
CDM WATCH AT COP 17

December 2011 – January 2012

A compilation of our writings and activities at COP 17, United Nations Climate Conference 2011, Durban, South Africa.



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Additional CDM Watch activities included:

- Lead author and coordination of CAN-International positions on AAUs, HFCs and Appeals Procedure
- Lead author and coordination of several CAN-International interventions
- Panellist at side event *Grievance Mechanisms: Options to Consider and Address Stakeholder Concerns in the Climate Framework: To protect the rights of those most vulnerable to climate change, it is essential to establish a process that will address concerns of affected peoples and communities.* Panelists discussed options for grievance mechanisms in existing processes, including response measures, finance, REDD and CDM. (2 December 2011)
- Bilingual Presentation at Misereor Workshop to NGOs from 10 African countries: *Clean Development Mechanism: Tools for public scrutiny.* (7 December 2011)
- Helped organising online petition "Our survival is not negotiable" <https://www.petitionbuzz.com/petitions/notnegotiable>
- As coordinator of the CAN Flexmex group, CDM Watch also organised numerous bilateral meetings and participated at all relevant negotiations and side events.

CDM WATCH DURBAN ASSESSMENT

Durban has come and gone. Almost 13,000 people, including delegations from over 190 nations, civil society organisations, environmental NGOs and business representatives met in Durban, South Africa to have their say at the 17th climate negotiations (COP 17) of the UN Framework Convention on Climate Change (UNFCCC).

CDM Watch was very active at COP 17. We published our own newsletter “Watch This!”, organised several events, collaborated with many other NGOs and lobbied delegates. We mainly focussed on issues related to the CDM, particularly on human rights, public participation, appeals procedure, coal power projects and CCS in the CDM. We also covered issues beyond the CDM, such as Joint Implementation, new market mechanisms and the existing loopholes in the rules of the conventions. This booklet is a compilation of our outputs in Durban. We hope you find it useful. Below you find an overview of the most important carbon markets related decisions that were taken (or not taken) in Durban followed by a more detailed update:

- A new body called the [Ad Hoc Working Group on the Durban Platform for Enhanced Action](#) was established to negotiate a global agreement by 2015 that will take effect in 2020 and include mitigation commitments for all countries.
- Parties agreed to a [second commitment period of the Kyoto Protocol](#) but many details remain unresolved.
- Rules for carbon capture and storage (CCS) projects under the CDM were approved.
- No agreement was reached on the CDM appeals procedure.
- New HFC-23 facilities remain ineligible.
- Strengthening rules for public participation in the CDM was once again dropped in the final text.
- Standards on materiality were approved.
- No decision was taken on whether countries that do not commit to a second commitment period can buy and sell CDM and JI credits.
- New Market Mechanisms:
 - 1. Parties decided that new bilateral or regional market mechanisms should follow a common framework of rules developed under the UNFCCC.
 - 2. A new international market mechanism under the UNFCCC was ‘defined’.

Parties and admitted observer organizations are invited to submit their views to the UNFCCC Secretariat on following issues:

Topic	Deadline	Details
Carbon Capture and Storage projects in the CDM	5 March 2012	Views on the issues referred to in paragraph 4(a) (transport, transboundary), including a possible dispute mechanism, and for the global reserve of CERs in 4.(b) with the view of forwarding a draft-decision for consideration by CMP8
New market mechanisms	5 March 2012	Views and experience with both the proposed ‘framework’ and the new market mechanism.
Joint Implementation	16 April 2012	Views on the revision of the joint implementation guidelines, taking into account the experience of implementing the mechanisms under the Kyoto Protocol, including national guidelines, and the recommendations referred to in paragraph 11.

THE BIG PICTURE

The negotiations in Durban almost collapsed. COP negotiations are always supposed to end on Friday evening. In Durban the negotiations dragged on for another 36 hours until early Sunday morning. The big argument was over a new deal under which all countries would have legally binding commitments starting in 2020. The poor nations were outraged: developed country pledges are woefully inadequate on top of that, they promised the poor countries money for mitigation and adaptation and launched the Green Climate Fund, but left it empty (go [here](#) for the negotiation text)

In the end, the talks did not collapse. A new body called the [Ad Hoc Working Group on the Durban Platform for Enhanced Action](#) was established to negotiate a global agreement by 2015 that will take effect in 2020 and include mitigation commitments for all countries. Parties also agreed to a [second commitment period of the Kyoto Protocol](#) but many details remain unresolved.

Durban can be viewed as a partial political success, because there was a real risk that the negotiations could have completely collapsed. Such a collapse of the multilateral system was avoided, yet Parties in Durban nevertheless failed to protect the world from dangerous global warming. It is unclear if the second Kyoto commitment period will slow carbon emissions without the support of Japan, Canada, Russia and the United States, and with very weak mitigation pledges from countries that are willing to join. Current pledges are not only woefully insufficient to keep warming below 2°C; loopholes, such as the surplus allowances (AAUs) from the first Kyoto commitment period (commonly referred to as ‘hot air’) could negate all current pledges and enable developed countries to meet mitigation targets while continuing with business-as-usual (see our [paper on loopholes](#)). A new framework that does not start until 2020 may simply come too late to avert very serious climate impacts. We are now on an emissions path that could lead to warming of 4°C or more leading to severe impacts that are well beyond adaptation. It is with these grave climate outcomes in mind that we now discuss the implications of the Durban decisions on carbon markets.

CLEAN DEVELOPMENT MECHANISM (CDM)

Several important CDM issues were decided in Durban:

RULES FOR CARBON CAPTURE AND STORAGE (CCS) PROJECTS UNDER THE CDM WERE APPROVED.

CDM Watch and many other NGOs had worked tirelessly to prevent CCS from being allowed under the CDM, yet Parties had decided in Cancun last year that such projects would be allowed under the CDM. Before and during Durban we tried to ensure that the rules (called “modalities and procedures”) would be as stringent as possible. Although there are some quite innovative and stringent provisions that made it into the final rules (for example the kind of laws a country must have before it can allow CCS CDM projects) other rules are very weak (for example on monitoring) and have us very worried. Download the final text [here](#).

NEXT STEPS:

- 5 March 2012: Parties and **admitted observer organizations** are invited to submit to the UNFCCC Secretariat their views on the issues referred to in paragraph 4(a) (transport, transboundary), including a possible dispute mechanism, and for the global reserve of CERs in 4.(b) with the view of forwarding a draft-decision for consideration by CMP8.
- June 2012: These submissions will be discussed at the next sessions SBSTA36 in June 2012 in Bonn.
- December 2012: Draft decision may be considered by CMP8.

NO AGREEMENT WAS REACHED ON THE APPEALS PROCEDURE.

Currently there is no possibility to appeal a project once it is registered or rejected. CDM Watch has been fighting for a meaningful appeals procedure that would ensure that impacted stakeholders, such as local communities could bring an appeal against a registered project. Yet many countries actively argued against an appeal procedure that would include registered projects and local stakeholders with the argument that this would make the CDM process even less efficient. This is why no decision was taken in Durban and the discussion was postponed. Not having passed a weak appeals procedure is a partial victory for CDM Watch and the other NGOs who have been working hard to ensure meaningful stakeholder involvement. We will continue to fight for an appeal procedure with teeth.

NEXT STEPS:

- June 2012: The UNFCCC Secretariat will assess the possible impact of an extension of the scope of appeals.
- June 2012: Parties will discuss governance issues and arrangements for appeals at the next SBI36 session.
- Throughout 2012: The CDM policy dialogue may focus on this issue.

STRENGTHENING STAKEHOLDER RULES WAS ONCE AGAIN DROPPED IN THE FINAL TEXT

Language that would have required the CDM Executive Board to establish clearer guidelines for stakeholder consultations was supported by European countries but strongly opposed by developing countries that feared that such guidelines would impede on their sovereignty. In the final version, the language was completely dropped. CDM Watch has been working for years to get improved rules passed and we will continue working on this important issue. Such improvements could also be initiated by the CDM Executive Board (CDM EB) itself but so far they have done nothing.

NEXT STEPS:

- Throughout 2012: The CDM EB may initiate an improvement of guidance for local stakeholder consultation. (We will continue to put pressure on the CDM EB to improve rules and guidance.)
- Throughout 2012: The CDM policy dialogue may focus on this issue.
- December 2012: it is likely that this issue will be raised again by the EU (and possibly other Parties) at COP18.

IMPROVING ADDITIONALITY REQUIREMENTS OF LARGE SCALE PROJECTS

Project that are clearly non-additional (would have been built anyway) not only undermine mitigation goals but they also seriously hamper the credibility of the CDM. Having strong rules that exclude free-riders also ensures that prices are not artificially low because of the many non-additional credits.

The EU had proposed language that would have required the CDM EB to reassess the rules of additionality of very large projects, yet projects proponents and some countries (Ecuador, Bhutan) very strongly lobbied against such language. In the end the paragraph remained in the final text but was watered down significantly and does not include a specific mandate to the CDM EB to prepare a new innovative way to test additionality of very large scale projects. It now reads:

Requests the Executive Board to continue ensuring environmental integrity when developing and revising baseline and monitoring methodologies and methodological tools, in particular by considering possible ways of improving the current approach to the assessment of additionality, in order to provide clarity to encourage project activities in the private sector and the public sector;

The sentence: “to encourage project activities in the private sector and the public sector” may make it hard for the CDM EB to pass more stringent more appropriate additionality tests for such projects.

NEXT STEPS:

- Throughout 2012: The CDM policy dialogue may focus on this issue.
- December 2012: The CDM EB will consider possible ways for improvement of the current approach for assessment of additionality and will present a proposal at COP-18.

NEW HFC-23 FACILITIES REMAIN INELIGIBLE

Parties briefly discussed whether new HCFC-22 facilities should be eligible under the CDM to destroy their HFC-23. As most buyers (e.g. the EU and Australia) pointed out that these credits will not be eligible in their carbon trading schemes, it was suggested to remove this item from discussions all together. Not surprisingly the big HCFC producers China and India, supported by their well known HFC-23 friend PNG didn't quite agree so a decision was once again postponed. CDM Watch has long argued that these emissions should be dealt with through non-market-based mechanisms under the Montreal Protocol.

NEXT STEPS:

- December 2012: This issue will be discussed again at the SBSTA37 session.

STANDARDS ON MATERIALITY WERE APPROVED

Materiality standards define which errors have to be corrected and which can be ignored because they are too insignificant when calculating the amount of offset credits a project receives. We in principal agree with having rules on materiality because it does not make sense for projects to spend lots of money paying their auditor to rectify an error that is truly insignificant. Truly additional projects may not be able to afford such stringency whereas non-additional projects will on average have an easier time absorbing such costs. In that sense, having materiality rules may support to truly additional projects. Yet of course the question is, at what point is an error irrelevant. The [thresholds](#) approved in Durban are in our opinion too lenient. They were defined as the following percentages of the emission reductions or removals of a project:

- 0.5% for projects getting more than 500,000 offsets per year;
- 1% for projects getting 300,000 - 500,000 offsets per year;
- 2% for large-scale project activities getting up to 300,000 offsets per year;
- 5% for small-scale project activities.
- 10% for micro-scale project activities.

NEXT STEPS:

- Throughout 2012: The CDM EB will also increase interaction with DOEs on materiality over 2012.
- December 2012: The CDM EB will now implement the concept of materiality and report to CMP8 on the experiences.

NEW MEMBERS TO THE CDM EXECUTIVE BOARD

The following new members to the CDM EB [were elected](#):

Member	Ms. Diana Harutyunyan (Armenia) *	Eastern Europe
Alternate	Ms. Natalie Kushko (Ukraine)	Eastern Europe
Member	Mr. Hugh Sealy (Barbados) *	SIDS
Alternate	Mr. Amjad Abdulla (Maldives)	SIDS
Member	Mr. Martin Cames (Germany)	Annex I
Alternate	Ms. Pauline Kennedy (Australia)	Annex I
Member	Mr. José Domingos Gonzalez Miguez (Brazil) *	Non-Annex I

* these members have been CDM EB members in the past.

JOINT IMPLEMENTATION

Joint Implementation is CDM's little brother: it is the mechanism for offset projects located in Annex 1 countries. Unfortunately, JI has come under severe criticism for its lack of transparency and quality, especially of projects that come from so called track 1 projects which can be approved by the country itself, without international scrutiny. All the thorny issues were left undecided in Durban. [Here](#) the final text on JI.

NEXT STEPS:

- Parties, intergovernmental organizations and admitted observer organizations are invited to submit to the secretariat, by **16 April 2012**, their views on the revision of the joint implementation guidelines, taking into account, as appropriate, their experience of implementing the mechanisms under the Kyoto Protocol, including national guidelines, and the recommendations referred to in paragraph 11 above.
- The UNFCCC Secretariat will then prepare a synthesis report in July 2012.
- The JI Steering Committee will then draft a revised set of key attributes and transitional measures with possible changes of the JI guidelines for discussion at CMP8.
- In 2013, the CMP will initiate the 1st review of the JI guidelines.

NO DECISION ON WHO CAN BUY AND SELL CDM AND JI CREDITS

COP17 did not clarify whether countries that do not commit to a second commitment period under the Kyoto protocol can buy or sell CERs and offsets from JI. Venezuela and Bolivia strongly advocated for limiting access. They were supported by many other developed countries and in the end a decision was [postponed](#) until COP18.

New Market Mechanisms

Issues related to new market-based mechanisms were negotiated by the *Ad-hoc Working Group on Long-term Cooperative Action under the Convention* (AWG-LCA). Two main issues were discussed:

1. To what extent new bilateral or regional market mechanisms should follow a common framework of rules developed under the UNFCCC. (See final texts [here](#), paragraphs 79-82).
2. If a new international market mechanism that would complement the CDM and JI should be established under the UNFCCC. (See final texts [here](#), paragraphs 83-86).

1. Common framework of rules: Having an international framework raises the likelihood of preserving a minimum level of environmental integrity by reducing the risks of double counting and over-crediting due to lenient baseline and additionality requirements. But although many countries were in favor of such a framework, countries could not agree to what extent the UNFCCC should set common standards and rules. The final text only states "to consider a framework" to be decided at COP18 a year from now. Unfortunately the text does not mention what the aim and stringency of such a framework would be. But it does include the language that new market based mechanism "must meet standards that deliver real, permanent, additional and verified mitigation outcomes, avoid double counting of effort, and achieve a net decrease and/or avoidance of greenhouse gas emissions" (Para 79). It remains to be seen if regional market mechanisms such as the ones planned for California and Japan, will have to follow minimum standards that ensure with reasonable certainty that emission reductions are achieved.

2. A new international market mechanism: The AWG-LCA also discussed if a new international market based mechanism should be established under the UNFCCC as a complement to CDM and JI. The EU and many Latin American countries pushed for such new markets. The countries that opposed the use of the CDM by Parties unwilling to ratify a second Kyoto commitment period were equally reluctant to agree to new market mechanisms and insisted that existing market mechanisms have to be evaluated first.

A compromise was reached in the final hours of the negotiations. The AWG-LCA text now "defines a new market-based mechanism", while previous version of the draft decision text used the stronger word "establishes". It is

unclear what the legal implications of the two different words are. “Defined” may not be substantially weaker and has a precedent: The CDM was initiated under Article 12 of the Kyoto Protocol which stated: “A clean development mechanism is hereby *defined*.”

The language on how the details should be developed was left intentionally vague. This helped Parties reach a decision in Durban but it just postponed the difficult task on reaching consensus on both issues: an overarching framework that links different markets and a new market mechanism.

NEXT STEPS:

- A work programme will be established for each of the two issues with the view to recommending a decision to COP 18 in December 2012.
- 5 March 2012: The final text invites Parties and admitted observer organizations to submit comments on their views and experience with both the proposed ‘framework’ and the new market mechanism
- June 2012: Workshops for each topic will be held for Parties, experts and other stakeholders at the intercessional meeting in Bonn to consider the submissions and discuss both issues.

A few final words about the future of carbon markets

Carbon markets can only function well and deliver economically efficient mitigation if the demand and supply can ensure a stable market and if there are clear rules that ensure the environmental integrity of tradable units. However it remains to be seen if the demand from Europe, Australia and New Zealand for CERs will be sufficient to ensure a viable market for CERs. The recent collapse in carbon markets’ prices caused mainly by the economic downturn, post 2012 uncertainties, and the potential glut of “hot air” credits from JI (ERUs), show what can happen if adequate safeguards are not built into the system. With weak pledges and massive loopholes, and the proliferation of potentially competing and inconsistent bilateral offset system, the future of global carbon markets is rather uncertain.

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CDM Watch Recommendations on the Reform of the CDM

7th Session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol
(CMP.7), Durban, 28 November – 9 December 2011

28 November 2011

CMP Agenda Item 7: Issues related to the Clean Development Mechanism.

This paper outlines key positions by CDM Watch on the reform of the CDM. It explains key issues and also recommends draft text for following CMP decisions for adoption at CMP.7:

1. Additionality
2. Standardised Baselines
3. Coal Power Projects (ACM0013)
4. N₂O Abatement in Adipic Acid Projects
5. Human Rights
6. Co-benefits and sustainable development
7. Strengthened civil society participation in the CDM process
8. HFC-23 destruction projects

1. ADDITIONALITY

Additionality, the proof that projects are only viable because they receive CDM support, has long been criticised as ineffective. The number of non-additional projects in the CDM has been estimated to be 40-70%. Carbon credits from such free-riders do not represent real emissions reductions and lead to an increase in global greenhouse gas emissions. There are several effective ways to revise current CDM rules on additionality to strengthen the environmental integrity of the CDM.

PROPOSED DECISION TEXT: THE COP/MOP

1. ***Requests the Board of the clean development mechanism to revise the assessment of additionality to ensure that the number of free-riders in the CDM is markedly reduced.***
2. ***Decides that projects for which revenue from certified emission reductions make up a small contribution to the total investment shall be excluded from the CDM.***
3. ***Requests the Board of the clean development mechanism to prepare modalities and procedures that identify the relationship of CER revenue compared to the overall investment needed for CDM and to propose thresholds that determine whether a project is deemed additional.***

2. STANDARDISED BASELINES

At the negotiations in Cancun, the CMP asked for increased standardisation of CDM methodologies that are used for CDM projects, in an effort to simplify and streamline the CDM.¹ We are deeply concerned about how the CDM Executive Board has started to implement the CMP mandate on standardised baselines. Without clear additional guidance from the CMP, we fear that the rules and procedures that have been approved by the CDM Executive Board will severely hamper the environmental integrity of the CDM.

¹ [Decision 3/CMP.6 Further guidance relating to the clean development mechanism](#) (p.6)

PROPOSED DECISION TEXT: THE COP/MOP

1. *Decides* that standardised baselines, once approved for a country or region, are mandatory for all projects falling under the scope of the standardised methodology;
2. *Requests* the Board of the clean development mechanism to ensure that proposed standardised approaches include an impact assessment that evaluates the number of free riders and the overall impact on environmental integrity;
3. *Requests* the Board to ensure that a standardised baseline approved for one country can only be applied to another country after a rigorous approval process. Such a process must ensure that the geographic scope of the methodology is only extended if values used do not lead to an overestimation of emission reductions;
4. *Urges* the CDM Executive Board to enhance environmental integrity of the current rules.

3. COAL POWER PROJECTS (ACM0013)

At its 65th meeting, the CDM Executive Board suspended the methodology (ACM0013) for CDM coal power projects because of serious flaws identified by the Methodologies Panel² that would lead to significant over-crediting. The Board tasked the Methodologies Panel to present a revision of the methodology that would address the identified flaws. An independent study by the Stockholm Environment Institute³ confirmed the findings of the Methodologies Panel and furthermore found that the additionality of this project type is highly unlikely and that the flaws that lead to the over-crediting are inherent to this project type. For example, the emissions reductions achieved through a more efficient boiler technology are very small compared to the project emissions and other choices on how the plant is built and operated can have an equally large effect on efficiency. It is therefore highly unlikely that a revised methodology could ensure with enough certainty that the resulting CERs from this project type are real and measurable. The CDM Executive Board has previously excluded project types when they posed too much uncertainty about ensuring that they would lead to real and measurable emissions reductions. Examples include the exclusion of hydro power projects that have a power density that is below 4 Watts per square meter and the exclusion of methodologies based on capacity building initiatives. In order to avoid millions of clearly non-additional CERs, the CMP should exclude coal power projects from the CDM.

PROPOSED DECISION TEXT: THE COP/MOP

1. *Decides* to keep methodology ACM0013 permanently suspended as these project activities pose a very large risk of not delivering emissions reductions that are real and measurable;
2. *Further decides* to suspend issuance of certified emission reductions to all project activities registered under ACM0013.

4. N₂O ABATEMENT IN ADIPIC ACID PROJECTS

At its 48th meeting in July 2009, the CDM Executive Board requested the CMP to provide guidance on whether and how to include new adipic acid facilities that look to reduce their N₂O emissions under the CDM.

² Methodologies Panel report on ACM0013:

http://cdm.unfccc.int/Panels/meth/meeting/11/053/mp53_an13.pdf

³ SEI study on Coal Power in the CDM: <http://sei-international.org/publications?pid=1974>

In 2010, an independent study provided overwhelming evidence that the high profits from CDM N2O destruction projects at adipic acid facilities had led to carbon leakage. The crediting methodology AM0021 led to such high profit margins that a shift in production from non-CDM plants to CDM plants occurred. This carbon leakage caused an estimated increase in emissions of 13 million tons of CO₂e. The European Union reacted by implementing a ban of carbon credits from this project type from use in the European Emissions Trading Scheme (EU-ETS). Yet the CDM Executive Board did not revise AM0021 to make the baseline sufficiently stringent.

At the 65th meeting in November 2011, a new methodology (NM0355) with a much more stringent baseline was presented to the Board. Yet the Board did not approve the methodology and argued that this would need a CMP decision because the new methodology could be applied both to existing and to new adipic acid facilities.

In order to stop the risk of further carbon leakage, stringent baselines have to be implemented both for existing and for new facilities, if the CMP decides to allow new facilities under the CDM. Proposed decision text on Adipic Acid: The COP/MOP

PROPOSED DECISION TEXT: THE COP/MOP

1. **Requests the Board of the clean development mechanism to revise the methodology for existing adipic acid facilities (AM0021), considering the evidence that this project type has caused leakage and applying a baseline as stringent as used under Joint Implementation.**

5. HUMAN RIGHTS

In 2011 the CDM Executive Board registered two projects, despite evidence of human rights abuses in both cases. The CDM Executive Board has argued that it has no mandate to address the issue of human rights and that the responsibility for ensuring sustainable development lies with the host country. However, the United Nations Charter, which is applicable to the UN, including all its bodies and therefore also the CDM Executive Board, explicitly states that the purpose of the United Nations is *“To achieve international co-operation in solving international problems of an economic, social, cultural, or humanitarian character and in promoting and encouraging respect for human rights and for fundamental freedoms...”* Article 55c states that *“the United Nations shall promote universal respect for, and observance of, human rights and fundamental freedoms for all without distinction”*. Also the Cancun Agreements (Decision 1/CP.16 paragraph 8) specifically state that *“Parties should in all climate change related actions fully respect human rights”*. The CMP must therefore clarify that the UN Charter fundamentally requires the CDM Executive Board to ensure that CDM projects uphold human rights.

PROPOSED DECISION TEXT: THE COP/MOP

1. **Decides that CDM projects under validation that fail to protect human rights are ineligible for registration;**
2. **Decides that registered CDM projects that fail to protect human rights be suspended, until the project is adjusted to comply;**
3. **Decides that Designated National Authorities be allowed to withdraw letters of approval in case of violations of any of the UN principles or national legislation. In case of a withdrawal no further certified emissions reductions be issued for the project activity;**
4. **Requests the Executive Board of the clean development mechanism to establish modalities and procedure to ensure that CDM projects protect human rights.**

6. CO-BENEFITS AND SUSTAINABLE DEVELOPMENT

In principle, the CDM has two objectives – achieving cost-effective emission reductions and achieving sustainable development in the host countries. Yet, CDM projects have been known to cause social and environmental harm. Different from other provisions under the CDM, the assessment whether a CDM project contributes to sustainable development is the prerogative of the host country government and not under the supervision of the CDM Executive Board.

However, given the substantial concern over the benefits of CDM projects as laid out in Article 12 of the Kyoto Protocol (to assist Parties not included in Annex I in achieving sustainable development) guidance on indicators for the assessment of sustainable development benefits is needed and measures should be taken to streamline the visibility of co-benefits.

PROPOSED DECISION TEXT: THE COP/MOP

1. ***Requests*** the Executive Board of the clean development mechanism to conduct an in-depth review of sustainable development indicators of Designated National Authorities;
2. ***Requests*** the Executive Board of the clean development mechanism to establish international standards and guidance for Designated National Authorities to define sustainable development co-benefit indicators as well as social and environmental safeguards for CDM projects;
3. ***Requests*** the Executive Board of the clean development mechanism, further to a public consultation, to develop a tool to assist project developers in describing sustainable development co-benefit indicators and social and environmental safeguards in the PDD;
4. ***Requests*** the Executive Board of the clean development mechanism to revise applicable reporting and verification standards to monitor and verify claims made in the PDD or indicators to ensure actual realization of the stated sustainability benefits of CDM projects.
5. ***Decides*** that each designated operational entity shall, as part of its validation of a project activity, confirm that one or more co-benefits are demonstrated by the project activity;
6. ***Decides*** that procedures for an appeals procedure be applicable when sustainable development co-benefit indicators are not realised as described in the PDD during the lifecycle of a CDM project;
7. ***Recommends*** that each designated national authority shall invite a civil society representative when evaluating the compliance with sustainable development criteria

7. STRENGTHENED CIVIL SOCIETY PARTICIPATION IN THE CDM PROCESS

Although it is a key requirement in the CDM process cycle, the stakeholder consultation process is a formality and hardly ever seriously implemented by project developers and validated by Designated Operational Entities (DOEs). This applies to both the local stakeholder meetings and the 30-day global commenting period. It is common practice that civil society impacted by CDM projects is not informed about CDM projects or given an accurate account of expected impacts. Moreover, civil society is not informed about the short 30-day public commenting period that is only announced online and not translated into the local language. Finally, there is no opportunity for civil society to raise concerns throughout the implementation of the project activity. Good governance is essential in the CDM process. This also includes the participation of civil society at CDM stakeholder meetings, including at meetings of the DNA forum. As more than 5.000 projects are currently in the pipeline and will be operational for many years to come, the current procedure of stakeholder involvement in the CDM needs to be reassessed and improved.

PROPOSED DECISION TEXT: THE COP/MOP

1. **Requests** the Executive Board of the clean development mechanism, further to a consultation with stakeholders, to recommend modalities and procedures to establish means for stakeholder involvement during the implementation of a CDM project activity.
2. **Requests** the Executive Board of the clean development mechanism, further to a public consultation, to recommend modalities and procedures to improve stakeholder involvement at local and global levels incorporating, inter alia, provisions for
 - (a) Guidelines for project developers on how to announce and conduct local stakeholder consultations
 - (b) Guidelines for Designated Operational Entities on how to validate local stakeholder consultations
 - (c) Improved automated notification systems for all public participation procedures that are time sensitive
3. **Decides** that all comments from local stakeholders may be submitted in the official languages of the host country of the CDM project activity.
4. **Requests** the Executive Board of the clean development mechanism to ensure participation of civil society representatives at all stakeholder meetings including at meetings of the DNA Forum.

8. HFC-23 DESTRUCTION PROJECTS

The CDM has proven ineffective in addressing HFC-23 emissions. Without delivering any development benefits, credits from this project type have flooded carbon markets.⁴ Flaws in the crediting methodology for HFC-23 destruction projects allowed project participants to game the system and to artificially increase production to maximise profits. The CDM Executive Board suspended the methodology 2010, and in at its 65th meeting in November 2011 approved a revised methodology for HFC-23 destruction projects under the CDM (AM0001 version 6.0.0) Although more stringent, the revised methodology is still not rigorous enough and continues to give countries hosting CDM HFC-23 projects considerable incentive to delay shutting down those plants in the course of the planned HCFC-22 phase out under the Montreal Protocol. The new methodology also does not apply to projects until they apply for the renewal of their crediting period. An additional 187 million credits could be issued under the old severely flawed rules⁵. The CMP must call on the CDM Executive Board to stop issuing carbon credits under the old rules with immediate effect.

PROPOSED DECISION TEXT: THE COP/MOP

1. **Decides** that no more Certified Emission Reductions be issued to HFC-23 destruction projects under AM0001 version 5.2
2. **Requests** the CDM Executive Board to apply AM0001 version 6.0.0 to all currently registered HFC-23 destruction projects

4 Of 19 HFC-23 destruction projects registered, 11 are in China, five in India, and one each in Argentina, Mexico and the Republic of Korea.

5 Calculated according to the information provided by IGES CDM Database, November 2011.



Watch This!

Progress and gossip about carbon markets at COP 17

Sanibona!

As this COP-17 kicks off in Durban, the CDM Watch team adds some colour to the negotiations with its first WATCH THIS! on progress and gossip about carbon markets. But before we dive in, let us present crucial carbon market issues that are cooking over the next two weeks.

Equitable effort sharing approach

Don't put the cart before the horse! While CDM reform and new market mechanisms are being negotiated we remind you that any market-based mechanism, including the CDM, must be part of a legal mechanism based on ambitious and binding emission reduction commitments. Without such targets, market-based mechanisms are rendered meaningless. And yes, supplementarity – use as many offsets as you like – but only on top of binding targets of at least 40% below 1990 levels by 2020.

It's hot in here!

In COP-talk, 'hot-air' or assigned amount units (AAU) surplus, is one of the flaws (or loopholes) in the Kyoto Protocol system that further weakens their pledges. The total amount of AAUs alone is astronomic: 7.5-10 Gt CO₂e, or in other words, roughly one-third of current 2020 emissions reduction targets pledged by Annex 1 countries. Other loopholes that are bothering the climate are non-additional carbon credits from Joint Implementation and the Clean Development Mechanism. This needs to be dealt with!

Net benefits for the climate!

Now here is a chance to make carbon markets help the climate: Countries will probably adopt a framework for new market based mechanisms. The crucial part is that they need to be designed in a way that creates a net decrease of emissions, beyond simple offsetting. Not only that, any framework must also include a core set of rules that governs the overall interaction of different mechanisms and includes safeguards that ensure sustainable development, uphold environmental treaties and the Declaration of Human Rights.

No carbon credits to criminals

CDM projects related to human rights violations have caused widespread dismay that international climate finance lends support to criminals.

We call on Parties to acknowledge here in Durban that the United Nations, including all its bodies, are required by the UN Charter to protect human rights!

Farewell to dirty carbon credits

Under the CDM, industrialised countries can offset their emissions by investing in new coal power projects in developing countries. Quite obviously, this is neither clean nor sustainable, the two principles of the CDM. The good news is that the CDM Executive Board just suspended the flawed crediting rules because they would lead to over-crediting in the millions. The bad news is that they are thinking about revising them although an independent study shows that flaws are inherent to the project type and may not be fixable. Here is an easy way to avoid millions of non-additional carbon credits while fostering small scale sustainable projects and cutting down on oversupply:

Exclude coal power projects from the CDM!

No climate finance for oil recovery

Carbon capture and storage (CCS) in the CDM means exporting unproven and risky technologies to developing countries and allowing oil companies to generate millions of carbon credits from enhanced oil production. Under pressure from several oil rich countries, Parties will negotiate how to deal with CCS. Our message is clear:

CCS must remain ineligible because environmental, legal and safety conditions for CDM inclusion have not been properly addressed and resolved!

Gossip of the day!

Get your gossip published tomorrow!

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Let's move on guys...zzz...zzz

The EU, Australia and New Zealand have already banned the use of carbon credits from projects that destroy HFC-23 because the CDM is an extremely ineffective way to deal with the HFC-23 emissions. Yet, Parties will again discuss if new HCFC-22 facilities should be eligible under the CDM to destroy their HFC-23. But the high profits for HFC-23 projects create perverse incentives, both in the context of the CDM and JI.

Let's move on – there are different ways to quickly and effectively reduce HFC emissions, say through non-market-based mechanisms, such as the Montreal Protocol.

We want REAL emission reductions

Additionality, the proof that projects are only viable because they receive CDM support, has long been criticised as ineffective. The number of non-additional projects in the CDM has been estimated to be 40-70%. Carbon credits from such free-riders do not represent real emissions reductions and lead to an increase in global greenhouse gas emissions.

Now is the time to revise current CDM rules on additionality to strengthen the environmental integrity of the CDM!

CDevelopMent

In principle, the CDM has two objectives – achieving cost-effective emission reductions and sustainable development in the host countries. It is not new that many CDM projects have been known to cause social and environmental harm. It can be done better.

At least we need guidance on indicators for the assessment of sustainable development benefits and ways to ensure that promised co-benefits are actually realised!

Have your say

Although it is a key requirement in the CDM process cycle, the stakeholder consultation process is a formality and hardly ever seriously implemented by project developers and validated by Designated Operational Entities (DOEs). More than 5.000 projects are currently in the pipeline and will be operational for many years to come.

The current procedure of stakeholder involvement in the CDM project cycle and implementation needs to be reassessed and improved!

Right to appeal

Local communities have often complained that their rights were ignored in the CDM project approval process. Now is the time to act! Parties will decide on an appeals procedure against decisions of the CDM Executive Board. It is crucial that civil society will be eligible to launch an appeal.

Parties should take this a critical opportunity to introduce much needed quality control in the CDM decision-making process!

A model for the future?

In Cancun, Parties asked to simplify and streamline the CDM through increased standardisation of CDM crediting rules. We are very worried about how the CDM Executive Board has started to implement this mandate. We fear that the rules and procedures that have been approved by the CDM Executive Board will severely hamper the environmental integrity of the CDM. The CDM will serve as a model for future mechanisms. Standardised baselines are the basis for new market-based mechanisms, e.g. sectoral approaches. It's important to get this right!

Parties must require the CDM Executive Board to tighten up the CDM's approach to standardisation!



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Progress and gossip about carbon markets at COP 17

Why the CDM Executive's Board is obliged to consider human rights

In 2011 the CDM Executive Board registered two projects, despite evidence of human rights abuses in both cases. It argued that the responsibility for ensuring sustainable development lies with the host country. Yet, the actual question whether the CDM Executive Board (CDM EB) is bound by international human rights provisions has not been answered. Let's do the maths:

- ✓ The UN is bound by human rights under Articles 1(3) and 55(c) of the Charter of the United Nations.
- ✓ The political and judicial organs of the UN have interpreted the provisions of the UN Charter to constitute legal obligations.
- ✓ The UN therefore has a constitutional obligation to place limitations on the authority and lawful purposes and functions of the UN and its entities.
- ✓ In addition, the UN is an organisation with legal personality and therefore is subject to customary international law.
- ✓ The fundamental principles of human rights form part of customary or general international law and the UN.
- ✓ As an organisation with legal personality, the UN is bound by these principles and customary or general international laws.
- ✓ Human rights and international human rights laws are therefore applicable to the UN and its entities
- ✓ (including the CDM EB) as a result of: (i) the UN Charter; and (ii) international human rights standards reaching both the UN and its entities.
- ✓ The CDM EB, as part of the UN, is bound by international customary law which encompasses fundamental human rights.
- ✓ The UN Charter explicitly requires Parties to have regard for human rights and Decision 1/CP.16 specifies that Parties should respect human rights in all climate change related actions.



It follows that the CDM EB must consider human rights when overseeing the selection and review of projects.

Currently, the CDM rules do not refer to human rights directly, and methodologies only set out technical requirements in relation to emission limits.

→ The mandate of the CDM EB must therefore be re-assessed and redefined to give force to the provisions of the UN Charter and other rules governing UN bodies.

Quick thumbs down for more HFCs! For now anyway.

Yesterday, delegates met for the first and last time during this session to discuss whether new HCFC-22 facilities should be eligible under the CDM to destroy their HFC-23. As most buyers (e.g. the EU and Australia) pointed out that these credits will not be eligible in their carbon trading schemes, it was suggested to remove this item from discussions all together. Not surprisingly the big HCFC producers China and India, supported by their well known HFC-23 friend PNG didn't quite want to say adieu before this will be discussed again at COP-18. Guys, forget about Qatar... go for Montreal! There are ways to quickly and effectively reduce HFC emissions, say through non-market-based mechanisms, such as the Montreal Protocol!

Gossip of the day!

Rumour has it that Australia has decided that carbon credits from large hydro projects are ineligible in its carbon trading scheme. Thanks Australia for helping close the gigatonne gap!

Get your gossip published tomorrow!
andrew@cdm-watch.org + 27 714 38 76 31

The fuss about loopholes

Everyone in Durban seems to be talking about loopholes. But what exactly are they and why are they so important? Loopholes substantially weaken already insufficient pledges. The total size of loopholes is astronomic. It could easily completely negate the pledges that developed countries have made so far and render future commitment period completely meaningless. Here are the four most important ones:

- **'Hot air' – are surplus allowances (AAUs)** from the first commitment period. The economic collapse after the fall of the communist regimes led to a significant decrease in GHG emissions in Eastern European countries. This is why Russia and Ukraine having a very large surplus of AAU. Emissions reductions due to economic downturns are not enabling a sustainable low-emission pathway because they are presumably temporary and after the economies recover we can expect to see an corresponding increase in emissions. We need to address this hot air here in Durban!
- **LULUCF loopholes:** Current accounting choices inflate countries' emissions baseline numbers. Important land-Use, Land-Use-Change and Forestry rules are currently negotiated. If they are made more stringent, we could reduce this loophole considerably!
- **Double counting:** occurs when emissions reductions are counted multiple times under several carbon market schemes. Robust, internationally coordinated offset accounting rules are vital to avoid double counting. A pledge-and-review approach will make it much more difficult to ensure the integrity of offsetting schemes and to avoid double counting. Legally binding reduction pledges and internationally agreed MRV rules are necessary.
- **CDM loopholes:** CDM credits that do not represent real emissions reductions. See below!

Loopholes need to be closed if we want to get real about climate change!

CDM loopholes could increase global emissions by 1 – 6 Gt CO₂e by 2020!!

CDM projects have to create real and measurable emissions reductions. If they do not and nevertheless sell carbon CDM projects have to create real and measurable emissions reductions. If they do not and nevertheless sell carbon credits then those credits lead to an increase in global emission because they are used by the buyer instead of reducing his own emissions. Here are three reasons why CDM projects can cause artificial carbon credits:

- **Additionality**, the proof that projects are only viable because they receive CDM support, has long been criticised as ineffective. Carbon credits from such free-riders do not represent real emissions reductions and lead to an increase in global greenhouse gas emissions.
- **Over-crediting** occurs when the rules on how to calculate the achieved emission reductions for CDM projects are too loose. The resulting carbon credits also lead to an increase in global emissions.
- **Carbon leakage** is the shift in production to CDM plants away from non-CDM plants. Such leakage causes an increase in global emissions if the shift occurs from a plant that is covered under a countries emission cap to a country with no such cap (e.g. from a European plant to a plant in a NA1 country)

Such artificial emission reduction could cause an estimated cumulative loophole between 1 – 6 Gt CO₂e by 2020. This enormous gap must be closed:

- ***To eliminate loopholes for CDM projects not yet registered the current rules on additionality and baseline setting have to be revised.***
- ***To stop already registered projects from continuing to create artificial credits, it is easiest to ban projects that have a very high likelihood of delivering credits that do not represent real emissions reductions. Coal power projects under the CDM, with proven problems about additionality and baseline setting are a clear example. Dear delegates, let's start cleaning the bucket: and ban coal power projects!***



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Progress and gossip about carbon markets at COP 17

Leave the oil in the soil...

The decision in Cancun to allow carbon capture and storage (CCS) in the CDM was hailed as a victory by oil companies across the world. They could not believe their luck! As delegates in Durban are negotiating night after night, paragraph by paragraph, it looks like big oil is winning out – once again.

The current text does not exclude Enhanced Oil Recovery (EOR), a method to increase the amount of oil that can be recovered from an underground oil reservoir. By pumping CO₂ underground, 30 to 60% more oil can be recovered.

Here is an example: The Weyburn Oil Field in Canada includes a CCS project. The project is expected to inject a net amount of 18 million tonnes of CO₂ in order to recover an additional 130 million barrels of oil over an anticipated lifetime of 25 years. Assuming this plant was a CDM project generating carbon credits for a price of €8 per credit and producing profits of €60 a barrel, this project would make €144 million from carbon credits, plus around €7.8 billion from the additional oil recovery. The Weyburn facility could yield an average profit of €445 per tonne of CO₂! This example also makes clear EORs do not need additional climate finance to be viable.

CCS technologies have yet to be tested over the long term. Despite billions of dollars of public funding committed to CCS development, there is still no large-scale full-chain CCS demonstration on a coal-fired power station anywhere in the world. There is little sense in transferring this risky, prohibitively expensive and ineffective technology to developing countries.

Dear delegates, please get your priorities right! CCS in the CDM is unproven on a commercial scale with plenty of scientific uncertainties. More work needs to be done for these lingering issues to be resolved. We certainly do not need yet another loophole for generating carbon credits from fossil fuel projects. Before rushing into setting up a new source for millions of carbon offsets, you want to work on pledges first!

Access to Justice for all!

Since its inception the CDM has come under criticism for its lack of accountability, effective safeguards and grievance mechanisms. Yesterday's outcome in the SBI contact group on CDM Appeals was a step in the right direction and we call on delegates to keep up the good work! Establishing a legitimate process that provides means for all those impacted by a CDM project to raise their concerns and have them addressed in a timely manner is the only way forward. Well done EU and Switzerland for bringing the negotiations on the CDM

... and the coal in the hole!

Multi-billion-dollar coal power projects claim they need climate finance

Building highly efficient plants make economic and strategic sense, given that coal prices have been rising very rapidly over the past years. Indian and Chinese government policies foster or require such super efficient plants. It is therefore very difficult to make a credible claim that these projects are truly additional. The value of CDM finance is several orders of magnitude lower than the scale of coal plant investments, and pales in comparison with the variation in coal prices witnessed in recent years.

The geeky stuff

Better boiler technology can improve coal plant efficiency only slightly (e.g. from a 38% to a 39%). Other factors such as coal quality, cooling technology, and pollution controls often have a greater influence on the plant's efficiency than the boiler itself. It is difficult to predict the impact of these other factors, especially because data on power plants in developing countries is often not available or unreliable. These reasons make it very difficult to measure the actual improvements that have been achieved and to ensure that coal power offsets are real and measurable.

The CDM Executive Board wants a revision of the rules to bring coal projects back. The Stockholm Environment Institute issued a policy note on why it is quite unlikely that a revision of the rules can ensure coal power in the CDM deliver real and clean emissions reduction. Download the SEI policy note at <http://bit.ly/udwODd>

This is why we call on the CMP to exclude coal power project from the CDM!

Amandla Awethu! Power to the People!

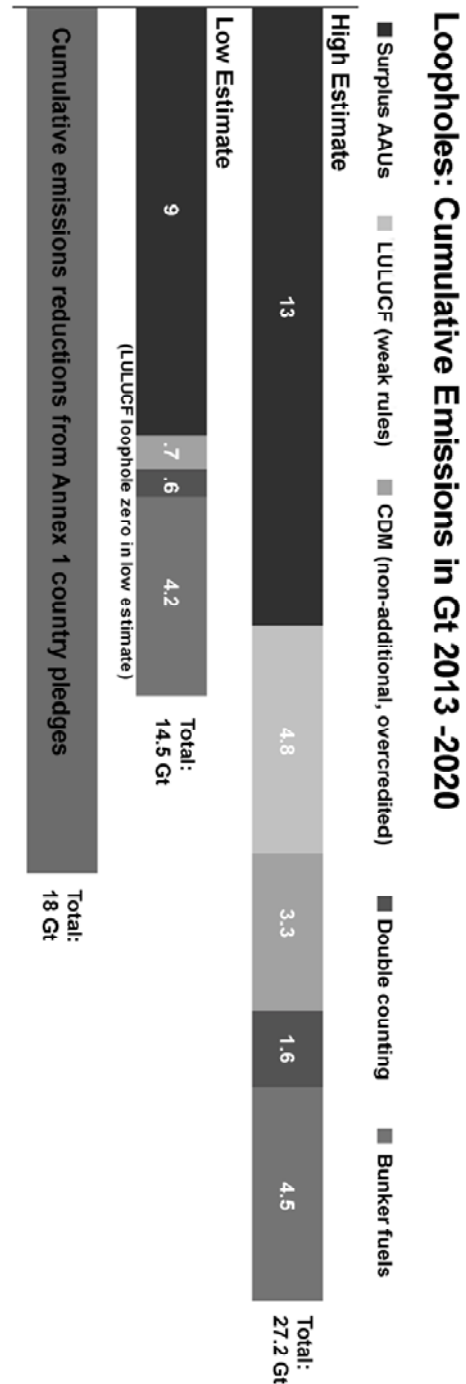
The ICC in Durban is proving to be an excellent location for this year's negotiations. We just have a small request, as many of us work long hours on laptops and other mobile devices it would be great to have more power plugs throughout the building. I'm sure we all agree this could make next week a little less draining!

The CDM Watch team would like to say a huge thank you to all those working so hard every day at the conference centre to provide us with really tasty food and beverages. We all know how difficult things can be without the right energy, so thank you guys and keep up the great work!

CDM Watch has located the loopholes!

CDM Watch has written a paper on loopholes.

You can download it here: <http://bit.ly/cdmwatch-loopholes>



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What has happened so far

The first week has come and gone. We had a fabulous party at the beach and here a quick review of what else happened:

- No one really felt like discussing new HFC facilities yet again, so the negotiation was once again postponed to SBSTA 37 at COP 18
- The discussion on forests in exhaustion was also postponed: to SBSTA 36 in Bonn June 2012
- The decision on the CDM appeals procedure has been postponed to the next SBI session in Bonn June 2012. Parties will get another chance to adopt a meaningful appeals procedure that will be applicable to positive as well as negative decisions by the CDM Executive Board and allow local communities to launch an appeal.

What's cooking this week

The CDM Watch team will keep you up to date on the following over the next few days:

- CMP ministerial discussion on CCS
- CMP negotiations on JI
- CMP guidance to the CDM Executive Board
- LCA negotiations on new mechanism
- KP negotiations on loopholes, particularly AAUs

But before we plunge into the nitty gritty of mechanisms discussions, let's take a step back. Here is what really matters:

We need bold, comprehensive and fast action to close the huge mitigation gap and also get rid of the loopholes that could easily make a farce out of the current commitments.

Don't waste your time on CCS!

Last week the SBSTA plenary agreed to forward the Draft Modalities & Procedures on carbon capture and storage (CCS) in the CDM to the CMP for minister's to consider. Despite intensive negotiations parties could not agree on all issues. Non-permanence, monitoring and liability remain unresolved.

Today, the South African Presidency will kick-off ministerial consultation. The workload for ministers will be gigantic. Despite the urgent need for ministers to spend every minute on protecting us from a world beyond 2°, some oil rich countries are sure to be pressuring them to waste their time with the tricky details of CCS.

If CCS is discussed it will likely lead to heated arguments we don't have time for. The issue should be postponed to the next CMP.

Dear Excellency, Move the CDM beyond Coal!

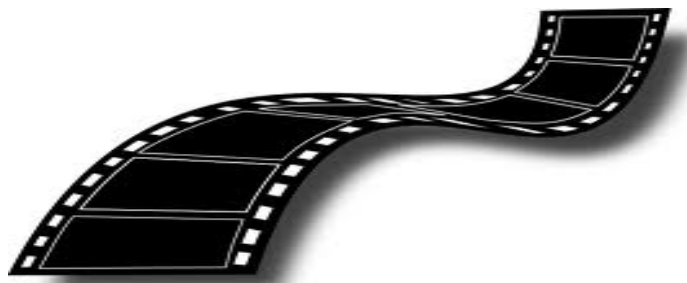
Considering the world's most carbon intensive fossil fuel as an offset may sound like a joke, but we are not laughing: If approved, the 45 coal projects in the CDM pipeline will emit 400 million tons of CO₂ every year - more than France or South Africa. Diverting billions of euros in scarce climate finance to an already lavishly subsidized industry that causes severe human health and ecosystems damage undermines our common mission in Durban.

Today, together with 80 environmental organizations we are calling on the COP Presidency to work with Parties to ensure a CMP decision is taken during COP-17 that excludes coal projects from the CDM.

Given the urgency of the climate crisis, the exclusion of coal from the CDM at COP-17 is the only means of ensuring that these projects do not undermine mitigation commitments or divert significant levels of scarce climate finance to dirty energy projects. The COP presidency has a tremendous opportunity to ensure the integrity of the CDM's mission here in Durban.

Coal warriors will officially hand the Open Letter to the Presidency at 14.00 in front of Gate B1, just between the ICC and the DEC building. Join us for some action!

Invitation to Watchers



Short Documentary

"THE CARBON CON: The true cost of offsetting" followed by an informal discussion.

6 December 2011, 18.00, Berg River (DEC)

Please join us for our information meeting on coal power projects in the CDM and get the chance to look behind the scenes of a registered project.

CDM Negotiations: EU keep up the good work!

The negotiations about the CDM are in full swing. Here an overview of some really important suggestions in the current negotiation text:

Develop guidelines on stakeholder participation

Many CDM projects have been accused of plainly ignoring local stakeholders. Clear guidelines are necessary and would benefit everyone: stakeholders would get a better change to get their say, project developers would get more guidance on how to conduct a successful stakeholder process and auditors would be better equipped to assess if the local community was sufficiently involved.

Reevaluate the additionality of highly capital intensive projects

Project that are clearly non-additional (would have been built anyway) not only undermine mitigation goals but they also seriously hamper the credibility of the CDM. Having strong rules that exclude free-riders also ensures that prices are not artificially low because of the many non-additional credits. Again, such rules are in the interest of everyone.

Include registered CDM projects in the common practice analysis

Common practice analysis is intended as a credibility check to determine whether a proposed project type (e.g. technology or practice) is already common in a sector and region. However, the common practice test excludes from consideration any project that is registered or applying for CDM approval. For example, nearly all supercritical and ultra-supercritical plants in India and China are excluded on this basis, and, therefore none are considered common practice. While this exclusion makes sense for project types where there are clearly decisive cost or technical barriers, it does not make sense when a technology has reached a high penetration rate and is commercially attractive.

We would like to thank the EU and Norway for suggesting and supporting these three issues and we encourage them to stick to them in the coming days!

JI: CDM's naughty little brother

Joint Implementation, the offsetting mechanism for projects in Annex 1 (A1) countries is not really famous for its fabulousness.... An utter lack of transparency and a glut of JI credits (Emissions Reductions Units – ERUs) from shady Russian projects have recently made headlines. The negotiations on the future of JI are ongoing. Here couple of the most important issues:

On the bright side, the current draft text includes an option to limit JI to countries that have ratified KP2. This may not entice Russia to change its opinion on KP2 but at least they could no longer sell their shady ERUs.

At the same time, the draft text also includes a paragraph which, if approved, would open the door to convert AAUs from the first commitment period to ERUs. Why is this a bad idea? Because both Russia and Ukraine have a huge surplus of AAUs-- these AAUs make up 9-13 Gigatonnes of 'hot air'. If they can convert them to ERUs, they can sell their hot air... This could easily lead to the complete collapse of JI maybe even drag down the CDM by causing a price crash.

Do you think we are making this stuff up? Here a bit of information for you to consider:

Earlier this year, Ukraine was suspended from participating in trading because of non-compliance with requirements under the Kyoto Protocol. At the end of August it became pretty clear that a suspension would soon be passed. Until then Ukraine had issued a total of about 30 million ERUs. When a country issues ERUs, it has to retire the same amount of AAUs to avoid double counting. In mid October, when the final suspension was passed, 63 million ERUs had been issued. In other words, in less than 2 month the Ukrainian government issued 33 million ERUs, that's more ERUs than it had since the start of JI!

Clearly, allowing countries to retire AAUs from their first commitment period so they can sell ERUs is a bad idea...

Let's conclude by pointing out one important distinction between Ukraine and Russia: Ukraine actively supports the second commitment period under the Kyoto Protocol. We commend Ukraine for their support of KP2 and call on them to negotiate a deal on their hot-air AAUs that let us close this very large and threatening loophole.



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CDM WATCH ARTICLES PUBLISHED IN ECO AT COP 17, DURBAN

- AAUs: Don't Let 'Hot Air' Go Stale: November 30, 2011
 - Time to Get Serious About Loopholes: December 3, 2011
 - CCS in the CDM: The Struggle for Climate Finance: December 3, 2011
 - Move the CDM Beyond Coal: December 5, 2011
 - 'Hot Air' Stifles our Future: December 7, 2011
-

eco

November 30, 2011

AAUs: DON'T LET 'HOT AIR' GO STALE

'Hot air' (surplus AAUs) must be properly addressed in Durban. This is perhaps one of the most important points on which agreement needs to be reached for the second commitment period of the Kyoto Protocol. The total amount of AAUs is around 7.5-10 Gt CO₂e – in other words, roughly one-third of the current 2020 emissions reduction targets pledged by Annex I countries. This 'hot air' was created not because of effective climate policies but rather the economic crisis of the 1990s.

The biggest holders of surplus AAUs are Ukraine, Russia, Belarus and EU members from Central and Eastern Europe. Insisting that the full AAU surplus carries over to the second commitment period makes already weak pledges from developed countries even weaker.

Parties have several choices how to deal with this, from full carry-over to full restrictions. Dear delegates – don't let this hot air go stale! It's easy: ECO calls on Parties holding surplus AAUs to simply retire their 'hot air' by the end of 2012. If Parties are getting cold merely thinking about their hot-airless future, a very limited carry-over of surplus to the second commitment period may offer a cozier solution.

To make sure these hot gases don't foul our future, just a few small things are needed. Any additions to AAUs for the second commitment period have to be limited to 1%. Surplus-holding countries must commit to climate-friendly investment of revenues through transparent and internationally monitored Green Investment Schemes (GIS) which are subject to MRV, and/or to funds supporting climate actions in developing countries. Last but not least, AAUs cannot be used for compliance in domestic cap and trade systems in Annex I countries.



December 3, 2011

CCS IN THE CDM: THE STRUGGLE FOR CLIMATE FINANCE

In Cancun, Parties decided that CCS is eligible in the CDM – provided that certain issues such as leakage and liability are resolved. As delegates are negotiating the details of modalities and procedures for this very questionable project type, it looks like Big Fossil is winning once again. This despite the fact that the viability of CCS as a mitigation technology has yet to be proven.

Here in Durban, only a small number of developing countries have raised concerns about the potential long term impacts of CCS. All others have remained suspiciously silent (hello small islands of the world – where are you?) or are eagerly approving paragraph after paragraph. Somehow it doesn't seem likely that they really wanted to negotiate night and day to ensure that the fossil fuel industry gets yet another cash cow to milk!

The current text does not exclude "enhanced oil recovery" – EOR. This is a method to increase the amount of oil that can be recovered from an underground oil reservoir. By pumping CO₂ underground, previously unrecoverable oil can be pumped up. This can increase the recoverable oil by 30 to 60%. Once all of the oil has been pumped, the depleted reservoir is used a storage site for the CO₂.

On top of the huge profits from the sale of oil and the large fossil fuel subsidies, oil producers could make millions by selling CDM credits for the CO₂ they store. Dear delegates, please get your priorities right! CCS in the CDM is unproven at commercial scale with plenty of scientific uncertainties. More work needs to be done for these lingering issues to be resolved. We do not need yet another loophole for generating carbon credits. Before rushing into setting up a new source for millions of carbon offsets, you might want to get yourselves some QELROs first!



December 3, 2011

TIME TO GET SERIOUS ABOUT LOOPHOLES

Here's a quick reminder: According to the latest UNEP report, the weak pledges from Annex I countries get us only about a third of the estimated emissions reductions that are needed if we want to have a two-in-three chance of avoiding more than 2° C warming. Unfortunately we have even more bad news: loopholes!

Loopholes are weak rules that undermine reduction targets, usually resulting from political bargaining. The largest loopholes are:

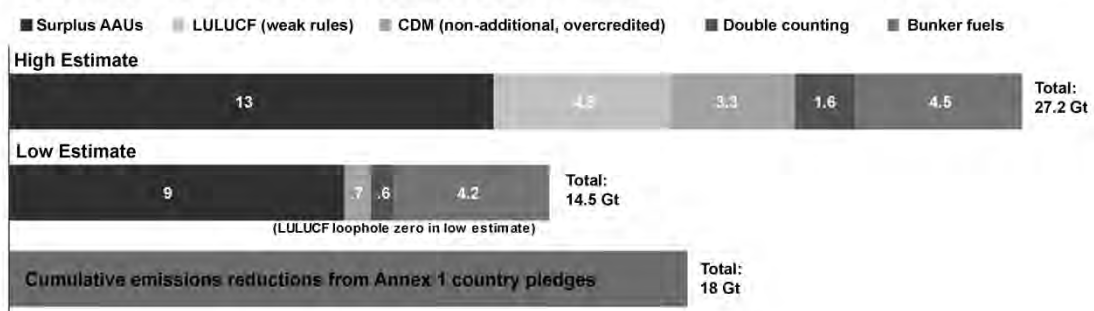
- The carry-over of 'hot air' due to the over-allocation of AAUs during the first commitment period.
- 'Creative' accounting rules for forestry and land-use emissions (LULUCF) for Annex I countries.
- CDM credits from projects that are either over-credited or not additional (would have been built anyway).

- Double counting – attributing emission reductions to both developed and developing countries.
- Emissions from aviation and shipping (“bunkers”) currently not accounted for under the Kyoto Protocol.

We took a closer look at the loopholes and compared their total size to the cumulative emission reductions that could be achieved with the current Annex I pledges. We found that the current ‘loopholes’ in the system could negate their pledges.

In the worst case, they could leave Annex I countries with sufficient allowances and credits to revert to a BAU trajectory, and could even enable the carry-over of surplus allowances beyond 2020.

Loopholes: Cumulative Emissions in Gt 2013 -2020



As you can see, a graph says more than 1,000 words. Our findings match those of the UNEP Report, the Stockholm Environment Institute and others. The size of these current loopholes is staggering. Strong action is required now to effectively and efficiently close these loopholes if we want to preserve the possibility of staying below 2° C warming.

None of the technical issues around the loopholes are insurmountable. If developed countries are serious about fulfilling their responsibility to lead the fight against climate change, they need to put ambitious targets on the table that are in line with the science and do away with all these rotten loopholes.

There is no plan(et) B. Every passing day of inaction closes the door that much further on preventing catastrophic climate change.

eco

December 5, 2011

MOVE THE CDM BEYOND COAL

Considering the world’s most carbon intensive fossil fuel as an offset may sound like a joke but ECO is not laughing: The 45 coal projects in the CDM pipeline will emit 400 million tons of CO₂ every year - more than the France or South Africa. Diverting billions of euros in scarce climate finance to an already lavishly subsidized industry that causes severe human health and ecosystems damage undermines our common mission in Durban. This is a scandal that the CDM, and the UNFCCC, can ill afford. ECO therefore supports the demand to permanently exclude coal from the CDM.

The call for exclusion comes on the heels of last week's CDM Executive Board suspension of the crediting rules for coal power projects. The suspension came after an investigation found that the flawed rules could lead to over-issuance of millions of carbon credits that do not reflect real and additional emission reductions. ECO was happy to see the suspension but highlights that revising the current rules will not be the solution: An independent study that confirmed the flaws in the methodology made clear that these flaws are inherent to this project type. In essence, there is no way to revise the methodology and ensure emissions reductions.

Given the urgency of the climate crisis more than 70 NGOs from around the world have issued a letter to the COP presidency calling for an exclusion of coal from the CDM at COP-17. Such a decision is the only means of ensuring that these projects do not undermine developed countries' mitigation commitments under the Kyoto Protocol or divert significant levels of scarce climate finance to dirty energy projects. The COP presidency has a tremendous opportunity to ensure the integrity of the CDM's mission here in Durban. ECO, and the world, are watching.

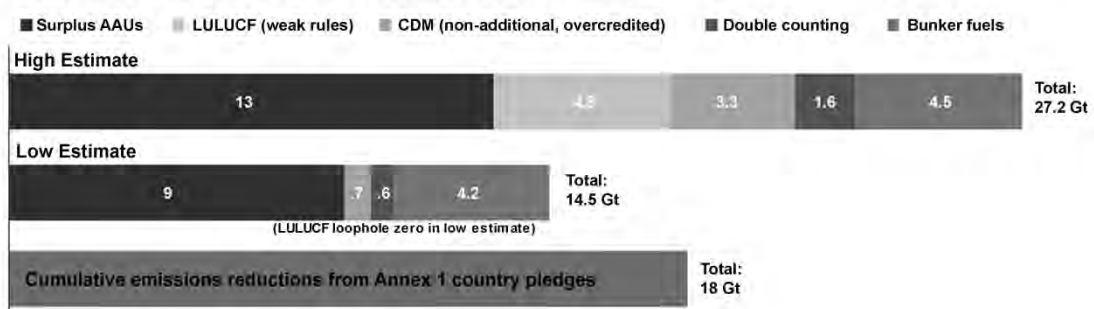


December 7, 2011

'HOT AIR' STIFLES OUR FUTURE

Just in time for the arrival of ministers, we have removed the fuzziness from our loophole graph. We hope this helps countries see more clearly what is at stake: Current loopholes could easily negate all Annex 1 pledges and in the worst case leave plenty of left-over to nibble on during a third commitment period.

Loopholes: Cumulative Emissions in Gt 2013 -2020



Let's look at the largest loophole: According to UNEP, the surplus of AAUs from the first commitment period amount to 9-13 Gt CO₂e. Given that current A1 pledges amount to about 18 Gt of emissions reductions, it goes without saying (but we'll say it anyway) that this loophole needs to be closed if we want to stop tinkering at the margin and start getting serious about 2°.

The two countries with most hot air are Russia and Ukraine. Here a bit of history to remind ourselves how we bargained the deal: It was vital to get buy-in from the Eastern European countries of the former USSR in order to ensure that the Kyoto Protocol could come into force. To entice them to ratify they were allowed to keep emissions to 1990 levels, even though their emissions had already dropped well below 1990 levels by the time the Kyoto Protocol targets were negotiated. We already knew back then this bargain would create a huge amount of 'hot air' yet instead of cutting a deal with Russia and Ukraine that would have cost Annex 2 countries something (say promise some technology transfer or financing) everybody just went along with the deal. It was cheaper at the time to take out a huge loan on the atmosphere and now this is coming back to haunt us. And have we

learned anything? It does not seem like it. Both Ukraine and Russia have made 2020 pledges that are above business-as-usual projections. One study suggests that these weak targets could add another whooping 4 Gt of 'hot air' until 2020.

The main argument against stringent rules for dealing with "hot air" is that it stifles "over achievement." In other words, the reasoning goes that countries will have little incentive to go beyond their pledges if they know that they cannot bank their surplus or if the surplus is discounted heavily. We agree that banking can provide an incentive for early action, BUT these arguments only hold true if the pledges are deep enough to require countries to go substantially below their BAU.

Let's take New Zealand. They repeatedly stressed that closing the AAU loophole would hinder "over-achievement." Yet Climate Tracker rates NZ's commitment for 2020 'inadequate,' the lowest ranking a country can get. On Friday New Zealand won a CAN Fossil award for its efforts to water down the integrity of market mechanisms. Sorry, this does not look like 'overachievement' to us.

Now don't cheer too early if you aren't representing one of these three countries. Only five countries did not share their dubious distinction of being rated 'inadequate' by Climate Tracker.

May we remind all delegates: Your country may get away with ruses and ploys in the world of politics. But nature does not go for accounting tricks: it is the future of your own children you are gambling away.



Durban, 28 November 2011

Open letter to Environment Ministers: Integrity of carbon markets at COP 17

Dear Ministers,

We, more than hundred civil society organisations from 35 countries across all continents, call on Parties to acknowledge the urgency with which climate change needs to be addressed and to agree to ambitious and immediate emissions reduction targets that are in line with the Cancun Agreement to prevent global warming beyond two degrees Celsius. Kyoto Protocol parties must commit to a second commitment period at Durban. The legal and governance structure of the Kyoto Protocol is crucial to ensuring that mitigation commitments are legally binding and have environmental integrity.

We call on Environment Ministers to establish a mandate to agree to an **equitable effort sharing approach** between all countries by COP18. This mandate should be consistent with the equity principles of the UNFCCC, the historical responsibility of developed countries, and the right to sustainable development of developing countries. Particularly, developed countries should commit to binding targets of at least 40% below 1990 levels by 2020.

Moreover, **loopholes must be closed** so as not to undermine already weak targets. Damage from hot air (surplus AAUs) and non-additional carbon credits from Joint Implementation (JI) and the Clean Development Mechanism (CDM) must be addressed. Double counting for new market and non-market mechanisms must absolutely be avoided and accountability for LULUCF needs to be strengthened.

Any market-based mechanism, including the CDM, must be part of a legal mechanism based on ambitious and binding emission reduction commitments. Without such targets, market-based mechanisms are rendered meaningless.

To address the integrity of carbon markets under the UNFCCC, following important policy changes are needed at COP17:

Human rights: Over the past months, CDM projects related to human rights violations have increased pressure on international policy makers to clarify the mandate to safeguards human rights under the UNFCCC. During Durban, Parties must acknowledge that the United Nations, including all its bodies, are required by the UN Charter to not allow human rights violations, which means that it will investigate any claims or evidence about emission reduction projects linked to human rights violations and that emission reduction projects that violate or risk violating human rights are prevented from earning carbon credits.

Appeals procedure: In Durban, Parties will agree on procedures, mechanisms and institutional arrangements for appeals against decisions of the CDM Executive Board. An appeals procedure in the CDM project approval process presents a critical opportunity to introduce coherence and quality control into the EB decision-making process. The right of stakeholders to appeal must be implemented as broadly as possible to address the rights of peoples and communities affected by CDM projects, and the wider impacts that flawed CDM projects have on global climate change and sustainable development.

Carbon Capture and Storage (CCS) in the CDM: The eligibility of CCS projects in the CDM will be discussed in Durban. CCS in the CDM means exporting unproven and risky technologies to developing countries and allowing oil companies to generate millions of carbon credits from enhanced oil production. CCS must remain ineligible until all of the environmental, legal and safety conditions for CDM inclusion have been properly addressed and resolved.

Industrial gases: In Durban, Parties will again discuss if new HCFC-22 facilities should be eligible under the CDM to destroy their HFC-23. However, the high profits of industrial gases offset projects, such as HFCs have been shown to create perverse incentives in the context of the CDM and JI, and should be addressed through non-market-based mechanisms, such as the Montreal Protocol. Ultimately, HFC emissions must be quickly and effectively reduced.

New market mechanisms: In Durban, Parties may agree on a framework for new non-market based and market based mechanisms. New market mechanisms must create a net decrease of emissions. Any framework must include a core set of principles that governs the overall interaction of different mechanisms. These include stringent and binding rules to ensure uniform quality criteria and no double counting, as well as strong safeguards that ensure sustainable development, uphold environmental treaties and the Declaration of Human Rights.

CDM reform: Although the future of the CDM should depend on the future of the second commitment period of the KP, Parties will continue their work on reforming the CDM in Durban. Following changes are needed to address serious shortcomings:

- **Additionality:** Additionality rules must be strengthened to limit the number of free-riders. In particular, large infrastructure CDM projects which are clearly non-additional (e.g. coal power projects and large hydro projects) must be excluded from the CDM.
- **Human rights:** It must be clarified that CDM projects that violate or risk violating human rights are ineligible for registration or will be suspended. Designated National Authorities must be allowed to withdraw letters of approval in case of violations of any of the UN principles or of national legislation.
- **Sustainable development:** Sustainable development co-benefit indicators and a 'do no harm' assessment must be established for CDM projects to avoid negative impacts of CDM projects.
- **Monitoring:** The revised reporting and verification standard must include clear criteria to monitor and verify sustainable development claims made in the PDD, to ensure such claims are actually realised.
- **Stakeholder consultation:** The revised validation and verification standard and project standard must include strong guidelines for improved stakeholder involvement at local and global levels, including rules and guidelines on how stakeholders can raise issues during the implementation of CDM projects.
- **Appeals procedure:** A strong grievance mechanism must be implemented swiftly to give civil society organisations the possibility to appeal against decisions by the CDM Executive Board.

Sincerely,

International:

Earthjustice

Helio International

International Rivers

Transparency International

WWF International

Africa:

DR Congo: MEROU Developpement

Ghana: Christian Aid

Mauritius: Maudesco Friends of the Earth Mauritius

Nigeria: Climate Change Network Nigeria (CCN-Nigeria),

Uganda: Nature Palace Foundation (NPF)

Uganda Network on Toxic Free Malaria Control

Youth Watch

Environment Teachers' Association

Yemen: Al-ajyaal for Sustainable Projects

Americas:

Argentina: Red Nuestras Ciudades

Chile: Ecosistemas

Coalicion Ciudadana por Aisen Reserva de Vida

Colombia: Mujeres del Común

Movimiento Social en Defensa del Río Sogamoso

Dominican Republic: Brigada Cimarrona

El Salvador: La Unidad Ecologica Salvadoreña, UNES

Guatemala: Mesa Nacional de Cambio Climático

Honduras: Fundación Popol Nah Tun

Organización Fraternal Negra Hondureña (OFRANEH)

Mexico: Centro de Estudios de la region Cuicateca Alianza

Mexicana por la Autodeterminacion de los Pueblos (AMAP)

Centro Mexicano de Derecho Ambiental (CEMDA)

Servicios de Apoyo Intercultural. A.C.

Rising Tide Mexico, Revuelta Verde

Jubileo Sur Mexico

UNAM - Instituto de Matemáticas

Maderas del Pueblo del Sureste, A.C.

Entornos Educativos A.C.

Union de Comunidades Indigenas de la Zona Norte del Istmo

Lucero de Lourdes Espindola De la Vega

Movimiento Agrario Indigena Zapatista (MAIZ)

Movimiento Ambientalista Prosalud Apaxco-Atotonilco,

Instituto Mexicano de Gobernanza Medioambiental A.C.,

La Unión Popular Valle Gómez de México

Panama: Centro de Incidencia Ambiental (CIAM)

Asociacion Ambientalista de Chiriqui (ASAMCHI)

Alianza para la Conservacion y el Desarrollo (ACD)

Coordinadora Para La Defensa de Tierras y Aguas

Alianza Ambiental Pro-Desarrollo Integral Unidos por Panama

(AAPRODIUPA)

Paraguay: SOBREVIVENCIA, Amigos de la Tierra Paraguay

Peru: Red Regional Agua y Desarrollo Piura

USA: Sierra Club

Center for International Environmental Law (CIEL)

International Accountability Project

Dr. Michael Dorsey, Dartmouth College (in his own capacity)

Asia:

Bangladesh: Aid Organization

Bangladesh NGOs Network for Radio and Communication

Participatory Research & Action Network (PRAN)

Shelter

Solidarity Workshop

India: Agricultural Development & Training Society (ADATS)

Fair Climate Network, Bangalore

CECOEDECON, Jaipur

LAYA, Vishakapatnam

Paryavaran Mitra, Gujarat

Smt.Nandini Satpathy Memorial Trust, Odisha

Accion Fraterna – RDT Ecology Centre, Anantapur

Social Education Development Society, Penukonda (SEDS)

SACRED, Bidadi; BEST, Pudukotai; SAMUHA, Koppal; JSMBT,

Raichur; iSquareD, Bangalore; Integra Microsystems, Bangalore;

Tristle Technologies Pvt. Ltd.; Falguni Joshi, Gujarat

CPSW, Odisha; RCDRC, Raipur; CeFHA, Vishakapatnam; WASSAN,

Rangareddi; GRAM, Nizamabad; IIMF, Adilabad

Bagepalli Coolie Sangha; PWDS - CART, Tirunelveli

Indira Gandhi Institute of Development; Living Farms

Initiative for Social & Economic Transformation (InSET)

Guru Arjan Dev Institute of Development Studies

Indonesia: CAPPA – Ecological Justice, Indonesia

Nepal: Water and Energy Users' Federation (WAFED)

Philippines: Women's Initiatives for Society, Culture and

Environment (WISE)

Taiwan: Taiwan Environmental Protection Union

Europe:

CDM Watch, Belgium

Climate Concept Foundation, Germany

Evangelischer Entwicklungsdienst (EED), Germany

German Forum Environment and Development, Germany

Lernen – Helfen – Leben e.V., Germany

Misereor, Germany

Klimaverhalten.de, Germany

ASTM, Luxemburg

Ecologistas en Acción, Spain

Eurasia, Middle East and Australia:

Armenia: "Khazer" Ecological and Cultural NGO

Belarus: Green Alliance, Belarus

Afghanistan: Initiatives for Development (IDO)

Australia: Climate Justice Programme (ACJP), Australia

Iran: Iran Sustainable Development Academy

Para Management Sustainable Development Group

Lebanon: IndyACT - The League of Independent Activists



Durban, 28 Noviembre 2011

Carta abierta a los Ministros de Medio Ambiente: Integridad de los mercados de carbono en la COP17

Estimados Ministros,

Nosotros, más de cien organizaciones de la sociedad civil de 35 países de todos los continentes, llamamos a las partes de las Naciones Unidas a reconocer la urgencia con que el cambio climático debe ser abordado y de acuerdo a los objetivos ambiciosos y de reducción inmediata de emisiones que estén en línea con el Acuerdo de Cancún para evitar el calentamiento global más allá de dos grados Celsius. Las partes del Protocolo de Kioto deben comprometerse a un segundo período de compromiso en Durban. La estructura jurídica y la gobernabilidad del Protocolo de Kioto son cruciales para asegurar que los compromisos de mitigación sean jurídicamente vinculantes y mantengan la integridad del medio ambiente.

Hacemos un llamado a los ministros de Medio Ambiente para establecer un mandato para acordar un **enfoque equitativo del esfuerzo compartido** entre todos los países por COP18. Este mandato debe ser coherente con los principios de equidad de la CMNUCC, la responsabilidad histórica de los países desarrollados, y el derecho al desarrollo sostenible de los países en desarrollo. En particular, los países desarrollados deben comprometerse a objetivos vinculantes de al menos 40% por debajo de los niveles de 1990 para el año 2020.

Por otra parte, **las lagunas** que socavan los objetivos de por sí débiles **deben ser cerradas**. Los daños causados por el aire caliente (UCA excedentes) y créditos de carbono no adicionales de Aplicación Conjunta (AC) y Mecanismo de Desarrollo Limpio (MDL) deben ser tratados. La doble contabilidad proveniente de nuevos mecanismos de mercado y de mecanismos no basados en el mercado se debe evitar y la responsabilidad de UTS es necesario fortalecer.

Cualquier mecanismo de mercado, incluyendo el MDL, debe ser parte de un mecanismo jurídico basado en compromisos de reducción de emisiones ambiciosos y vinculantes. Sin estos objetivos, los mecanismos de mercado no tienen sentido.

Para hacer frente a la integridad de los mercados de carbono en el marco de la CMNUCC, los siguientes cambios importantes de política son necesarios en COP17:

Derechos humanos: Durante los últimos meses, proyectos MDL relacionados a violaciones de derechos humanos han aumentado la presión sobre los responsables de las políticas internacionales para aclarar el mandato hacia las garantías de los derechos humanos bajo la CMNUCC. En Durban, las partes deben reconocer que las Naciones Unidas, incluidos todos sus órganos, tienen la obligación por medio de la Carta de la ONU de no permitir violaciones de los derechos humanos. Esto implica que se debe investigar cualquier reclamo o evidencias de proyectos de reducción de emisiones involucrados a violaciones de los derechos humanos. De este modo, aquellos proyectos de reducción de emisiones que violen o pongan en peligro los derechos humanos se les impedirían recibir créditos de carbono.

Procedimiento de apelación: En Durban, las partes se pondrán de acuerdo sobre los procedimientos, mecanismos y arreglos institucionales para las apelaciones contra las decisiones de la Junta Ejecutiva del MDL. Un procedimiento de apelación en el proceso de aprobación de proyectos MDL presenta una oportunidad única para introducir coherencia y control de calidad en la toma de decisiones de la Junta Ejecutiva (EB). El derecho de los interesados para apelar debe aplicarse lo más ampliamente posible para hacer frente a los derechos de los pueblos y las comunidades afectadas por los proyectos MDL, y los impactos más amplios que los proyectos MDL defectuosos tendrán en el cambio climático global y el desarrollo sostenible.

Captura y Almacenamiento de Carbono (CAC) en el MDL: La elegibilidad de los proyectos de CAC en el MDL será debatida en Durban. CAC en el MDL significa exportar tecnologías no probadas y riesgosas en países en desarrollo y permitir que las compañías de petróleo generen millones de créditos de carbono de la recuperación mejorada de petróleo. CCS debe seguir siendo no admisible hasta que todas las condiciones ambientales, legales y de seguridad para la inclusión en el MDL hayan sido debidamente tratadas y resueltas.

Los gases industriales: En Durban, las Partes volverán a discutir si las nuevas instalaciones de HCFC-22 deberían ser elegibles bajo el MDL para destruir HFC-23. Sin embargo, se ha demostrado que los altos beneficios de los proyectos de compensación de gases industriales tales como los HFC crean incentivos perversos en el contexto del MDL y la AC y deben ser abordados a través de mecanismos no basados en los mercados, tales como el Protocolo de Montreal. En última instancia, las emisiones de HFC deben ser rápida- y efectivamente reducidas.

Nuevos mecanismos de mercado: En Durban, las partes podrán acordar un marco para establecer nuevos mecanismos no basados en los mercados y mecanismos de mercado. Nuevos mecanismos de mercado deben crear una reducción neta de emisiones. Cualquier marco debe incluir un conjunto básico de principios que rige la interacción global de los diferentes mecanismos. Estos incluyen reglas estrictas y vinculantes para garantizar criterios uniformes de calidad y evitarla doble contabilidad, así como salvaguardias fuertes que garanticen el desarrollo sostenible, respeten los tratados ambientales y la Declaración de los Derechos Humanos.

La reforma del MDL: Aunque el futuro del MDL debería depender del futuro del segundo período de compromiso del Protocolo de Kioto, las Partes continuarán su trabajo sobre la reforma del MDL en Durban. Los siguientes cambios son necesarios para abordar las graves deficiencias:

- **Adicionalidad:** Las reglas de adicionalidad deben ser reforzadas para limitar el número de aprovechados. En particular, los proyectos MDL de grandes infraestructuras claramente no adicionales (por ejemplo, proyectos de centrales de energía a base de carbón y grandes hidroeléctricas) deben ser excluidos del MDL.
- **Derechos humanos:** Se debe aclarar que aquellos proyectos MDL que violen o arriesgan violar los derechos humanos individuales o colectivos, no son elegibles para el registro o se suspenderán. Las autoridades nacionales designadas deben tener derecho a retirar las cartas de aprobación en el caso de violaciones de cualquiera de los principios de la ONU o de la legislación nacional.
- **El desarrollo sostenible:** se deben establecer Indicadores de co-beneficios de desarrollo sostenible y una evaluación de "no hacer daño" para proyectos del MDL con el objetivo de evitar sus impactos negativos.
- **Seguimiento:** La información revisada y estándar de verificación debe incluir criterios claros para supervisar y verificar afirmaciones de desarrollo sostenible hechas en el PDD, para asegurar tales afirmaciones sean efectivamente realizadas.
- **Consulta pública:** Las normas revisadas de validación y verificación de proyectos deben incluir directrices dinámicas para la participación mejorada de los interesados en los niveles locales y globales, incluidas las normas y directrices sobre cómo los interesados pueden comunicar sobre problemas durante la implementación de proyectos MDL.
- **Procedimiento de apelación:** Se debe aplicar rápidamente un mecanismo fuerte para dar a las organizaciones de la sociedad civil la posibilidad de apelar contra las decisiones de la Junta Ejecutiva del MDL.

Atentamente,

Internacional:

Earthjustice

Helio International

International Rivers

Transparency International

WWF International

Africa:

DR Congo: MEROU Developpement

Ghana: Christian Aid

Mauritius: Maudesco Friends of the Earth Mauritius

Nigeria: Climate Change Network Nigeria (CCN-Nigeria),

Uganda: Nature Palace Foundation (NPF)

Uganda Network on Toxic Free Malaria Control

Youth Watch

Environment Teachers' Association

Yemen: Al-ajyaal for Sustainable Projects

Americas:

Argentina: Red Nuestras Ciudades

Provincia de Misiones-Argentina

Chile: Ecosistemas

Coalicion Ciudadana por Aisen Reserva de Vida

Colombia: Mujeres del Común

Movimiento Social en Defensa del Río Sogamoso

Republica Dominicana: Brigada Cimarrona

El Salvador: La Unidad Ecologica Salvadoreña, UNES

Guatemala: Mesa Nacional de Cambio Climático

Honduras: Fundación Popol Nah Tun

Organización Fraternal Negra Hondureña (OFRANEH)

México: Centro de Estudios de la region Cuicateca Alianza

Mexicana por la Autodeterminacion de los Pueblos (AMAP)

Centro Mexicano de Derecho Ambiental (CEMDA)

Servicios de Apoyo Intercultural. A.C.

Rising Tide Mexico, Revuelta Verde

Jubileo Sur Mexico

UNAM - Instituto de Matemáticas

Maderas del Pueblo del Sureste, A.C.

Entornos Educativos A.C.

Union de Comunidades Indigenas de la Zona Norte del Istmo

Lucero de Lourdes Espindola De la Vega

Movimiento Agrario Indigena Zapatista (MAIZ)

Movimiento Ambientalista Prosalud Apaxco-Atotonilco, Instituto

Mexicano de Gobernanza Medioambiental A.C.,

La Unión Popular Valle Gómez de México

Panamá: Centro de Incidencia Ambiental (CIAM)

Asociacion Ambientalista de Chiriqui (ASAMCHI)

Alianza para la Conservacion y el Desarrollo (ACD)

Coordinadora Para La Defensa de Tierras y Aguas

Alianza Ambiental Pro-Desarrollo Integral Unidos por Panama

Paraguay: SOBREVIVENCIA, Amigos de la Tierra Paraguay

Perú: Red Regional Agua y Desarrollo Piura

Estados Unidos: Sierra Club

Center for International Environmental Law (CIEL)

International Accountability Project

Dr. Michael Dorsey, Dartmouth College (in his own capacity)

Asia:

Bangladesh: Aid Organization

Bangladesh NGOs Network for Radio and Communication

Participatory Research & Action Network (PRAN)

Shelter

Solidarity Workshop

India: Agricultural Development & Training Society (ADATS)

Fair Climate Network, Bangalore

CECOEDECON, Jaipur

LAYA, Vishakapatnam

Paryavaran Mitra, Gujarat

Social Education Development Society, Penukonda (SEDS)

Smt.Nandini Satpathy Memorial Trust, Odisha SACRED, Bidadi

Accion Fraterna – RDT Ecology Centre, Anantapur, CPSW, Odisha

BEST, Pudukotai; SAMUHA, Koppal; JSMBT, Raichur; iSquared,

Bangalore; Integra Microsystems, Bangalore; Tristle Technologies

Pvt. Ltd.; RCDRC, Raipur; CeFHA, Vishakapatnam; WASSAN,

Rangareddi; GRAM, Nizamabad; IIMF, Adilabad; Falguni Joshi

Bagepalli Coolie Sangha; PWDS - CART, Tirunelveli

Indira Gandhi Institute of Development; Living Farms

Initiative for Social & Economic Transformation (InSET)

Guru Arjan Dev Institute of Development Studies

Indonesia: CAPPA – Ecological Justice, Indonesia

Nepal: Water and Energy Users' Federation (WAFED)

Filipinas: Women's Initiatives for Society, Culture and

Environment (WISE)

Taiwan: Taiwan Environmental Protection Union

Europa:

CDM Watch, Bélgica

Climate Concept Foundation, Alemania

Evangelischer Entwicklungsdienst (EED), Alemania

German Forum Environment and Development, Alemania

Lernen – Helfen – Leben e.V., Alemania

Misereor, Alemania

Klimaverhalten.de, Alemania

ASTM, Luxemburg

Ecologistas en Acción, España

Eurasia, Middle East and Australia:

Armenia: "Khazer" Ecological and Cultural NGO

Belarus: Green Alliance, Belarus

Afghanistan: Initiatives for Development (IDO)

Australia: Climate Justice Programme (ACJP), Australia

Iran: Iran Sustainable Development Academy

Para Management Sustainable Development Group

Lebanon: IndyACT - The League of Independent Activists

Such a decision is the only means of ensuring that these projects do not undermine developed countries' mitigation commitments under the Kyoto Protocol or divert significant levels of scarce climate finance away from sustainable clean energy projects.

Yours sincerely,

International:

Africa Europe Faith & Justice Network (AEFJN)
Center for International Environmental Law (CIEL)
Earthjustice
Ecoterra International
Environmental Investigation Agency (EIA)
Green Cross International
Greenpeace International
HELIO International
International Earthpeoples
International Rivers
Society for Threatened Peoples
Tibetan Women's Association

Africa:

Ghana: Green Cross Ghana
Kenya: Kenya Young Greens
Uganda: Ecological Christian Organisation (ECO)

Americas:

Acción Ecológica REDLAR
Argentina: Movimiento social Misiones-Argentina
Bolivia: Plataforma Boliviana Frente al Cambio Climático
Brazil: (IVAH) Instituto de Valorização Ambiental e Humana
Canada: Association québécoise de lutte contre la pollution atmosphérique (AQLPA)
Colombia: Movimiento Colombiano en Defensa de los Territorios y Afectados por Represas "Ríos Vivos"
Honduras: Fundación Popol Nah Tun
Organizacion Fraternal Negra Hondureña (OFRANEH)
Mexico: En Defensa del Ambiente
Entornons Educativos A.C.
Genero y flor de Maíz A.C.
Instituto Mexicano Para el Desarrollo Comunitario, A.C. (IMDEC)
Jubileo Sur México
Maderas del Pueblo del Sureste, AC
Marea Creciente México
Revuelta Verde
Panama: Alianza para la Conservación y el Desarrollo (ACD)
Asociacion Ambientalista de Chiriqui (ASAMCHI)
Asociación Nacional para la Conservación de la Naturaleza
Paraguay: SOBREVIVENCIA (FOE Paraguay)
Peru: Red Regional Agua y Desarrollo Piura
USA: Center for Biological Diversity
Friends of the Earth - US
Professor Michael K. Dorsey (in personal capacity)
Sierra Club

Asia:

Bangladesh: Angikar Bangladesh Foundation Participatory Research & Action Network (PRAN)
Shelter NGO
India: Centre for Education & Documentation

Centre for Environment and Development – CEAD
Context India
Matu Jansangthan
Paryavaran Mitra
Samata - Assertion for People
Smt. Nandini Satpathy Memorial Trust (SNSMT)
Water Initiatives Odisha

Indonesia: CAPPA-Ecological Justice

Institute for Essential Services Reform (IESR)

Lebanon: IndyACT - The League of Independent Activists

Philippines: Philippine Rural Reconstruction Movement (PRRM)

CSC- PCSD.

Asian Peasant Coalition (APC)

Europe:

CEE Bankwatch Network

CAN-Europe

Austria: Global 2000

Belgium: CDM Watch

CNCD - 11.11.11.

Denmark: INFORSE-Europe

WWF Denmark

Finland: Friends of the Earth Finland

Germany: BUND

Climate Concept Foundation

Evangelischer Entwicklungsdienst

Forum Ökologisch-Soziale Marktwirtschaft e.V.

Forum Umwelt und Entwicklung

Germanwatch

klima-allianz deutschland

Klimaverhalten

Lernen – Helfen – Leben e.V. (LHL)

Norway: Future in our hands

Portugal: Quercus – ANCN

Republic of Kosovo: Institute for Policy Development

Russia: Ecodefense

Friends of the Siberian Forests

Sarajevo: SEE Change Net

Spain: Amigos de la Tierra España (FOE Spain)

Ecologistas en Acción

Fundacion IPADE

Sweden: FOE Sweden

UK: FOE Scotland

The Climate and Health Council

WWF UK

Ukraine: NGO Ecoclub

Oceania:

Australia: Australian Religious Response to Climate Change

Climate Action Moreland

Climate Action Network Australia

Climate Change Balmain-Rozel



A Su Excelencia

La señora Maite Nkoana-Mashabane

COP 7 17/CMP Presidenta

Carta abierta: Proyectos de MDL de energía de carbón socavan los esfuerzos del proceso de la CMNUCC

Durban, 6 de diciembre 2011

Excelencia,

Reconociendo la urgencia de la crisis climática, los firmantes de esta carta desean expresar su profunda preocupación por los proyectos de carbón en el mecanismo de desarrollo limpio. Estos proyectos reciben millones de euros de escasa financiación para el clima, mientras quedan atrapadas en miles de millones de toneladas de CO₂ y causando graves daño para la salud humana y los ecosistemas. Además, el análisis demuestra que los proyectos del MDL de carbón no son adicionales y por lo tanto, generan millones de créditos de carbono artificial que aumentan las emisiones globales y socavan el proceso de la CMNUCC. Por ello le pedimos a usted para asegurar que estos proyectos serán excluidos del MDL en la COP-17.

La semana pasada, la Junta Ejecutiva del MDL de las Naciones Unidas suspendieron las reglas de acreditación de proyectos de energía de carbón después que una investigación encontró que las reglas defectuosas podrían conducir a un exceso de emisión de millones de créditos de carbono que no reflejan las reducciones de emisiones reales y adicionales. Estas conclusiones fueron confirmadas y ampliadas por un estudio independiente ^[1], que encontró que las fallas en la metodología que conduce a la acreditación de más son inherentes a este tipo de proyecto. La conclusión de los informes indicó que es poco probable que una metodología revisada pudiera asegurar que los créditos de compensación de los proyectos del MDL de carbón sean reales y medibles.

A fin de evitar cientos de millones de créditos de carbono de proyectos insostenibles que no ofrecen, ni la reducción de emisiones, ni los beneficios del desarrollo sostenible, las Partes aquí en Durban deberán decidir la exclusión de los proyectos de carbón en el MDL.

¹ http://us.mc657.mail.yahoo.com/mc/welcome?gx=1&tm=1322750861&rand=8kma4ogaufrah#_ftn1

En nombre de las organizaciones mencionadas anteriormente y la sociedad civil de todo el mundo, hacemos un llamamiento a Vuestra Excelencia para trabajar con las Partes para asegurar que una decisión CMP se realice durante la COP-17 que excluye a los proyectos de carbón de la CDM. Tal decisión es la única forma de garantizar que estos proyectos no vayan en detrimento de los compromisos de los países desarrollados de mitigación del Protocolo de Kioto o desviar importantes niveles de financiamiento escasos para el clima de proyectos sostenibles de energía limpia.

Le saluda atentamente,

Internacional:

Africa Europe Faith & Justice Network (AEFJN)
Center for International Environmental Law (CIEL)
Earthjustice
Ecoterra International
Environmental Investigation Agency (EIA)
Green Cross International
Greenpeace International
HELIO International
International Earthpeoples
International Rivers
Society for Threatened Peoples
Tibetan Women's Association

Africa:

Ghana: Green Cross Ghana
Kenya: Kenya Young Greens
Uganda: Ecological Christian Organisation (ECO)

Américas:

Acción Ecológica Redlar
Argentina: Movimiento social Misiones-Argentina
Bolivia: Plataforma Boliviana Frente al Cambio Climático
Brasil: (IVAH) Instituto de Valorização Ambiental e Humana
Canada: Association québécoise de lutte contre la pollution atmosphérique (AQLPA)
Colombia: Movimiento Colombiano en Defensa de los Territorios y Afectados por Represas "Ríos Vivos"
Honduras: Fundación Popol Nah Tun
Organización Fraternal Negra Hondureña (OFRANEH)
México: En Defensa del Ambiente
Entornons Educativos A.C.
Género y flor de Maíz A.C.
Instituto Mexicano Para el Desarrollo Comunitario, A.C. (IMDEC)
Jubileo Sur México
Maderas del Pueblo del Sureste, AC
Marea Creciente México
Revolución Verde
Panamá: Alianza para la Conservación y el Desarrollo (ACD)
Asociación Ambientalista de Chiriquí (ASAMCHI)
Asociación Nacional para la Conservación de la Naturaleza
Paraguay: SOBREVIVENCIA (FOE Paraguay)
Perú: Red Regional Agua y Desarrollo Piura
E.E.U.U.: Center for Biological Diversity
Friends of the Earth - US
Professor Michael K. Dorsey (in personal capacity)
Sierra Club

Asia:

Bangladesh: Angikar Bangladesh Foundation Participatory Research & Action Network (PRAN)
Shelter NGO
India: Centre for Education & Documentation

Centre for Environment and Development – CEAD
Context India
Matu Jansangthan
Paryavaran Mitra
Samata - Assertion for People
Smt. Nandini Satpathy Memorial Trust (SNSMT)
Water Initiatives Odisha

Indonesia: CAPP- Ecological Justice
Institute for Essential Services Reform (IESR)

Lebanon: IndyACT - The League of Independent Activists

Filipinas: Philippine Rural Reconstruction Movement (PRRM)

CSC- PCSD.

Asian Peasant Coalition (APC)

Europa:

CEE Bankwatch Network
CAN-Europe

Austria: Global 2000

Bélgica: CDM Watch

CNCD - 11.11.11.

Dinamarca: INFORSE-Europe

WWF Denmark

Finlandia: Friends of the Earth Finland

Alemania: BUND

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Noruega: Future in our hands

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Rusia: Ecodefense

Friends of the Siberian Forests

Sarajevo: SEE Change Net

España: Amigos de la Tierra España (FOE Spain)

Ecologistas en Acción

Fundación IPADE

Suecia: FOE Sweden

Reino Unido: FOE Scotland

The Climate and Health Council

WWF UK

Ucrania: NGO Ecoclub

Oceania:

Australia: Australian Religious Response to Climate Change
Climate Action Moreland
Climate Action Network Australia
Climate Change Balmain-Rozelle

Appeals procedure in the CDM – Informal meeting

Thursday 1 December - 16.30 to 17.15 Kudu Lily

Accesso a la giustizia per tutti! すべての正義にアクセス!

访问正义的! Acceso a la justicia para todos!

Access to Justice for all! Not for project developers only.

➤ **Legal Standing: It must include local communities!**

Stakeholders “directly involved”: “Stakeholders means the public, including individuals, groups or communities affected, or likely to be affected, by the proposed clean development mechanism project activity.”¹ Decision 3/CMP.1

Stakeholders “directly involved, defined in a conservative manner” would mean at a minimum, project-affected peoples and local communities, e.g. peoples and communities that must be involved in the local stakeholder and stakeholders that are involved in the global stakeholder consultation. **It is unacceptable to grant access to appeal for project developers only!**

➤ **Scope of appeal: It must include all decisions of the EB and not rejections only!**

Transparency and openness in the CDM appeals procedure

- ✓ Make all submissions and decisions in the appeals process available to the public;
- ✓ Ensure that any hearings be open to the public;
- ✓ Ensure that indigenous peoples, local communities, and civil society organizations are able to make submissions as part of the appeals process.

¹ Paragraph 1((e)), Annex to Decision 3/CMP.1 (Modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol).

Intervention by CDM Watch on behalf of the Climate Action Network in contact group on issues relating to the CDM,

Thank you madam Chair,

My name is Eva Filzmoser from CDM Watch and I am speaking on behalf of the Climate Action Network.

Additionality, the proof that projects are only viable because they receive CDM support, has long been criticised as ineffective. The number of non-additional projects has been estimated to be 40-70%. Carbon credits from such free-riders do not represent real emissions reductions and lead to an increase in global greenhouse gas emissions. Parties must call to markedly reduce the number of free-riders and revise the assessment of additionality.

At its 65th meeting, the CDM Executive Board suspended the methodology for CDM coal power projects because of serious flaws that would lead to significant over-crediting. An independent study confirmed these findings and also found that these projects are highly unlikely to be additional. Even a revised methodology could not address all the flaws that have been identified. Project types have previously been excluded when they posed too much uncertainty about ensuring that they would lead to real and measurable emissions reductions. On top of this, the CDM is supposed to promote clean development, something that hardly can be said about coal. For all these reasons, the CMP should exclude coal power projects from the CDM.

At the negotiations in Cancun, the CMP asked for increased standardisation of CDM methodologies in an effort to simplify and streamline the CDM. We are deeply concerned that how the CDM Executive Board has started to implement this mandate will severely hamper the environmental integrity of the CDM. We call on the CMP to require that standardised baselines are mandatory for project developers and that there is road-testing of current approaches before credits are issued.

Finally, we call on Parties to address current procedures of stakeholder involvement in the CDM, especially throughout the implementation of CDM projects. Although there are currently more than 5.000 projects in the pipeline that will be operational for many years to come, the current procedure of stakeholder involvement in the CDM do not provide opportunities for civil society to voice concerns once a project is registered. Good governance is essential in the CDM process. This also includes the participation of civil society at CDM stakeholder meetings, including at meetings of the DNA forum.



CDM Call for action - What's cooking in Durban?

30th November, 14:00pm-16:00pm, C17 (MTB C4) UNKZN
Hosted by: CDM Watch

Workshop at COP 17

NGOs discuss hot topics on the agenda and strategies on how to address them.

Wednesday, November 30th from 14:00 – 16:00 o'clock, at the Civil Society Space C17
MTB BUILDING C4, UNKZN

Join us to discuss themes such as 'No Carbon Credits to criminals – the need for safeguards in carbon markets'.
'We want real emission reductions' – Close the loopholes and move beyond pure offsetting!

Farewell to dirty carbon credits?

Under the CDM, industrialised countries can offset their emissions by investing in new coal power projects in developing countries. Quite obviously, this is neither clean nor sustainable, the two principles of the CDM. Here is an easy way to avoid millions of non-additional carbon credits while fostering small scale sustainable projects and cutting down on oversupply: **Exclude coal power projects from the CDM!**

No carbon credits to criminals and the need for safeguards in carbon markets

CDM projects failing to respect human right have caused widespread dismay that international climate finance lends support to criminals. **Parties must acknowledge here in Durban that the United Nations, including all its bodies, are required by the UN Charter to protect human rights!**

Right to appeal

Local communities have often complained that their rights were ignored in the CDM project approval process. Now is the time to act! Parties will decide on an appeals procedure against decisions of the CDM Executive Board. It is crucial that civil society will be eligible to launch an appeal. **Parties should take this a critical opportunity to introduce much needed quality control in the CDM decision-making process!**

Speakers include:

Prof. MK Dorsey (Dartmouth College),
Alyssa Johl (CIEL), Justin Guay (Sierra Club),
Diego Martinez-Schütt (CDM Watch),
Antonia Vorner (CDM Watch)



For more information contact:

Antonia Vorner, antonia@cdm-watch.org
0792810689



CDM Watch provides an independent perspective on the CDM and wider carbon market developments and advocates solutions that strengthen the environmental and social integrity of emission reduction projects.

www.cdm-watch.org



The CDM Watch Network is a free platform set up to strengthen the voice of civil society in the CDM. Already a thriving international community, the Network connects over 300 NGOs, activists and grassroots movements and offers capacity building, assistance with project campaigns, advocacy, and information about CDM project decisions. **Join us!**



THE CARBON CON: The true cost of offsetting

Short Film on Coal in the CDM

When: 6 December, 18.00

Where: Berg River, DEC

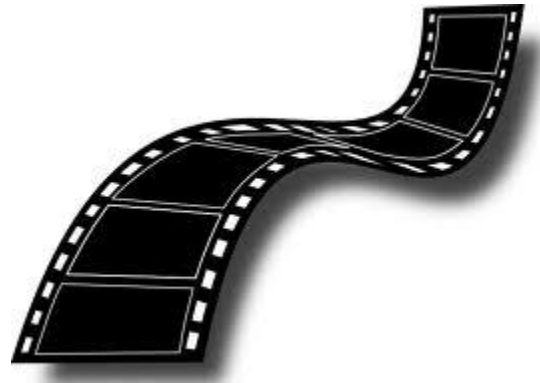
Produced by: ECOSTORM

Hosted by: CDM Watch

Information Meeting on Coal Power Projects in the CDM
Short Documentary Film and Discussion
6 December 2011, 18.00, Berg River (DEC)

Movie synopsis:

Exclusive film looks at allegations that a coal power project in central India, approved under the UN's Clean Development Mechanism, is destroying forests and livelihoods. It is meant to be supporting 'sustainable development' but the UN's flagship carbon trading scheme is failing, according to an investigation by the Ecologist Film Unit. On the eve of the Durban climate change talks, investigators travelled to Madhya Pradesh in central India to document the impact of a new coal power plant, and associated coal mines, approved by the UN's Clean Development Mechanism. Our investigation uncovered allegations the project is displacing poor communities and leading to the destruction of forest.



For more information contact:
 Andrew Coiley Andrew@cdm-watch.org
 Tel: +27 (0)714387631



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www.cdm-watch.org

The **CDM Watch Network** is a free platform set up to strengthen the voice of civil society in the CDM. Already a thriving international community, the Network connects over 300 NGOs, activists and grassroots movements and offers capacity building, assistance with project campaigns, advocacy, and information about CDM project decisions. **Join us!**

CDM WATCH COAL ACTION AT COP17

On December 6, 2011 CDM Watch organised a protest against coal power projects in the CDM.

Watch the videos: <http://bit.ly/COP-CoalAction1> and <http://bit.ly/COP-CoalAction2>



CDM WATCH PRESS CONFERENCE

MIND THE GAP! THE THREAT OF LOOPHOLES ON CLIMATE TARGETS

December 8, 2011, 18-18.30 in Kosi Palm

with Sivan Kartha, Stockholm Environment Institute

Anja Kollmuss and Eva Filzmoser, CDM Watch

Sabine Minninger, Church Development Service

Melanie Coath, RSPB

Watch the webcast: <http://bit.ly/CDMWatchPressConf>

Pressure mounts for COP President to exclude coal power projects from UN offsetting scheme

Durban, South Africa, 6 December. As countries are negotiating the global climate crisis, an open letter sent by a broad coalition of green groups including Greenpeace, WWF and Friends of the Earth to the COP Presidency today calls for an exclusion of coal power projects from the Clean Development Mechanism (CDM). Groups claim such projects undermine the integrity of the CDM and the already weak climate targets.

More than 90 signatories from 34 countries warned that carbon credits from coal power offset projects divert scarce climate finance and undermine climate targets while locking-in billions of tons of CO₂ and causing severe human health and ecosystems damage.

“Coal is the fossil fuel with the highest greenhouse gas emissions and the anathema of “clean development” comments Bas Eickhout, a member of the European Parliament. “While the clock is ticking to get a much needed climate deal done, it is hard to believe that the UNFCCC allows coal power projects to receive climate finance.”

Under the UN’s offsetting scheme multi-billion-dollar coal power projects can receive carbon credits if they show they would have been built less efficient in the absence of the carbon revenue. But building highly efficient coal power plants makes economic and strategic sense because coal prices have been rising rapidly over the past years, and governments are mandating more efficient technologies.

“Carbon credits from business as usual projects fundamentally undermine already insufficient pledges to reduce emissions” said Eva Filzmoser from CDM Watch, the initiator of the letter “In order to avoid hundreds of millions of carbon credits from unsustainable coal projects that deliver neither emission reductions, nor sustainable development benefits, we call on countries to exclude coal power projects from the CDM here in Durban.”

Last week, the UN’s CDM Executive Board suspended the crediting rules for coal power projects after an investigation found that the flawed rules could lead to over-issuance of millions of carbon credits that do not reflect real and additional emission reductions. An independent study found that it is not feasible to correct the flaws in the rules because they are inherent to this project type.

The emissions reductions pledged by countries so far set the world on a trajectory for a 4.3° C temperature increase by 2100. Emissions must peak by 2015 and sharply decline thereafter in order to reach the 2° C goal agreed in Cancun. The IEA explicitly states that many coal power plants will have to be shut down before the end of their lifetime, if the world is to have a chance to avoid catastrophic climate impacts.

“We can’t afford to wait any longer to begin serious mitigation efforts. That means it is time to move the CDM beyond coal,” comments Justin Guay from Sierra Club.

ENDS.

Additional Information

- [Open Letter](#) to COP-17 Presidency
- Download the [SEI Policy Brief](#)
- Download the [SEI study and executive summary](#)
- Download the [Methodologies Panel report](#)
- Download [CDM Watch Policy Brief on Coal](#)

Contact Information

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Dirk van den Bosch (Press officer for the Dutch Greens in European Parliament)

Tel: +31 6 270 15080

Dirk.vandenbosch@europarl.europa.eu

PRESS RELEASE: Loopholes Undermine Viability of Climate Regime

Durban, South Africa, 8 December. As countries are negotiating a new global climate regime, a CDM Watch paper released today calls for immediate action to close loopholes in the rules under the current climate regime. The policy brief shows that the flawed rules could easily negate the reduction pledges developed countries have made for 2020 and in the worst case, even undermine a third commitment period.

A CDM policy brief launched today shows that loopholes could add up to 27 billion tonnes of CO₂ by 2020 while current pledges by developed countries amount only to about 18 billion tons.

To date, 42 developed countries have submitted pledges to reduce emissions between 2013-2020. Yet according to UNEP, the pledges amount to only about one third of what would be needed to remain on a path consistent with keeping warming below 2°C. The CDM Watch paper shows that loopholes could substantially undermine these already insufficient pledges and confirms earlier finding by UNEP and the Stockholm Environment Institute:

“We found that these loopholes could allow developed countries to increase their emissions by more than 21% over their stated pledges,” explains Sivan Kartha author of a recent study by the Stockholm Environment Institute. *“If the developed country pledges are to amount to anything, the loopholes must be closed.”*

The five largest loopholes in the existing negotiation framework include:

- “Hot Air” – surplus allowances (AAUs) from the first commitment period.
- Weak accounting rules for forestry and land use practices (LULUCF)
- CDM credits that do not represent real emissions reductions.
- Double counting of emissions reductions
- Emissions from international aviation and shipping

Strong and urgent action is required in Durban at the COP 17 and beyond to effectively and efficiently close these loopholes if we want to preserve the possibility of staying within safe climate limits.

“Aviation and shipping, for example, are currently not accounted for in nations’ emissions inventories. Left unmitigated, these emissions will double or triple by 2050. Binding agreements on mitigation measures are urgently needed,” said Sabine Minninger from Church Development Service.

“Countries may get away with ruses and ploys in the world of politics. But nature does not go for accounting tricks. It is the future of our children we are gambling away,” comments Anja Kollmuss from CDM Watch.

ENDS.

ADDITIONAL INFORMATION

- Download the [CDM Watch Policy Brief](#)
- Download the [SEI Working Paper and SEI Policy Brief](#)
- Download the [UNEP Gap report](#)

CONTACT INFORMATION

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Email: anja.kollmuss@cdm-watch.org

CDM Watch Policy Brief

A NEW LOOK AT LOOPHOLES

Version 1.1¹

Anja Kollmuss, CDM Watch

December 2011

INTRODUCTION

To date, 42 developed countries (Annex 1) have submitted pledges. Fulfilment of the developed country pledges is projected to reduce emissions by up to 4 billion tons (Gt) CO₂e in 2020 from “business as usual” (UNEP 2010). This is about one third of the estimated 12 GtCO₂e of emissions reductions that would be needed to remain on a path consistent with keeping warming below 2°C (UNEP 2011). Unfortunately, weaknesses in international emissions accounting could substantially weaken these already insufficient pledges, negating much if not all of their intended emissions benefits. In this paper, we address the following five “loopholes” in the existing negotiation framework, examine their impact, and list possible policy solutions to close them:

- Hot Air – surplus allowances (AAUs) from the first commitment period.
- LULUCF weak accounting rules
- CDM credits that do not represent real emissions reductions.
- Double counting of emissions reductions
- Emissions from International aviation and shipping

In this analysis, we compare the cumulative emissions reduction that could be achieved by the current pledges with the cumulative size of the loopholes. We translated the pledges into a commitment period from 2013 to 2020, the year used in the submitted pledges. Under such an 8 year commitment period the current pledges of 42 Annex 1 (A1) countries translate to approximately 18 Gt of cumulative emissions reductions by 2020. Table 1 and Figure 1 show the estimated cumulative size of the loopholes by 2020.

RESULTS

According to our calculations, based on several sources including the UNEP reports, these loopholes could be between 14.5 and 27.2 Gt of CO₂e (see figure 1). If used fully, these credits could more than negate the current A1 pledges, in the worst case, these loopholes could provide significantly more permits than Annex 1 countries would

¹ Version 1.1 includes slightly revised figures. Estimates for CDM and bunker fuel loopholes were slightly reduced because we received feedback on the data we used to calculate the loopholes.

need to technically fulfil the current pledges. This means that current loopholes could leave A1 countries with sufficient allowances and credits to continue along a BAU trajectory, and could even enable the carryover of surplus allowances beyond 2020, continuing to undermine the environmental integrity of the climate regime.

Figure 1: Comparison of Loopholes to pledged emission reductions from A1 countries.

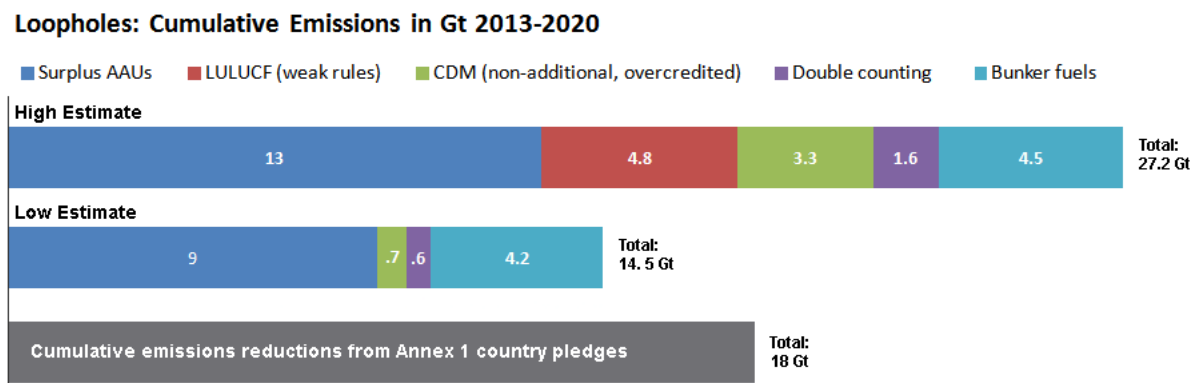


Table 1: Loopholes and their high and low estimated sizes

Loophole	Total estimated size of loopholes 2013-2020 in Gt CO ₂ e
Hot Air – surplus allowances (AAUs) from the first commitment period	9 – 13
LULUCF weak accounting rules	0 – 6.4
CDM credits that do not represent real emissions reductions.	0.7 – 3.3
Double counting of emissions reductions	0.6 – 1.6*
Bunker fuels: emissions from International aviation and shipping	4.2 – 4.5
Combined effect of these loopholes	14.5 – 27.2

*Only for 2020

In a similar study, the Stockholm Environment Institute (SEI) found that even when using a conservative estimate of the aggregate impact of five loopholes, Annex 1 countries could increase emissions well above 1990 levels, allowing them to increase their emissions more than 21% over their stated pledges (Kartha 2011).

The recently released UNEP report comes to similar findings: *[W]e find that the “lenient” use of LULUCF credits and surplus emission units could completely cancel out the impact of the Annex I pledges in the unconditional case, and significantly reduce their impact in the conditional case.*” (UNEP 2011)

Our analysis provides a slightly new way of looking at a problem that others have analyzed for considerable time. Clearly, strong action is required in Durban at the COP 17 and beyond to effectively and efficiently close these loopholes if we want to preserve the possibility of staying below 2 degrees warming. What follows is a brief explanation of our cumulative approach and summary of each loophole and suggested policy solutions.

COMPARISON OF CUMULATIVE EMISSIONS

A cumulative approach offers a simple way to visualize and comprehend the size of the current loopholes compared to the pledges that have been made by A1 countries. More importantly, scientists have calculated that cumulative carbon emissions by 2050 cannot be more than 890 billion tones of CO₂ if we want to have an 80% chance of staying below 2 degrees warming (Meinshausen et al 2009). Over 400 billion tons have already been emitted between 2000 and 2011 – leaving a remaining budget of approximately 490 billion tons. It is important to

set the reduction pledges and the loopholes in context with the overall carbon budget. The estimated increase in cumulative emissions that the loopholes could enable represents 3-6% of the remaining carbon budget.

To calculate the 18 Gt of cumulative emissions reductions by 2020, we took the UNEP (2011) 2020 estimate of 4 Gt CO₂e in emissions reductions from “business as usual.” This estimate includes the current pledges of 42 A1 countries. We assumed that commitments are translated into a step-wise, linear reduction from 2012 emission levels to the 2020 pledge level as shown in table 1.

Table 1: Assumed trajectory of emissions reductions of the 42 A1 pledges

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total 2013-2020
Reductions Gt of CO ₂ e	0	0.5	1	1.5	2	2.5	3	3.5	4	18

The assumption of a linear reduction from 2012 emissions to the pledged emissions in 2020 is a generous translation from pledges into cumulative emissions reductions. This is because these pledges were made under a pledge-and-review system and not under a binding commitment period. This means the pledges will not necessarily be translated into QUELROS as was required under the first commitment period of the Kyoto Protocol. Under a pledge-and-review system parties only commit to meeting their reduction target in 2020 but pledges are silent about the way countries get there. If countries start cutting their emissions reductions late, the cumulative emissions reductions will be far less than if they start immediately. Therefore the 18 billion tons is likely a high estimate of the cumulative emissions reductions that the current pledges represent. If the pledges were to represent fewer cumulative reductions, the impact of the loopholes would be even greater.

‘HOT AIR’— SURPLUS ALLOWANCES (AAUs) FROM THE FIRST KYOTO COMMITMENT PERIOD

In Kyoto it was vital to get buy-in from the Eastern European countries of the former USSR in order to ensure that the Kyoto Protocol could come into force. Therefore their emissions reduction targets were set quite leniently. This held especially true for the two largest former USSR countries: Russia and Ukraine. Their Kyoto commitment required them to keep emissions to 1990 levels, even though their emissions had already dropped well below 1990 levels by the time the Kyoto Protocol targets were negotiated. Due to their post-Soviet economic declines, Russia’s emissions had declined by a third, and Ukraine’s by one half between 1990 and 1997. The drastic decline in GHG emissions has lead to Russia and Ukraine having a very large surplus of allowances (AAUs).

SIZE OF LOOPHOLE:

According to several widely-respected sources, the surplus of AAUs from the first Kyoto commitment period (2008-2012) amount to 9-13 Gt CO₂e (UNEP 2011, WWF 2010, den Elzen et al. 2010).

SOLUTIONS:

Currently in the AWG-KP text² there are 4 options on how to deal with AAUs. It is unlikely that countries will adopt the solution with the greatest environmental integrity (this is proposed Option 4) which is to agree to retire all of those credits. Alternative solutions that would decrease the AAU loophole substantially include a very limited

² FCCC/KP/AWG/2011/CRP.2/Rev.1

carry-over of AAUs surplus between the 1st and 2nd commitment period with the legally binding restrictions (proposed Options 2 and 3).³

In addition, it is vital to avoid a new AAU surplus in the next commitment period. One paper estimates that weak pledges by some countries could generate an added surplus of up to 4 Gt during 2013-2020⁴ (not included in our estimates). To avoid future ‘hot air issues’, 2020 reduction targets for any Annex I country and not only those presently owing surplus AAUs must be substantively lower than current baseline emission estimates.

LULUCF WEAK ACCOUNTING RULES

In many developed countries, net emissions from forest management comprise a significant portion of total emissions from the land use, land-use change and forestry (LULUCF) sector. However, some proposals for LULUCF accounting create reference level projections for forest management based on projected business-as-usual (BAU) conditions, such that increases in harvesting could lead to reduction of carbon stocks without appearing as an emission for national accounting. Conversely, countries could generate LULUCF credits while maintaining current carbon stocks. Furthermore, accounting for emissions from managing other land such as croplands and grazing lands is optional allowing countries simply to ignore emissions from these sectors if they choose.

SIZE OF LOOPHOLE

According to UNEP (2011), the loophole size for weak LULUCF rules could up to 0.6 Gt CO₂e annually (UNEP 2011). This means the resulting cumulative size of the LULUCF loophole could be up to 4.8 Gt CO₂e over the 8 year period until 2020. We use 0 Gt for our low estimate and 4.8 Gt CO₂e for our high estimate.

SOLUTIONS

New LULUCF rules need to increase accountability and strengthen the level of ambition of developed countries so that forestry and land use sectors deliver emissions reductions. Specifically this can be done by:

- Ensuring that accounting for increases in net emissions from forest management relative to historical net emissions is mandatory for Annex I countries.
- Investing in improved data and technical and administrative capacity to account for emissions and removals from cropland management, grazing land management, revegetation and rewetting and drainage to enable accounting for these activities to become mandatory.
- Ensuring that all bioenergy emissions from domestic and imported feedstocks of wood and crops are included in LULUCF or energy sector accounting.
- Only allowing extraordinary natural disturbances that are outside of human control to be factored out of LULUCF accounting.

CDM CREDITS THAT DO NOT REPRESENT REAL EMISSIONS REDUCTIONS

There are two main issues that undermine the integrity of the CDM and lead to an increase in the size of the loophole:

- **Additionality**, the methodologies for proving that CDM projects are “additional” and would not have occurred in the absence of the CDM, have long been criticised as ineffective. Carbon credits from such

³ Please refer to the updated CAN position on the AAU surplus for details on the options and the restrictions.

⁴ “Pressing the surplus reset button», Climate Strategies

free-riders (non-additional projects) do not represent real emissions reductions, and in fact lead to an increase in global greenhouse gas emissions because the credits enable emissions to rise in Annex 1 countries.

- **Over-crediting can** occur even with additional projects when the rules on how to calculate the achieved emission reductions for CDM projects are too loose, generating more carbon credits than the amount of reductions actually achieved by the CDM project. The resulting carbon credits also lead to an increase in global emissions.

SIZE OF LOOPHOLE

The number of non-additional credits from projects in the CDM has been suggested to be anywhere between 20% to beyond 50% (e.g. Schneider 2007, Haya 2009). There are no overall estimates on over-crediting but it has been shown to be a serious issue for a number of projects that have delivered very large numbers of CERs, including HFC-23 and coal power projects. Projections on how many CERs will be generated 2012-2020 vary quite considerably from 3.5 to 6.6 billion (IGES Nov 2011, UNEP RISO Oct 2011). To account for the combined effects of non-additionality and over crediting, we took a low estimate of 20% and a high estimate of 50% of CERs that do not represent real emissions reductions. By 2020, the estimated cumulative loophole from the CDM could therefore be anywhere between 0.7 – 3.3 Gt CO₂e .

SOLUTIONS

There are several effective ways to revise current CDM rules to strengthen the environmental integrity of the CDM. The current rules on additionality and baseline setting have to be significantly revised. The CMP has to give the CDM Executive clear guidance on doing so. Such revisions will not impact already registered projects. Projects that have a very high likelihood of delivering CERs that do not represent real emissions reductions have to be banned. For this reason the CMP should ban coal power projects. Parties can furthermore unilaterally ban the use of CERs of such projects types in their respective countries, the way the EU did last year for HFC-23 and adipic acid credits. Furthermore, standardised approaches, currently strongly advocated in the CDM and for new market based mechanisms have to be implemented very conservatively to ensure that loopholes from offset mechanisms do not further increase. Furthermore, other mechanisms, such as the GCF, should be promptly funded and operationalized, to provide a more reliable means of supporting legitimate mitigation (and adaptation) measures in developing countries.

DOUBLE COUNTING OF EMISSIONS REDUCTIONS

New market based mechanisms are being discussed here in Durban. Possible new carbon crediting mechanisms could include NAMA crediting, sectoral crediting and REDD crediting. In addition, some regions, Japan and the California in particular, are developing new bilateral offset mechanisms which will lead to a proliferation of diverse offsets units of differing quality.

The rules and methods to account for international offset flows remain uncertain. In particular, it is unclear whether both the developing countries generating the offsets and the developed countries buying them will be allowed to count the same emission reductions toward their respective pledges, leading to double counting.

With the proliferation of bilateral offset schemes, there is risk of counting emission reductions *even more than twice* – if in addition to offsets counting for both buyer and seller, multiple crediting systems cover the same regions and sectors, and each system issues offsets for the same avoided emissions. Furthermore, there is a danger of *further over-counting*, if Annex 1 countries also count CDM investments toward their financing obligations.

SIZE OF LOOPHOLE

Double-counting of international offsets could further dilute the pledges by 0.6 to 1.6 Gt CO₂e in 2020 (Erickson and Lazarus 2011). Note that these estimates refer only to the year 2020 and are not cumulative until 2020 because we assume it will be only from 2020 onwards that NA1 will have binding emissions reduction targets. Double counting between A1 and NA1 countries can only occur when NA1 countries have commitments.

SOLUTIONS

Robust, internationally coordinated offset accounting rules are vital to avoid double counting. A pledge-and-review approach will make it much more difficult to ensure the integrity of offsetting schemes and to avoid double counting. Legally binding reduction pledges and internationally agreed MRV rules are necessary.

INTERNATIONAL AVIATION AND SHIPPING

Emissions from international aviation and shipping (often referred to as bunker fuel emissions) are currently not accounted for under the Kyoto Protocol. As such, Annex I Parties' emissions from this sector can continue to increase without affecting compliance with their emission reduction commitments. It is difficult to assign emissions of these sectors to individual countries because aviation and shipping are global sectors and the bulk of their emissions take place in international waters or airspace. Discussions of how to allocate these emissions to Parties started under the UNFCCC in 1996 but remained inconclusive. Responsibility was given to the International Maritime Organization (IMO) and International Civil Aviation Organization (ICAO) to find a global solution under the Kyoto Protocol. However negotiations in these bodies have proven equally difficult as developing countries argue that any global measure should respect the UNFCCC principle of common but differentiated responsibilities, effectively calling for an exemption of developing countries. The EU has included international aviation in its emissions trading scheme from 2012 due to the slow progress to agree global measures. Foreign carriers are included in the scheme which is estimated to reduce emissions by 183MtCO₂ in 2020 (EU 2006).

SIZE OF LOOPHOLE

The International Energy Agency (IEA) provides data for marine and aviation emissions from A1 and from NA1 countries starting from 1990 (IEA 2011). We used these IEA numbers to project yearly emissions from 2012-2020. We calculated a high and a low estimate of cumulative emissions based on the lowest and the highest growth rate in each sector using 1990, 1995 and 2000 as a base year.

Aviation		
Base year of historic growth rate	Growth rate	Cumulative emissions 2012-2020 in million tons CO ₂ e
2000	1.14%	2138
1995	2.33%	2336
Maritime		
2000	0.05%	2023
1995	0.62%	2112
Total		
Low estimate (2000)		4161
High estimate (1995)		4448

The resulting cumulative maritime and aviation emissions from A1 countries from 2012-2020 are 4.2 - 4.5 Gt of CO₂. Our growth rates are likely to be a low estimate, since ICAO expects aviation to grow 4.6% per year through 2025⁵. Our high estimate predicts A1 and NA1 emissions from bunkers to be 1.3 Gt in 2020. UNEP predicts that under BAU assumptions, global aviation and shipping combined could be between 1.7 to 2.5 Gt CO₂ in 2020. The Potsdam Institute assume total emission to be 1.8 Gt in 2020 (Rogelj et al 2010).

SOLUTIONS

There are several ways such bunker emissions could be addressed. For example, aviation and marine emission could be included in national inventories of Annex I Parties. Better still, emission reductions targets in line with the Cancun 2 degrees goal should be agreed and the International Maritime Organization (IMO) and International Civil Aviation Organization (ICAO) mandated to develop and agree on global sectoral policies within a limited timeframe and subject to UNFCCC review.⁶

ACKNOWLEDGEMENTS

I would like to thank Sivan Kartha, Michael Lazarus their support and feedback. I would also like to thank Melanie Coath for her contribution on the LULUCF section, Sabine Minninger and Bill Hemmings for their contribution on the bunkers section and Payal Parekh for her feedback on the CDM section and on messaging.

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⁵ www.icao.int/Act_Global

⁶ Article 2.2. of the Protocol requires Annex 1 countries to work through ICAO and IMO to limit and reduce these emissions. Talks are ongoing in these bodies to develop global market-based measures to do this. The IMO agreed in mid 2011 the Energy Efficiency Design Index (EEDI) which requires new ships to have improved energy efficiency. A CO₂ standard intended to reduce emissions from new aircraft below business-as-usual projections remains under development in ICAO.

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