Nature Code's mission is to ensure that the protection and welfare of all living beings and ecosystems lie at the heart of environmental policy making.

We champion policy solutions that promote environmental integrity, transparency, good governance and sustainable development.

We support civil society groups around the world in building networks, gaining access to information and holding the powerful to account. We dialogue with decision makers to find solutions at national, regional and international levels.
After the G7 summit and in the run-up to the Paris COP21, climate issues are back high on the global agenda. A decarbonised global economy until the end of the century - G7 leaders almost sound like NGOs. When everybody claims to be in favour of climate protection, it is difficult to get a clear picture of what happens.

The reality is, unsurprisingly, more complicated than the declarations. Lofty declarations and agreements are one thing, but what happens in reality is usually another story. Actions matter, not words. That is not so new, but particularly climate policy is an area where the discrepancy between words and actions seems to be quite large. Nature Code with its associated Carbon Market Watch Network is an organization that has always looked more closely at the reality, and we continued this important work in 2014.

International offsets and the enormous loopholes they create in the EU emissions trading system have continued to be a key priority for our activities. Together with other loopholes these offsets can reduce the EU's 40% climate target to a de-facto 26% reduction in reality - while on paper claiming to have met all targets. The difference could hardly be bigger. It remains a key NGO objective to open the public's eyes to these realities, otherwise there will be no pressure to fix the problems.

“What is needed to fix the EU's carbon market” was the title of a key Nature Code publication in 2014. Our initiatives often were key to joint NGO activities trying to fix these problems. Nature Code never hesitated to clearly point out what’s going wrong and try to influence EU policymaking. Our experience with all the complicated intricacies of EU climate policy collected over many years is key to our ability to initiate such NGO interventions.

Continuing with business as usual while claiming to be forerunner in climate protection - this could also be the result of the anticipated new UN climate agreement to be concluded in Paris. Nobody should underestimate the ability of governments to learn from each other when it comes to presenting inaction as action. So NGOs need to learn from each other how to counter these efforts. Carbon Market Watch Network India remains a key piece of our activities outside Europe, it is capacity building at its best. This is particularly important in a time where critical voices from civil society all around the world, including in India, are under more and more pressure from authoritarian governments. Giving local activists the opportunity to speak out on carbon market issues around the world remains an essential element for Carbon Market Watch's work.
The loopholes in Europe’s current climate framework have led to a 4 billion hot air bubble that could cause the actual emissions reductions under a 40% target to be as low as 26%. These 4 billion rights to pollute are distributed between the EU’s two main climate policy instruments: the EU’s Emissions Trading System (EU ETS) and the Effort Sharing Decision (ESD). While the 2.6 billion tonnes of hot air under the EU ETS is automatically carried-over in the 2030 framework, what is done to the 1.3 billion tonnes of hot air under the ESD was in the hands of EU's governments.

Carbon Market Watch has been at the centre of the fight against allowing any international offsets in EU’s climate framework post-2020. This has resulted in a decision by EU leaders in October 2014 for a domestic 2030 greenhouse gas reduction target of at least 40% compared to 1990, excluding the use of international credits.

This 2030 climate target was still at risk of being watered down by some governments who were actively pushing to carry-over the hot air from the current climate framework. The EU’s hot air bubble was putting a dark shadow over the EU’s 2030 climate target because it could be directly transformed into future rights to pollute and significantly lower the actual emissions reductions in 2030.

Carbon Market Watch’s public campaign exceeded expectations by helping to ensure that EU leaders decided not to allow the more than one billion hot air in EU countries by 2020 to be carried-over into the post-2020 period, saving an equivalent of 5% of greenhouse gas emissions. Through targeted outreach to environment ministers and other European policymakers as well as a dedicated media campaign including a twitter storm action, we were able to put the spotlights on these loopholes ahead of the decisive meeting of EU leaders.
The European Union Emissions Trading System (EU ETS) is the world’s biggest international carbon market and Europe’s flagship instrument to cut greenhouse gases from power stations and industrial installations. The economic recession, a low ambition level and the heavy inflow of international offsets have resulted in a collapse of the carbon price to the low levels of around 5 Euros in July 2014. This is far too low to incentivise more efficient production or to spur investments into renewable energy technologies.

Early 2014, the European Commission came forward with a reform proposal for the EU ETS to create a more stable carbon price by transferring part of the oversupply of emission allowances into a reserve. Carbon Market Watch has been a prominent leader amongst NGOs asking for more ambitious reforms including the permanent cancellation of pollution permits. This has been done in close cooperation with MEPs, the Commission, Member States and NGOs by drawing attention to the dangers of the low carbon price and the excess pollution permits on EU’s future climate targets.

Heavy polluting industries managed to receive a €40 billion handout from Europe’s taxpayers because of a decision by the Commission to assume an unrealistically high carbon price. Using a more realistic price, as recommended by their own experts, would have cut the number of free pollution permits to industry by around a quarter and increase the public budgets of member states by around €5 billion.

Decarbonising the power sector & energy intensive industries

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Automatic backloading to the future...

In order to reform the EU ETS, the Commission has proposed to set up a Market Stability Reserve that would automatically transfer surplus allowances into the reserve if there is oversupply on the market. The allowances will be released back to the market in times of scarcity. This reform proposal still awaits the approval of the European Parliament and the Council. After their approval the Commission will publish the broader revision of the EU ETS to implement EU’s 2030 climate target in the third quarter of 2015.

DID YOU KNOW?

The commission has proposed another carte blanche to energy-intensive industry worth €5bn of taxpayer’s money. It is now up to the European Parliament to reject the proposed carbon leakage list and make polluters pay, as recommended by the commission’s own scientific experts.

Carbon Market Watch – Guardian, September 2014

Driving CO2 reductions in the transport & building sectors

The Effort Sharing Decision (ESD) covers 60% of EU’s total greenhouse gas emissions and is hence a centerpiece of Europe’s climate legislation. It establishes binding emission limits for each Member State and thereby incentivizes mitigation measures in the transport, buildings, agriculture, and waste sectors. Since the ESD only began in 2013, little is known about how successful it has been tackling the sectors not covered by the EU ETS.

Carbon Market Watch has been at the forefront of the NGO community providing information to policymakers and stakeholders about the legislative framework of the Effort Sharing Decision and how successfully it has been implemented in Member States so far. Ahead of the post-2020 climate legislation for the non-ETS sectors that is expected to come in 2016, we have actively engaged in the policy debates by analysing, reviewing and comparing different flexibility options with the aim to safeguard, or even increase, ambition of the collective EU-effort. The need for intra-European flexibilities will increase after 2020, since it will be more challenging to meet the deeper emissions cuts in the 2021-2030 period and the use of international offsets has been excluded.

Flexibilities: the good, bad and the ugly...

In 2016 the European Commission will present the 2030 Effort Sharing Decision including new and enhanced intra-European flexibilities. These flexibilities will be at the core of the debate in the coming months and years, since they can either act as catalysts for additional mitigation in the non-ETS sectors, or undermine the ambition in these sectors by reducing the overall level of emission abatement. For example, European offsetting projects can unlock mitigation potential by increasing the energy efficiency of the building stock in lower-income Member States, while allowing the use of non-additional forestry offsets on the other hand would reduce the need for mitigation action linked to nitrogen fertilizers and livestock production.

“Allowing ETS allowances to count for non-ETS sector reductions is counterproductive. Purchasing allowances from companies participating in the oversupplied carbon market for use in non-ETS sectors would be a waste of public resources.”

Carbon Market Watch - Ends Europe, October 2014

DID YOU KNOW?
Norway recently announced that it wants to join the EU’s 2030 climate framework. By joining the EU’s 2030 climate framework, Norway hopes to make use of the new intra-European rules that will allow for flexibility to reduce emissions in the Effort Sharing Decision. The other half of Norway’s emissions are already covered by the EU’s climate regime, since Norway joined the EU ETS in 2007.

Agriculture and land use emissions

Farmlands, wetlands and forests cover more than 90% of the EU’s land surface and are among the sectors most affected by climate change impacts. EU leaders recently decided to include the carbon emissions and removals of this sector in the 2030 climate framework. The land use, land use change and forestry (LULUCF) sector absorbs more emissions than it emits and is therefore a net carbon sink. But land represents more than a storage site for carbon, as our forests, wetlands and grasslands provide food and other resources, have a social and recreational value and provide an important biodiversity function.

Carbon Market Watch has closely collaborated with other NGOs on developing joint principles and recommendations how to include LULUCF in the EU’s 2030 climate framework in order to reinforce the idea that any LULUCF approach must not only focus on mitigation actions but also develop policies to enhance and protect these ecosystems. Ahead of the meeting of EU leaders in October 2014, we put the spotlights on the dangers associated with allowing offsetting with trees. Planting trees in order to displace efforts in sectors where major emission reductions are needed is risky because the forest sector is a big carbon sink where the permanence of stored carbon cannot be guaranteed.

With the European Commission envisaging a legislative proposal in the second quarter of 2016, Carbon Market Watch will work on a more detailed position in conjunction with other NGOs in the coming year.

"Tackling the climate impact of the LULUCF sector must be additional to the mitigation efforts in other sectors and can thereby enhance the ambition of the overall EU climate framework."

**DID YOU KNOW?**

Forests are carbon sinks that absorbed over 400 Mt CO2-eq by 2012 in the EU. At the same time however forests emit carbon, when they are destroyed to make room for croplands or settlements. In the EU, deforestation has led to emissions of about 150 Mt CO2-eq in 2012. The EU was also the largest net importer of deforestation embodied in products in the world.

For the last year Carbon Market Watch has been advocating for fair and effective climate protection in the aviation sector. Our work centres on the market mechanism that the aviation sector is currently debating. This is a challenging task as the aviation sector contributes to about 2% of global CO2 emissions and if other warming effects are included, total GHG effects of aviation are double or more. The sector is growing rapidly at 3% per year. In 1997 International Civil Aviation Organisation ICAO was tasked under the Kyoto Protocol to limit greenhouse gas emissions of aviation but sufficient climate action has yet to follow.

The carbon neutral goal will not be met with the planned in-sector reductions. ICAO therefore agreed to consider a market mechanism to address the gap between in-sector measures and the carbon neutral goal. Along with our partners, Carbon Market Watch is working hard to help establish a robust, integral mechanism that many industry and governments remain reluctant to agree to given the potential growth projections in the sector over the next decade.

We remain a member of the International Coalition for Sustainable Aviation (ICSA) founded in 1998 as a network of environmental NGOs working on aviation issues. ICSA is a member of the technical committee of ICAO that develops recommendations on the rules that would govern such a global MBM and the eligibility of carbon credits. Together with other NGOs, Carbon Market Watch advocates for the highest level of environmental integrity. We participate in all the technical meetings and help shape the eligibility criteria of offsets to ensure environmental and social integrity of all the units that may be used under a global MBM.

Emissions from aviation

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We welcome today’s vote as a strong message to deal with international airline emissions as soon as possible and not wait for an international deal that may not be as environmentally effective, presumed to only start from 2020.”

Carbon Market Watch - Euractiv, March 2015

The development of the FVA, which is often referred to as the “transparency framework” to enable the international transfer of units from market-based approaches, needs to be seen in the wider context of the negotiations towards a 2015 climate agreement. The role of carbon markets under the Kyoto Protocol was set under the context of a bifurcated differentiation between Annex I and non-Annex I countries. The future climate agreement in contrast will have to include climate commitments by most countries to prevent catastrophic climate change.

Before establishing a new platform to trade international units, experience with market-based mechanisms to date such as the CDM, JI and existing emissions trading systems need to be reflected and addressed: The demand-supply imbalance caused by insufficient climate targets and lenient rules has led to a large supply of offset credits resulting in offset prices to nose-dive, not providing the investment needed for truly sustainable projects, especially in least developed countries. The vast majority of offset credits come from large energy projects that would also be viable without the additional CDM investment. Experiences from local communities have shown that projects often do not live up to their sustainability promises and in some cases even have negative impacts.

Carbon Market Watch continues to closely follow market developments inside the UNFCCC but also bottom-up approaches to global carbon market growth between emission trading regions, essentially side stepping the UNFCCC process in favour of bi-lateral arrangements that are aimed at improving market performance.

A global carbon market

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DID YOU KNOW?

“The jury is definitely still out on whether carbon markets are working…”

“...the result is an oversupply of carbon credits and little incentive for companies to change”


The jury is definitely still out on whether carbon markets are working…

“The jury is definitely still out on whether carbon markets are working…”

There is a significant “gap” in mitigation objectives, and consequently, the general trend on carbon markets indicates low demand for Certified Emissions Reductions (CERs) and is predicted to remain low. The CDM, for example, could generate as many as six billion offsets until 2020, but projections put global demand at three billion or less. The oversupply of market units has led to a severe price drop.

Capacity building is a crucial element of our activities. Our capacity building work focuses on bridging the gap between local communities and the international policy agenda by informing civil society organisations about carbon markets and providing a clearer picture on different political complexities.

Due to our ongoing efforts, local activists have been encouraged to become more engaged at policy developments on the local, national as well as the international levels. For example, side events organized by Carbon Market Watch at UNFCCC conferences have thereby been important elements in establishing a dialogue between high level policy makers and representatives of local communities.

Over the past years, we have built strong partnerships with network members that have enabled us to organize successful capacity building workshops with local civil societies, which are cornerstones in bringing together organizations and to develop strategies for campaigns and advocacy activities. In 2014, we organized 2 national workshops in India. One workshop focused on land rights and carbon markets in India while the second one examined important development on sustainable development and future climate politics.

The created structures, including the Carbon Market Watch network India and the provision of tools such as the CDM Toolkit and the CDM Benefit Tracker India are gateways for independent, strong and effective participation in the CDM process of local organizations in the future.

The CDM Benefit Tracker India

Carbon Market Watch together with local groups in India developed the CDM Benefit Tracker India, a publicly accessible interactive map that compares local realities witnessed by local communities living at the vicinities of CDM projects with the sustainable development promises outlined in the PDDs. Carbon Market Watch has been working on this tool with special intensity in 2014 in close collaboration with Indian NGOs and network members. The tool thereby also serves as a catalyst for Indian civil society organizations that have worked on CDM projects to make their work publicly available and to raise awareness when non-compliance of CDM projects occurs. The goal of the CDM Benefit Tracker India is to provide a transparent and accessible tool for monitoring the performance of CDM projects. This comes as a response to the absence of monitoring mechanisms of the actual performance of CDM projects against their claimed sustainable development benefits. Up to date, 27 CDM projects from 10 different states in India are included in the CDM Benefit Tracker India.

DID YOU KNOW?

The CDM Board, which is the supervising body of the Clean Development published a Sustainable Development Tool for project developers to highlight co-benefits of their projects in 2014. While being a first step in the right direction to address the poor performance of CDM project on sustainable development, the tool has severe shortcomings as it is voluntary, does not require monitoring or verification and does not offer opportunities for public input. From more than 7800 CDM project registered to date, only 16 made use of it.

CDM BENEFIT TRACKER: http://map.carbonmarketwatch.org/
Carbon Market Watch Network

Our network connects NGOs and academics around the world to share views and concerns about carbon markets. With over 800 members in 70 countries, its aim is to strengthen public scrutiny of carbon markets and to ensure more effective and fair climate policies for all.

Information shared within the Network includes campaign and policy news as well as media coverage of relevant topics, alerts on opportunities for public input and discussions on technical and political issues. Members also use the Network as a resource to seek critical information from other members and to share advocacy practices and messaging.

The Carbon Market Watch Network provides:

- Access to information about carbon market policies and climate finance via campaign news, policy updates as well as media coverage of relevant topics.
- A platform for peer support and knowledge sharing on project campaigns and advocacy efforts through discussion lists and a quarterly member newsletter.
- Opportunities to participate in advocacy actions such as open letters, global internet campaigns and policy submissions.
- Capacity building activities on key international climate policy issues (NAMAs, CDM) through workshops and webinars.

Interested in joining our network:
http://carbonmarketwatch.org/join-the-carbon-market-watch-network/

Communications and Exposure

HTML News Digest:
Our newsletter in 2014 evolved with the times and changed its presentation format to HTML. The news digest as it is now called is sent across the world once a month to our extensive group of news contacts, that includes policy makers, academics and civil society organisations as well as our global network. With an interactive style the news content has been improved to increase readability and impact. As our principal news source we were encouraged by our readers understanding and migration with us to this modern distribution over the initial 12 months of circulation.

Watch This! NGO Newsletter
In 2014 our Watch This! NGO newsletter celebrated its 10th Edition. The success of this newsletter is largely due to the important local perspectives contributed by grassroots NGOs around the world that are on the frontlines of climate change and mitigation actions designed to reduce our carbon impact. Giving local activists the opportunity to speak out on carbon market (non-market) related activities around the world remains an essential element for Carbon Market Watch’s work. This newsletter offers an important vehicle for spreading local stories.

Digital Communications
Website: Unique Visitors: 144,433
As the Carbon Market Watch website grows in content and impression so too does our annual readership. With an approximate increase of 30 thousand unique visitor’s year on year since 2013 the Carbon Market Watch website is drawing many more visitors due to improved functionality and high quality policy analysis and content.

Twitter:
900+ new followers to our Twitter account. We had a very busy year with Twitter, using our social media along with many other organisations and individuals to successfully push for a more robust 2030 Climate and Energy package (see Closing loopholes in EU’s 2030 climate framework) than what was initially proposed by the European Commission earlier in the year.

Youtube:
To draw attention to some of the campaigns we have been actively supporting, Carbon Market Watch released a short video to help frame some of the key concerns during the COP20 negotiations in Lima, Peru.
You can view this video here https://youtu.be/T_EEcobGkM

BOOKKEEPING
Publications by numbers:

- Media statements: 12
- Reports/Studies: 11
- Policy Briefings: 4
- Submissions/Letters: 10
- News Articles: 24
- Watch This! Articles: 24
- Workshops: 2
- Policy Events: 7
**Finances & Funders**

### INCOME

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**Total Expenditure** 422,864.51

**Result** 32,261.77

“We would like to express sincere gratitude to our funders for providing the financial support that allows us to realise our goals.” Nature Code
Meet our Staff

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Director

**Urška Trunk**
Policy Researcher

**Anja Kollmuss**
Senior Policy Researcher

**Antonia Vorner**
Finance Manager

**Andrew Coiley**
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**Juliane Voigt**
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Policy Officer

**Léa Teheux**
Finance and Outreach Officer

Nature Code Board and General Assembly Members

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- Mr Andrew Coiley
- Ms Anja Kollmuss
- Mr Diego Martinez-Schuett
- Ms Eva Filzmoser
- Mr Jürgen Maier
- Ms Natasha Hurley

**General Assembly Members**

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- Ms Barbara Haya
- Mr Wael Hmaiden
- Ms Nina Jamal
- Ms Alyssa Johl
- Ms Falguni Joshi
- Mr Michael Lazarus
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- Ms Sabine Minninger
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- Ms Nusa Urbancic
- Ms Mariel Vilella
- Mr Naoyuki Yamagishi
- Mr Samir Mehta
- Mr Tim Gore
- Mr Patrick Schroeder
About Nature Code
Our mission is to ensure that the protection and welfare of all living beings becomes the guiding principle of policy making.

For more information see www.naturecode.org

Carbon Market Watch is a programme of
For more information see www.carbonmarketwatch.org

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