Our Mission

Our mission is to ensure that carbon pricing policies drive a just transition towards zero-carbon societies. We promote environmental integrity and human rights, and empower communities to participate in decision making processes related to climate policies.

Our Approach

Climate policies need to hold polluters accountable for their actions. To that end, we believe that robust democratic processes are imperative to result in fair and effective climate policy. Moreover climate measures need to be implemented in line with universal human rights in order to work for people and the environment. We take pride in adhering to our common values, and implement practices that allow us to remain conscious of and to reduce our own carbon footprint.
FOREWORD

2017 was another busy year for Carbon Market Watch with reforms to the oversupplied European Emissions Trading System (EU ETS), the rise of new carbon markets, and concerted first steps to end offsetting mechanisms like the Clean Development Mechanism (CDM).

As the world permanently passes the 400ppm CO2 threshold, pressure is growing to find real solutions to reduce our impact on the atmosphere, while protecting people and planet. Carbon Market Watch’s emphasis continues to be on making those solutions truly effective, participatory and a catalyst for long-term change.

Two years ago, countries came together under the UN and pledged to limit global warming to 1.5°C through the Paris climate agreement and to set the world towards a more prosperous, just and climate-friendly future through the 2030 Agenda on Sustainable Development. 2017 marked the second year of these agreements and a reminder that governments must find responsible solutions that include citizens and communities, creating an environment of openness, transparency and honesty. Carbon Market Watch has taken up this mantle in 2017 by strengthening cooperation with networks in the global South to protect human rights, while campaigning closely with pan-European colleagues around the Effort Sharing Regulation, the EU’s largest climate instrument.

In 2017, we’ve also seen how countries increasingly choose carbon pricing as their preferred option to meet reduction targets, including in the aviation and shipping sectors. Our response to this trend has been the same as previous years: if market-based mechanisms are meant to do the job, they need to be effective, people-centred and free of any loopholes. We have become deeply involved in highlighting that any future aviation offsetting scheme must be transparent, have high environmental integrity, and not undermine national or regional pricing schemes like the EU ETS.

I’ve been involved with Carbon Market Watch, first as CDM Watch, for most of the 10 years of its existence. During this time, dedicated teams and networks have been tirelessly fighting to close the many loopholes within the EU ETS and offsetting mechanisms such as the CDM - in the face of the many powerful vested interests trying to keep those loopholes alive. I’m proud to see how those collective efforts as a network have not gone unnoticed and we are finally witnessing how more UN Member States increasingly support scrapping offsetting mechanisms beyond 2020. We welcome this because we believe that to achieve real long-term sustainable development, any future market-based mitigation mechanisms under the Paris Agreement must go beyond offsetting.

But while we celebrate our achievements, we also see with concern how new trends to promote market-based mitigation mechanisms around the globe come with a health warning of major loopholes that can do more damage than good. There are serious concerns that these continue prioritising financial interest over environmental integrity or human rights. This only reinvigorates our commitment to scrutinising relevant policy processes, provide evidence-based solutions, work as a constructive and independent voice and, crucially, help amplify the voices of communities affected by such decisions.

Diego Martinez-Schütt
Carbon Market Watch Board Member
2017 Key Achievements

Carbon Pricing: Impact on emissions trading

The EU’s Emissions Trading System (EU ETS) is the world’s largest carbon market, covering the emissions of the power and industry sectors. Since 2015, Carbon Market Watch has established a campaign to make the EU’s carbon pricing instrument more effective in making polluters pay for the damage they cause to society. Our ‘windfall profits’ campaign has had huge success in increasing awareness on the downsides of freely handing out pollution permits to heavy-emitting industries. Another success was getting rid of a large part of the oversupply that has been suffocating the system for years, depressing the carbon price to as low as 5 euros per tonne. The success of the EU ETS revision can already be seen today, as prices have tripled, although they are still short of levels needed to completely phase out fossil fuels in Europe.

International Transport: CORSIA and aviation in the EU ETS

The Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) is the global aviation sector’s first tentative step into climate policy and carbon markets. To make sure that the measure itself, its implementation in the EU, and its interaction with the Paris Agreement do not undermine climate ambition, Carbon Market Watch launched a three-pronged campaign. In the EU, our campaign on aviation in the EU Emissions Trading System secured European ambition in the sector in light of threats to weaken its obligations through CORSIA implementation. On the international level we served as the primary information source for interlinkages between ICAO and UNFCCC policy and launched a transparency campaign aimed at changing ICAO rules for adequate transparency of its new market.

Climate Governance: Climate Action Regulation

The Climate Action Regulation (formerly known as the Effort Sharing Regulation (ESR)) is the EU’s largest climate instrument, covering over 60% of the EU’s emissions. This tool for fighting climate change in Europe covers the transport, building, agriculture and waste sectors by setting out binding, national climate targets for the 2021-2030 period. Carbon Market Watch launched a European-wide campaign to ensure this climate law helps accelerate the transition towards carbon-free societies, including by showcasing local climate leadership in cutting emissions, publishing a ranking of EU countries that received widespread media attention, and building capacity of national partners through a series of regional workshops. The campaign had great success in reducing the negative impact of loopholes throughout the law, although its performance as a climate tool will depend on how countries implement the regulation.

Fair Climate Action: Say goodbye to the CDM and offsetting

Following a report released in 2017 by the European Commission showing that only 2% of all CDM projects are likely to reduce emissions, Carbon Market Watch wasted no time in leading the international call to scrap the mechanism beyond 2020. We’re delighted to see that more parties under the UN body are now supporting this position throughout the negotiations. Our aim in the coming years is that future market-based mitigation actions under the Paris Agreement move beyond offsetting to more innovative climate financing that places sustainable development at its core. Compounding this message with our appeal for greater social integrity of new mechanisms we highlighted examples like the Santa Rita hydro dam project (registered under the CDM in Guatemala). Thanks to our efforts in applying international pressure and local communities activists working on the ground the project was cancelled in 2017.
Our focus

The EU’s Emissions Trading System (EU ETS) has been under review since 2015 to make it fit for the post-2020 period. During this time, Carbon Market Watch campaigned to end the era of cheap pollution. In particular we worked to get rid of the oversupply of carbon permits, accelerate the decarbonisation cuts in line with the Paris climate goals, phase out the over-generous hand-out of free pollution permits and kick out coal subsidies from Europe’s carbon market.

One of our key achievements was the permanent removal from the market of up to 3 billion surplus carbon permits. EU carbon prices have tripled over the last year, which makes carbon permits the best performing energy commodity.

In the coming years, our attention will focus on how to align the EU ETS with the Paris Agreement, advance the coal phase-out and develop an industrial zero-carbon strategy with measures going beyond the EU ETS.

Impact:

• The amount of pollution permits, that are removed from the market and stored in the Market Stability Reserve (MSR), will be doubled.
• Up to 3 billion surplus pollution permits will be cancelled from the EU ETS in the 2021-2030 period.
• Coal funding under the modernisation fund will be prohibited.
• More financial resources will be made available for climate friendly innovations in the energy and industry sectors.
• There is increased awareness on the negative consequences of handing out free pollution permits to heavy-emitting industries.

We also helped Master’s students get to grips with EU climate policy at ‘The Carbon Battle’ a student debating event find out more here

Campaign background

The polluter-pays principle aims to ensure that damage caused by an activity is reflected in the cost of doing business. Carbon pricing implements this principle for greenhouse gases, usually in the form of either a carbon tax or a requirement to purchase permits to pollute, commonly referred to as a cap and trade or emissions trading schemes.

A robust, predictable and rising carbon price is needed to reflect the damage the pollution causes on society. It also gives industry a clear signal to reduce pollution more rapidly, invest in climate friendly alternatives, and spur further low-carbon innovation. To this end we have recently joined forces with the Carbon Pricing Leadership Coalition, a World Bank supported initiative that brings together governments, business and civil society to increase the effectiveness of carbon pricing around the world.

Fact box - Global carbon market

Under the United Nations Framework Convention on Climate Change (UNFCCC), countries have created international market mechanisms to provide an economic incentive to reduce emissions. The next generation of global carbon markets has their foundation in Article 6 of the Paris Agreement.

Letters

• Open letter to EU environment ministers on ETS funds
• Open letter to EU Environment Ministers on the revision of the EU ETS

Briefings

• A Fair EU ETS Revision
• A Clean Fit: The role of the EU ETS in the energy policy landscape
• Pricing carbon to achieve the Paris goals
• Carbon Market Watch recommendations for COP23
• Good-Bye Kyoto: Transitioning away from offsetting after 2020
• Beyond the EU ETS: Strengthening Europe’s carbon market through national action

Find them here

“Today’s deal ignores the urgency to reduce emissions quickly and hands out billions in pollution subsidies, meaning that the EU carbon market will continue to fail at its task to spur green investments and phase out coal,” said Femke de Jong, EU policy director at Carbon Market Watch. (Reuters)

“In the interest of the integrity of the Paris Agreement, we must learn from the Kyoto Protocol and end CDM in 2020” Aki Kachi, Internationally Policy Director. (COP23 side event)

“The launch of the Chinese carbon market shows that there is increased commitment around the world to price pollution and direct investments into clean technologies,” said Femke de Jong, policy director at Carbon Market Watch. (Japan Times)

Read more here
Our focus

As part of the European Union’s review of its Emissions Trading System (EU ETS), the responsibility of aviation within the EU ETS was also under consideration. During several months of negotiations Carbon Market Watch put pressure on EU decision makers to ensure that the weak global aviation deal would not undermine Europe’s domestic climate action. Leveraging on the uncertainty and scepticism of the International Civil Aviation Organisation’s (ICAO) new offsetting mechanism CORSIA, we were able to push for more ambition within Europe.

In the upcoming years focus will turn to ensuring proper accounting between CORSIA and the Paris Agreement, implementation of CORSIA in Europe and encouraging broad stakeholder involvement with the aim of more transparency to monitor the system.

Impact:

- International aviation will be brought back under the EU ETS from 2021 in case the global offsetting mechanism (CORSIA) is deemed to be inefficient.
- Regular updates from the European Commission, with the first before the start of 2019, on progress in ICAO negotiations and efforts to meet the sector’s aspirational long-term goal of halving emissions by 2050.
- A report within 12 months of the adoption of the rules to implement CORSIA [SARP], will examine for EU officials the global scheme’s ambition in relation to Paris including the level of participation, its enforceability, transparency, the penalties for non-compliance, the processes for public input, the quality of offset credits, monitoring, reporting and verification of emissions, registries, accountability as well as rules on the use of biofuels.
- Under the EU ETS the number of pollution permits available for the aviation sector is foreseen to decline annually, as is already the case for other sectors.
- With a view to increasing the auctioning level from 5%, the European Commission will undertake a study looking at the ease with which the sector can pass on the cost of CO2 to customers under CORSIA and the EU ETS.

Campaign background

Following both UN processes as part of the NGO observer groups - International Coalition for Sustainable Aviation and Clean Shipping Coalition-, Carbon Market Watch works to ensure ambitious and rapid emission reductions from both sectors. Details around CORSIA offset criteria and decisions on the future of aviation in the EU ETS put the focus on how CORSIA rules would impact European and Paris climate targets. Transparency and environmental integrity were the top concerns in detailing the future of the CORSIA with Carbon Market Watch creating cross-cutting recommendations between ICAO, UNFCCC, and European levels to ensure effective implementation of CORSIA. The focus on transparency will be pursued in future years to ensure the CORSIA can be monitored in Europe and under the Paris Agreement. This focus was complemented with calls to maintain high ambition in the international transport sectors in line with the Paris Agreement in the run up to the Talanoa Dialogue in 2018.

Letters

- Letter to the Austrian government on airport expansion
- Joint NGO letter to IATA: Airlines shouldn’t use Montreal resolution to undermine domestic European climate ambition
- Letter to the European Commission on reducing emissions from maritime and aviation sectors

Briefings

- Visibility Unlimited: Transparency of the new aviation carbon market
- Too big to fail? Environmental responsibilities of the UNFCCC and ICAO processes for aviation’s new carbon market
- Addressing aviation emissions under the EU Emissions Trading System
- Good-Bye Kyoto: Transitioning away from offsetting after 2020
- Beyond the EU ETS: Strengthening Europe’s carbon market through national action

Fact box - Global aviation

Flying is the most carbon intensive form of transport and its emissions are expected to grow by up to 90% by 2050. Domestically, states and regions like the EU address aviation emissions through cap-and-trade systems, other market measures like taxes, and promoting alternatives such as rail. The International Civil Aviation Organization (ICAO) has been the main forum to address emissions from international aviation since the 1997 Kyoto Protocol. In 2016, it adopted a market-based measure with the aim to reduce the sector’s climate impact.

“Stalling European climate action in the aviation sector because of a weak international deal doesn’t do justice to the climate,” said Kelsey Perlman, Aviation Policy Officer at Carbon Market Watch. “This is especially alarming since the industry’s efforts are nowhere near enough what is needed to stay below 1.5 degrees warming.” (Standard Republic)

“It’s baffling to think that the aviation industry could potentially use credits that do nothing to compensate for their rapidly growing climate impact. To avoid greenwashing, aviation’s new offset market has to exclude credits that have not proven to be effective,” Kelsey Perlman, Aviation Policy Officer at Carbon Market Watch. (GreenAirOnline)
Our focus

In the years 2016 and 2017, a new climate law was being negotiated in Europe. The Climate Action Regulation, or Effort Sharing Regulation (ESR), covers nearly 60% of Europe’s emissions from the transport, buildings, waste and agriculture sectors in the post-2020 period. Carbon Market Watch coordinated the campaign of European NGOs on this climate law to close the loopholes and ensure it is an effective instrument to advance the transition to carbon-free societies. Carbon Market Watch helped deliver the following:

- Certain loopholes have been reduced and the design of the climate law better reflects reality.
- Local authorities have been mobilised to ensure their actions on the ground that help cut greenhouse gas emissions are reflected in the national commitments.
- There is increased capacity of national actors on the EU’s largest climate law.

Letters

- Two-faced EU governments are gutting Europe’s key climate law
- Letter to Italian ENVI committee MEPs on the Climate Action Regulation implementing the Paris Agreement
- EU Climate Leader Board – Where countries stand on the Effort Sharing Regulation
- Open letter to Green Climate Fund Board on keeping the fund fossil fuel free
- Open Letter: EU LULUCF rules will set an international precedent

Fact box - Long term strategy

In 2014, the EU agreed to cut its greenhouse gas emissions by at least 40% by 2030 and 85%-90% by 2050. To bring these goals in line with the Paris Agreement’s objective to pursue efforts limiting global warming to 1.5 degrees Celsius, the European Commission will publish a strategy in November 2018 on how to fully decarbonise the EU economy by the middle of the century.

Read more here

“It is completely unacceptable that the EU’s largest climate tool would allow some countries to stall efforts to cut emissions, or even increase their pollution - especially after another year of record-breaking temperatures.” Femke De Jong, EU policy director at Carbon Market Watch (The Irish Times)

“EU politicians portraying themselves as climate leaders should put their money where their mouth is by closing loopholes in the EU’s key climate law and pushing for more ambition,” Femke de Jong, the EU policy director for Carbon Market Watch (The Guardian)
Our focus

In 2017 our aim was to build on the momentum we created the year before, with the withdrawal from CDM of the Barro Blanco hydro dam project on the grounds of human rights violations. By putting pressure on the UNFCCC, national governments and others that seek to develop or access mitigation projects we have continued to underline the need for comprehensive social safeguards that protect local communities. Our overwhelming call last year was for the phase out of the CDM and eventually offsetting as outdated tools no longer compliant with the goals of the Paris Agreement and a 1.5°C target.

Highlights from 2017 include:

• Following the subdued release of the EU’s analysis of the CDM, according to which as many as 75% of CDM projects are not fit-for-purpose, Carbon Market Watch in 2017 led the call that the mechanism should not be continued beyond 2020 (the end of the Kyoto protocol).

• We carried this message forward by urging policy makers to rethink their future commitment to offsetting given its less than successful history. Carbon Market Watch has been on the front foot calling for more results-based climate finance measures to be adopted as a future replacement measure to offsetting, and this idea is gaining traction among market-based mechanism aficionados.

• Santa Rita CDM Project - A little over a year on from the withdrawal of the CDM project of Barro Blanco, another hydro dam we were concerned with was officially terminated in Guatemala. Thanks to local and international pressure against the planned venture that had not gained full, free and prior consent from the local population, the decision to not go ahead with the project was taken. Four years earlier, advocacy efforts by Carbon Market Watch were solidified by first hand testimony shared by local indigenous leader Maximo Ba Tiul who spoke at our human rights event at the European Parliament and in Lima COP20. (Eva and Maximo See below)

Fair Climate Action

Campaign background

Often the burden of (cost effective) emissions reduction projects are hosted in developing regions of the world, where local communities and indigenous groups are oblivious to rules set in Paris, Bonn, and this year in Katowice, Poland. Carbon Market Watch places the social and environmental integrity as central pillars of successful mitigation actions. We therefore strive to keep it on the agenda in multiple policy fora, advocating for fair and effective climate action which means robust rules to guarantee climate mitigation projects not only reduce emissions but protect the rights of those affected.

Fact Box – Sustainable Development Mechanism

The SDM has the specific goal to ‘deliver an overall mitigation in global emissions’, meaning that using the SDM must lead to emissions reductions that would not have otherwise occurred, must not correspond to increased emissions elsewhere, and contribute to a ratchet of ambition over time. The role of offsetting and the danger of increasing overall emissions when offset credits are not real, additional, or measurable must be taken into consideration within the context of the global carbon budget to limit global warming to below 1.5°C.

Letters

• Joint NGO statement: Being serious about the Paris Agreement
• Open letter regarding the use of GCF resources to support large hydropower
• Open letter to UN Special Rapporteurs: request to carry an on-site visit to assess situation regarding Barro Blanco

Briefings

• Building blocks for a robust Sustainable Development Mechanism

Letters

• Joint NGO statement: Being serious about the Paris Agreement
• Open letter regarding the use of GCF resources to support large hydropower
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Briefings

• Building blocks for a robust Sustainable Development Mechanism

Read more here

Carbon Market Watch welcomes the closure to a long process that saw violent clashes as a result of human rights violations, and calls to ensure that future climate mitigation projects respect human rights.

“Obviously taking into account the very negative effects of Barro Blanco, we really welcome this move. But at the same time it has to be mentioned that even though this is not a CDM project any more, it will still go on. There will still be a Barro Blanco hydroelectric dam in Panama” - Juliane Voigt, CMW’s Policy Officer for sustainable development (The Panama Perspective)
Panama Workshop

The Central America and Mexico Civil Society workshop explored the elements and tools available to ensure that climate finance is effective and benefits communities. It focused on the lessons learned from the Clean Development Mechanism and the Kyoto Protocol, strengthening participants’ capacity and understanding of climate finance policies and recent policy developments at the global, regional and national levels. The two-day regional workshop was held in Panama, a country in which affected communities still bear the brunt of harmful hydro dam projects including the CDM project Barro Blanco. The trip concluded with a visit to see the flooding of affected lands first hand.

The event was kicked off with participants sharing experiences of climate mitigation projects in their regions, followed by work in break-out groups on the second day to identify the necessary elements for effective climate finance. These findings were reflected in a joint Manifesto which identifies and evaluates successful projects, and establishes clear guidelines to follow. The meeting ended with a multi-stakeholder panel discussion on the latest negotiation developments in the field, with a clear message that elements such as robust stakeholder consultations, and criteria for monitoring and evaluation are necessary for climate finance to benefit local populations and really contribute to the fight against climate change.

Madrid Workshop

Earlier in the year Carbon Market Watch together with Transport & Environment (T&E) organized a workshop for Southern Europe non-governmental organisations entitled “The road to a low carbon economy: strengthening the connection between local, national and European climate policy”. Other organisations contributing to the organisation of the event included Zero Waste Europe and SEO Birdlife.

The workshop was divided into two sessions. The first day focused on the EU’s two centerpiece climate tools: the EU Emission Trading System (EU ETS) and the Effort Sharing Regulation (ESR). The second day reflected on how to address industry lobbying at the EU and national levels and how to identify key elements for successful campaigning, with presentations of national case studies and work in breakout groups to gather experience as well as proposals from the participants. Find out more here.
Communication Highlights

This was an exciting year for the media and communications team. We carried out numerous social media campaigns, produced innovative communication materials from a crossword puzzle to a country ranking on Europe’s climate leadership, and of course continued to keep our readers up to date on our campaigns through our monthly newsletter. These efforts did not go unnoticed in the media - over the course of last year, we were quoted hundreds of times both in mainstream and more specialised media. An important communications milestone was the launch of our new website in October. With this new site that combines a clean and elegant look with simple, user friendly structure, we hope to keep improving the way we serve our ever growing online audience.

Social Media Highlight: In 2017 we welcomed our 5000th follower on Twitter. This is great milestone for our outreach and a strong sign that our issues continue to gain interest among informed colleagues as well as the general public around the globe.

Finances and funders

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

Carbon Market Watch

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Looking Ahead

2017 marked the end of the EU’s major overhaul of its 2030 climate and energy policies with a new set of regulations to decarbonise Europe in place. Since climate mitigation efforts will become more expensive in the future, the time between now and 2020 is critical to make the long term decarbonisation efforts a success. Our efforts will be on working with our partners at the national levels towards national energy and climate plans that will increase EU’s ambition over time. Also internationally, eyes are on 2020 when the Paris Agreement will formally replace the Kyoto Protocol. To that end, 2018 is a critical year when the Paris Rulebook, setting the pace and standards for implementing the Paris Agreement, will officially be adopted.

2018 is also an important year for emissions from international aviation and shipping, with the final rules for the new aviation carbon offsetting scheme CORSIA to be adopted. Overall, after an eventful area of developing major packages for climate policy at the EU and international levels, we look forward to working to implement these policies and helping to ensure robust enforcement and implementation, while working closely with our partners around the world.
For more information see: www.carbonmarketwatch.org

Contact information:
Natasha Hurley, Chair Natasha.s.Hurley@gmail.com
Rob Elsworth, Vice-chair Robertelsworth@googlemail.com
Diego Martinez-Schuett - Treasurer Bolivia@gmail.com
Eva Filzmoser, Executive Director Eva.Filzmoser@carbonmarketwatch.org