



Boost for CDM rescue package launched

At a meeting last week, the CDM Board decided to [boost the purchase of carbon credits](#) from the CDM for voluntary purposes amongst the private and public sector. With the goal of injecting new demand for CDM offset credits, this new concept aims to rescue CDM projects that need a high carbon price to survive, but it forgets to put in place quality standards for what types of credits shall be purchased. Read more...

The initiative that allows everyone to “cancel” CDM offset credits from the UN’s CDM registry account was adopted in 2012 as a new source of demand for emissions reductions before a possible future climate treaty will kick-off in 2020. Other than the traditional rules set up under the Kyoto Protocol, where only countries with emissions reduction targets could buy credits, the concept of voluntary cancellation of offset credits allows both developed and developing countries to become involved including companies and even yourself. The idea is to encourage the expanded use of carbon credits for voluntary emission reduction, such as by companies using credits as part of social responsibility programmes, by event organizers wanting to offset their emissions, or individuals wishing to reduce their carbon footprint.

In principle, this is a good initiative, because CDM projects that do need a high carbon price to operate and cannot survive with the current price of offset credits below 1 Euro. However, as with any type of offsetting, environmental integrity is also important for voluntary cancellation purposes. Yet, research shows that because of the lenient rules used for CDM projects, up to 60% of carbon credits, representing the share of credits coming from large scale power projects, may not represent real emissions reduction. This is because these projects would be built to operate anyway, regardless of the carbon revenue.

However, buying and cancelling emission reductions that are not additional means that climate finance is diverted from truly additional emissions reductions. It also means that more money will need to be spent in the long run to close the mitigation gap. [UN data](#) shows that more than 10% of all CDM offsets purchased for voluntary purposes comes from industrial gas offset projects. Other top ranking project types are large hydropower projects. Both of these project types have very questionable environmental integrity.

Voluntary cancellation only makes sense with incentives for projects that actually require the finance to go forward. Only if the voluntary buyer pay prices well above the current market value will they enable truly additional projects to continue. If the CDM Board wants to boost demand for good quality credits, it must provide guidance on the quality of credits and insist that only carbon credits that are truly additional and provide a significant, measurable contribution to sustainable development, can be cancelled.

Finally, let’s not forget that the total volume of voluntary cancellation in the CDM is less than 0.5% of the total issuance under the CDM. While it may be possible to rescue individual CDM projects, a humongous increase of voluntary cancellations would be needed for a significant impact on the price for CDM offset credits. Given the limited financial resources and the lack of quality criteria, this might not be a smart move. What we need is real demand from ambitious climate commitments.



Who is voluntarily cancelling CDM offsets?

- A total of 790,723 CERs have been bought and voluntarily cancelled to date
- Of these, more than 75,000 credits, that is 10% of all credits voluntarily cancelled to date come from notoriously low quality HFC 23 credits.
- Moreover, large hydro and energy efficiency projects renowned for flawed additionality are also among the top of the preferred offsets for voluntary cancellation.
- The Government of Canada has withdrawn from the Kyoto Protocol and requested IBRD as Trustee of Carbon Funds to cancel all emission reductions resulting from its participation in these Carbon Funds. That is a good thing!
- The Government of Canada has cancelled credits from more than 50 projects.
- Project Developer's Forum cancelled credits for offsetting the entire Carbon Footprint of delegates to UNFCCC Climate Conference in Doha COP18/CMP8 originating from a large hydro project in China and a N2O abatement project.
- The Danish Government has cancelled credits originating from a large hydro project in China and an HFC 23 project in China.
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