CDM High Level Panel's recommendations do not deliver

Brussels, 10 Sept, 2012. Today the High-Level Panel for the Clean Development Mechanism (CDM) Policy Dialogue presented its final report with recommendations on how to improve the CDM. The report fails to address some of the fundamental flaws of the CDM, in particular how to address the large oversupply of credits that do not represent real emission reductions. The report is strongly based on political opinions and ignores important research in some places. Nevertheless it also includes important recommendations about improving accountability, establishing a grievance mechanism and stresses the importance for the CDM to go beyond offsetting.

Over the past eight months, the CDM Policy Dialogue Panel carried out stakeholder consultations and commissioned a number of reports to draw conclusions about the CDM and to develop recommendations to make the CDM "fit for the future". Today the Panel reported its findings to the CDM Executive Board which is currently meeting in Bangkok.

Report fails to acknowledge oversupply caused by fake emissions reductions

The report rightly points to the lack of ambition in climate targets and the lack of demand for CDM credits which has contributed to the current price crash. However, the report fails to acknowledge that part of the problem has been created by CDM's own rules.

"The market has been flooded with fake credits from projects that would have been built anyway and questionable industrial gas projects," explains Anja Kollmuss, carbon market expert at CDM Watch. *"Such credits have significantly contributed to the over-supply and the low prices and most importantly, seriously undermine the environmental integrity of the CDM."*

Many research studies and investigative media reports provide solid evidence that a significant number of CDM projects are unlikely to be additional, a fact which is disregarded by the Panel: *"By-and-large projects do meet the additionality tests because that is what the research has indicated,"* said Mohammed Valli Moosa, chair of the High-Level Panel for the CDM Policy Dialogue, at his presentation to the Board.

"The current CDM rules completely ignore whether the CDM revenues a project gets actually make any real difference to the feasibility of the project. With credit prices being so low it is difficult to see how new projects can be additional", explains Anja Kollmuss. *"The CDM Board has been tasked repeatedly by the Parties of the Kyoto Protocol to improve additionality. We call on them to act now and make significant and meaningful changes to the rules."*

Recommended climate fund could finance windfall profits

The Panel recommends establishing a fund that would purchase and cancel part of the current oversupply of CDM credits. This could create huge windfall profits to industrial gas and large infrastructure projects which deliver the vast majority of credits but have very limited environmental integrity and deliver only few or no sustainability benefits.

"In the absence of strict rules that ensure truly additional and sustainable projects it does not make sense to save the CDM for its own sake and potentially at the expense of tax-payers. Much larger emission reductions can be achieved by directly supporting new and effective climate policies." says CDM Watch Director Eva Filzmoser.

CDM Watch condemns the recommended inclusion of REDD in the CDM

The panel recommends to allow *Reducing Emissions from Deforestation and Forest Degradation* (REDD) and other forest management pilot activities in the CDM, despite the fact that REDD has long been identified as unsuitable for a project based mechanism. The report identifies only a very limited set of risks associated with such projects and ignores key issues and risks discussed in the UNFCCC and relevant literature, such as non-permanence of emission reductions, establishing crediting baselines, carbon leakage, demonstrating additionality or impacts on biodiversity.

Thumbs up for verification and monitoring of sustainability benefits

The Panel recommends that sustainable development impacts be reported, monitored, and verified throughout the lifetime of a CDM project and that safeguards against negative sustainable development impacts be enhanced. The CDM Executive Board will discuss guidelines to improve sustainability reporting and stakeholder consultations of CDM projects this week.

"Voluntary reporting guidelines to be discussed this week by the CDM Executive Board will do little to improve sustainability benefits of CDM projects. We join the Panel in its recommendation to report, monitor, and verify sustainable development impacts throughout the lifetime of a CDM project and to include safeguards against negative impacts." comments Eva Filzmoser. *"Moreover we applaud the recommendation for strong guidelines for adequate local consultation procedures".*

Rethinking governance

CDM Watch welcomes the Panel's recommendations to improve internal governance and accountability as well as the current code of conduct of the CDM Executive Board. However, the Panel's suggestion of decentralising responsibility for the issuance of CERs would further undermine the environmental integrity of the CDM.

"As the experience with Joint Implementation has shown, giving national governments the authority to issue credits can easily be misused and lead to a flooding of the market with credits that both undermine prices and climate protection goals." said Anja Kollmuss from CDM Watch.

Moving the CDM beyond offsetting

Although the Panel recommends moving the CDM beyond offsetting the report lacks a comparative assessment of the CDM with other policy instruments, such as emissions trading schemes (ETS), carbon taxes and other domestic policies.

"Given the urgency to reduce global GHG emissions, the future of the CDM and other market mechanisms can only be based on net emissions reductions. " says Eva Filzmoser.

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The Panel's report can be downloaded here: http://www.cdmpolicydialogue.org/

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