#).

We'll be again at the **67th meeting just ahead of the Intercessional in Bonn, 7–11 May 2012**

- Your CDM Watch team

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1. NEW CHAIR AND NEW MEMBERS

Last year's chair and vice chair swapped roles: Mr. Duan Maosheng (China) is now Chair and Mr. Martin Hession (UK) Vice-chair. The Board members for 2012 members are listed below, highlighted are the new members. To learn a bit more about them, see our [newsletter](#) article.

Members	Alternates
Mr. Martin Cames (Germany)	Ms. Pauline Kennedy (Australia)
Mr. Maosheng Duan (Chair)	Ms. June Hughes
Ms. Diana Harutyunyan	Ms. Natalie Kushko
Mr. Martin Hession (Vice-Chair)	Mr. Thomas Bernheim , chair of Methodologies Panel
Mr. Antonio Huerta-Goldman (Mexico)	Mr. Eduardo Calvo (Peru), chair of the Afforestation and Reforestation WG
Mr. Victor Kabengele	Ms. Fatou Gaye
Mr. Kazunari Kainou	Mr. Peer Stiansen chair of Small-scale WG
Mr. Shafgat Kakakhel	Mr. Hussein Badarin
Mr. José Miguez (Brazil) has served on the Board before	Mr. Paulo Manso will be replaced
Mr. Hugh Sealy (Barbados) has served on the Board before	Mr. Amjad Abdulla (Maldives)

2. CDM MANAGEMENT PLAN FOR 2012

The Board agreed on its “CDM two-year business plan 2012–2013” and on the “CDM Management Plan 2012” (see [EB meeting 66](#), annex 1 and annex 2). To read a summary of the draft management plan, see our [newsletter](#) article.

ENVIRONMENTAL INTEGRITY

The original draft of the management plan was silent on improving the additionality tool for large scale projects. The Parties in Durban had requested such a review. In the final version of the management plan the following language was added:

33.bis As per the request of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), possible ways of improving the current approach to the demonstration of additionality will be assessed and may result in a subsequent revision of the standards, leading to enhanced clarity and integrity.

The Board included in its final management plan several deliverables “Concept note on possible improvements in the demonstration of additionality” to be developed in the fall 2012, after additional input from the Board and “New or revised standards and/or guidelines for additionality” for the last quarter of 2012.

→ This addition to the management plan is an important step towards improving additionality testing. Especially the additionality criteria for large scale infrastructure projects need to be revised. It is highly unlikely that the CDM has a decisive influence on investment decisions of large scale infrastructure projects. Such projects are usually part of strategic long term plans of governments. Decisions about public sector projects are not based purely financial and usually not profit driven. CDM Watch will continue to push for a revision of rules that would exclude clearly non-additional large-scale projects from the CDM.

The management plan also foresees work on the following topics that impact environmental integrity:

- Accounting for uncertainties in measurement in methodologies
- Guidelines on standardized approaches for determining baselines
- Procedures to address significant deficiencies
- Implementation of materiality rules decided in Durban at COP17
- Microscale additionality and positive lists (technologies that are automatically deemed additional).
- Standardised large-scale methodologies to be developed by the Secretariat:
 - Methodology for country-specific emission factors for off-grid regions
 - Methodology using standardized approaches for energy efficiency in buildings
- Standardised small-scale methodologies to be developed by the Secretariat:
 - Use of non-renewable biomass
 - Use of biogas as rural energy supply
 - Agriculture
 - Transport

→ CDM Watch will continue to scrutinise these issues as they can significantly impact environmental integrity. Microscale additionality and positive lists, for example, can potentially cause a flood of free riders if they are not set stringently enough.

RISK-BASED-APPROACH TASKS IN THE MANAGEMENT PLAN

Many projects are trying to get registered before the end of 2012 after which the EU will only accept new projects that are located in Least Developed Countries. This is likely to lead to a flood of projects applying for registration in 2012. The Board therefore decided last year to switch to a risk based approach to be able to process all these requests. Such a risk-based approach will allow the Board to only conduct spot checks and not have each project evaluated individually. The management plan includes a detailed list on deliverables to develop such an approach.

→ CDM Watch is concerned about this development because a risk-based approach is risky in terms of safe-guarding the environmental and social integrity of CDM projects. With a risk-based approach it would be even more difficult to identify and eliminate harmful projects. Existing rules must not be weakened, all projects need to be examined carefully to ensure they are additional and do not cause harm.

3. WORK-PLAN FOR NAIROBI FRAMEWORK

Board members also discussed the Nairobi Framework which aims to help developing countries, especially those in sub-Saharan Africa to host more CDM projects. The main topics and actions for 2012 include:

- Events on the development of standardized baselines,
- Support to programme of activities (PoAs),
- Capacity-building on carbon finance and capacity-building for DNAs.

4. CARBON CAPTURE AND STORAGE (CCS)

After the adoption of modalities and procedures for CCS projects in Durban at COP17, the Board decided to establish a permanent working group for CCS projects in the CDM for the assessment of CCS methodologies.

5. NITRIC ACID PROJECTS

The Board debated what to do about N₂O abatement projects from nitric acid production. N₂O is normally an unwanted by-product of nitric acid production. There is a pretty good chance the existing methodologies (AM0028 and AM0034) cause 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.

Last year the Board approved another methodology (ACM0019) for N₂O abatement which can be used for both existing and new nitric acid plants. The methodology uses a simplified approach with a declining baseline emission factor. It is not only a positive example of how standardisation can be used to simplify procedures the new methodology also minimises the threat of perverse incentives and ensures the conservative issuance of credits.

The Board could not come to agreement if the two older methodologies should be immediately suspended. Instead it requested the Meth Panel to assess the risk for perverse incentives. The issue will be taken up again at the next meeting.

→ If the Meth Panel shows that there are indeed significant perverse incentives, the two existing methodologies should be suspended with immediate effect. Also, since ACM0019 could easily be used for all projects and since it uses a conservative standardised approach, it could easily replace the two older methodologies.

6. THE (DISMAL) STATE OF CARBON MARKETS

The Secretariat made a strangely upbeat [presentation on the state of carbon markets](#). There was no discussion about the price collapse of EU-ETS allowances and CDM credits due to the economic recession in the EU.

→ It is unclear why the Secretariat and the CDM Board are avoiding a frank discussion about the current market situation and its implications for the CDM. Given the severe drop in carbon prices experienced last year and projected large oversupply of offsets, we don't think the future of the CDM looks all that rosy. Since the EU is by far the largest buyer of CDM credits, a lack of demand from Europe poses a serious threat to the viability of the CDM. Some analysts are predicting a total collapse of carbon markets if the EU does not intervene and stabilise prices (see for example, Tomas Wyns' presentation on [Demand versus Supply – The future of Carbon Markets](#).) Fundamentally, rich countries have to significantly increase their mitigation commitments. Currently pledged emissions reductions targets not only threaten to bring carbon markets to a collapse, more importantly, they are too weak to prevent 2 degrees warming and ensure a viable future.