



Offset or no Offsets - NGO Strategy Meeting Summary

Mundo B, Fairtrade Room, 22 July 2013



Executive Summary

On 22 July, Carbon Market Watch in cooperation with Client Earth, organized a workshop to discuss the future developments around carbon markets in general and the role of offsets in particular. The strategy workshop was organized in three sessions:

- Session 1: An Overview of carbon market developments
- Session 2: Offset use in EU legislation
- Session 3: Turbulences ahead! Aviation Emissions ICAO

Kicking off **session 1**, a comprehensive overview of the current state of carbon markets was given, including an in-depth analysis of the expected policy developments around the Clean Development Mechanism (CDM), Joint Implementation (JI) and new carbon markets, the Framework for Various Approaches (FVA) and the New Market Mechanism (NMM).

It was explained that current prices in both the CDM and JI make it almost impossible for newly registered projects to be additional. This is because the revenues barely cover monitoring, reporting and verification (MRV) costs and registration fees. However, it was highlighted that despite the quality concerns, reforming the Kyoto's flexible mechanisms is still very important as they are already used as a prototype for methodologies in other offsetting schemes, and are expected to be used as framework models for the development of other carbon markets.

Summarising the subsequent debate, it was agreed that there is a lot of political ambiguities as to what will happen to the two most important offsetting mechanisms, CDM and JI post 2020. Regardless of the space in the future political landscape all NGOs present agreed that there was very little political willingness for substantial much needed reform addressing the serious quality issues in the CDM and JI.

As regards the development of new market mechanisms, Parties are expected to advance discussions on the fundamental principles of the so called New Market Mechanism (NMM) and the Framework for Various Approaches (FVA) for the period post 2020 at COP-19. It was highlighted that there is a risk that Parties will agree on a pilot phase for new mechanisms that could already become operational pre-2020. NGOs agreed that it was important to agree on a timely strategy to influence this debate. It was also agreed that an increased focus should be put on technical issues, such as question on whether it is possible to achieve net atmospheric benefits (as required from units generated by NMM) and that it is important to link the access to new market mechanisms to countries' level of ambition.

Session 2 focused on analysing the impacts of offset use in the EU Emission Trading Scheme, the EU-ETS and the Effort Sharing Decision (ESD) as well as opening a discussion on how NGOs would like to see the use of flexible mechanisms in EU legislation post-2020.

It was explained that in the EU ETS international offsets are responsible for two thirds of the current oversupply. When talking about offset quality, it was pointed out that the quality restrictions in the EU ETS did not automatically extend to the ESD resulting in a situation where project types restricted under the EU ETS are not restricted under the ESD. Another important issue was that when factoring in offsets, targets in the ESD could be met by member states many times over. With regards to the default EU ETS legislation that does not allow offsets post-2020, NGOs generally agreed that the use of offsets in the post 2020 scenario is no longer needed. Given the upcoming EU Council meeting on the 2030 target in March 2013, it was agreed to focus advocacy efforts on the upcoming legislative initiatives for the period post-2020 while applying arguments related to offset quality also to the period pre-2020.

There was wide agreement around the discussion about the need to restructure the use of flexibilities in the Effort Sharing Decision sectors (ESD) and to come up with innovative financing solutions for earmarking ESD revenues. NGO also discussed community level offsetting as a potential solution that could cater for GDP differences among member states.

Session 3 was dedicated to the discussion around aviation emissions and the upcoming decision in ICAO on a global MBM.

The options for a global market based measure (MBM) discussed in the High Level Group on Climate Change of the International Civil Aviation Organization (ICAO) were outlined. This September, ICAO's Triennial Assembly is expected to come forth with an agreed position on a roadmap to implement a global MBM. Previously in May, IATA, the aviation industry lobby group favoured a global 100% offsetting scenario to reach its carbon neutral goal post 2020.

Most NGOs present agreed that a future aviation MBM should not be built on the use of offsets. It was also agreed that regardless of the limit of offsets it will be difficult to agree on quality restrictions at ICAO because of the dynamics between ICAO and UNFCCC and considering that both are UN bodies.

For more information, download the workshop presentations [here](#) or contact us at info@carbonmarketwatch.org.