Nature Code
Our planet is not for sale

Carbon Market Watch

#7 November2013

Watch This!

NGO Voices on Carbon Markets

Editorial

Welcome to the autumn edition of our NGO newsletter "Watch This! NGO Voices on Carbon Markets"!

COP-19 is just around the corner. Although Poland is not expected to deliver on concrete climate targets for the 2015 climate agreement, there are a number of important topics at stake that need to be addressed to pave the way for a comprehensive, far reaching future climate deal in 2015. If you have not yet done so, **sign-on** to our Open Letter demanding Environment Ministers around the world first and foremost to increase ambition and stop carbon markets from undermining mitigation commitments at COP-19.

In line with the theme of the COP, also this pre-COP edition of the Watch This! will focus on the dirtiest fuel on the planet: coal power. A guest article tackles how Singrauli district in India became a sacrifice zone for a CDM coal power project at the expense of local communities. The Gujarat Forum on the CDM tells a sad tale of another coal power plant in Gujarat, the first CDM coal project that has received offset credits. Our friends from the American continent show how two CDM hydro projects fail to uphold human rights and infringe on the livelihoods of indigenous communities. Moreover, two articles explain the dangers associated with agriculture carbon credits and why these should not be drawn into the compliance market. We also look at how carbon offsets have undermined EU climate policy and how the aviation sector is possibly looking at providing future demand for offsets.

Watch This! NGO voices on Carbon markets' appears quarterly in English and Hindi with campaign updates and opinion pieces from around the world. If you would like to contribute to the next edition or have any comments please get in touch with

adela.putinelu@carbonmarketwatch.org

Watch This!
NGO Voices on Carbon Markets
Notice board
page. 15

In this issue

COP-19 around the corner: What's at stake?

By Eva Filzmoser, Carbon Market Watch

From 11-22 November, countries around the world will meet in Warsaw for the 19th time to negotiate how the world can stabilize greenhouse gases so to keep global warming below 2 degrees Celsius. Not an easy goal in a country that is dominated by coal power. Not an easy goal to negotiate when the world's largest coal producing companies are discussing the role of coal in the global economy in the context of the climate change agenda at the same time at the 'International Coal & Climate Summit'. Although Poland is not expected to deliver on concrete climate targets for the 2015 climate agreement, there are a number of important topics at stake that need to be addressed to pave the way for a comprehensive, far reaching future climate deal.

The Polish COP Presidency has stated at several occasions that they would like to see progress on the so called Framework for Various Approaches (FVA). If established, this framework would allow countries to trade market units for compliance with their climate commitments under the UNFCCC. Although there is little agreement on any of the key features of this framework, the idea of this global carbon market framework has been promoted widely by several Parties.

Some countries, most notably Poland, has been advocating establishing a pilot phase for the FVA. This would enable the international trade of carbon market units for compliance with climate targets. Countries participating in such a pilot FVA would be able to claim benefits for early actions pre-2020 under the new post 2020 climate treaty, for example in the form of receiving reduction units which they could use for compliance under the new climate regime. This would set a dangerous precedent because it would potentially open doors to create even more hot air than we already have. Ultimately, such a pilot phase would effectively risk the integrity of a future climate deal. For more information on the FVA, see our **policy brief** *"Herding the global carbon market cats: recommendations for the negotiations of the framework on various approaches"*.

If you have not already done so, **sign-on** to our Open Letter **"Stop carbon markets from undermining mitigation commitments at COP-19"** to make these demands heard at COP-19. The Open Letter is being sent to all UNFCCC ministers and delegates and calls on them to:

- Agre e on requirements for clear, equitable and ambitious mitigation commitments to ensure we can stay below 2 degrees warming;
- Reject a pilot phase for trading carbon market units under the Various Approaches (FVA) to avoid that the new post-2020 climate regime be undermined;
- Establish an international accounting framework under the ADP to avoid double counting and allow for net atmospheric benefits to be achieved;
- Ensure that access to carbon markets be linked to ambition to avoid that new hot air is created;
- Exclude clearly non-additional project types, such as large power projects, from the Kyoto's flexible mechanisms CDM and JI to avoid undermining our climate protection efforts;
- Stop subsidising fossil fuels and exclude coal power from the CDM;
- Establish safeguards to protect human rights when climate mitigation projects are implemented under the CDM, the Green Climate Fund, NAMAs or future carbon markets.

While keeping our eyes on the FVA in Warsaw, we'll be advocating strongly for the exclusion of coal power from the CDM. The CDM's reputation has suffered so severely that policy makers have started to reconsider whether the construction of new coal fire power plants should be financed through the CDM. Way to go!

Moreover, as the CDM project Barro Blanco in this Watch This! edition shows, there is urgent need to establish safeguards to protect local communities from negative impacts during the implementation of CDM projects. Safeguards will be relevant beyond the CDM and will become an essential element for all future climate mitigation mechanisms, such as projects financed by the Green Climate Fund, REDD projects or NAMAs.

Violence and Intimidation Don't Stop Indian Activists Fighting Deadly Coal Plant

By Nicole Ghio, Sierra Club International and Trade Representative

Sasan is bringing in contract workers from other parts of India rather than hiring the local people impacted by the plant because they are afraid local workers will try to unionize.

Picture: www.sierraclub.typepad.com

What would you do if a massive coal plant that would poison your air and water broke ground adjacent to your home? What if your neighbors were forcibly removed to make room for the project? What if friends who attempted to protest the plant disappeared mysteriously? And what if this was not a new occurrence, but rather a story that has been repeated again and again for over 50 years? If you live in Singrauli, India this is your reality, and amazingly, the answer is you would still fight back.

Life in an Energy Sacrifice Zone

When I visited the district in 2011, I was told no one was an "original" resident. Everyone had been forcibly moved, many multiple times - first for the Rihand Dam, and after for the numerous coal projects in the area. And lest there be any doubt about how dangerous coal is, in 2012 pollution from coal-fired power plants caused 100,000 premature deaths in India http://bit.ly/Zf6EjS

Who is behind the push to exploit Singrauli's resources at the expense of local communities? There is the state owned Coal India Limited, the world's largest coal company, private corporations like Reliance Energy, which benefited from illegal land acquisitions in the coal-gate scandal that rocked India, and the U.S. government, which approved over $900 million in financing for Reliance Energy's 4,000 MW Sasan coal-fired power plant and its associated mine. Lining up against these forces are local residents, tribal leaders, and labor interests, which must contend not only with the loss of their homes, their health, and their livelihoods, but also with government and police forces that operate hand in hand with corporate interests.

Nowhere to Turn: Violence and Intimidation

Back in 2011, I traveled to Harrahawa, a village with a school and running water whose residents were about to be forcibly displaced to make way for a coal ash pond to hold toxic waste from Sasan. Since then, Reliance has begun destroying their homes - without their permission or legal authority. As Krishna Das Saha explains, "No notice was given to us before our house was broken down. At night when we were sleeping a huge portion of our house was razed." With no other option, villagers are forced to the rehabilitation colony, where a new school has been built for their children - only the makeshift structure cannot withstand the weather and is not functional (http://bit.ly/18Nmt7z).

Fighting Back: Standing Up to Powerful Interests

Despite the violence and intimidation, activists are unwilling to give up. On September 12, Sati Prasad submitted a letter on behalf of the to the District Magistrate asking for documentation of

SIERRA CLUB
FOUNDED 1892

The Sierra Club is one of the oldest, largest, and most influential grassroots environmental organizations in the United States.

the people who have been affected by Sasan, for permanent jobs for project affected people working on a contract basis, for the payment of back wages owed to local contract workers, and for a halt to construction of a boundary wall until displaced people are adequately compensated. If these minimal demands were not met, he was prepared to lead a mass protest at Sasan's main gates on September 19th (http://bit.ly/15P1iUG).

The response was swift and harsh. On September 18th, Sati Prasad was dragged out of his home on and arrested without a warrant (http://bit.ly/15c9UUX). He describes what happened next:

> *At night almost at 1 Am, I was taken to Inspector chamber. SP was already present there. He pointed constable to close the door. Officer asked me to take off my clothes. When I asked why? He abused me. Then I took off my clothes and just in my undergarments I was interrogated. Officer asked me again- (Abuse) "what you would have done tomorrow at Sasan gate?" I replied- Sir I would have demanded in front of company. He said- Ok! We are company and the bench lying in front of you are men. Now say what is your demand? I said- " I would have said the same what I have mentioned in the letter submitted to you people too". Then he abused me and yelled saying now go on with your speech, pointing towards police constable as they started beating me. I shouted why you are beating me. Police officer angrily ordered to beat me with stick. Then they tied both of my hands and afterwards I was heavenly beaten. (http://bit.ly/15TfF4M)*

A local labor leader, Sati Prasad Razak of the Sasan Ultra Mega Power Vistaphit Avam Mazdoor Sangh (Union Sasan Ultra Mega Power Affected and Labourers), told me how Reliance refuses to hire local workers, despite this being part of their agreement, due to fears that laborers will organize. It is also easier to cover up accidents and deaths if family members are not nearby, including a smokestack collapse that killed 30 workers. Sati Prasad also told me about his friend, Sudarshan Rajak, whose house was bulldozed after he protested against Sasan and the forced removals. Sudarshan Rajak was never seen again, and Sati Prasad believed he was inside his home when it was destroyed (http://bit.ly/egIf4R).

The next day, local villagers marched to Sasan, where police had barricaded the main gate. Despite being unarmed, they were told that they could be arrested under section 144 of Indian Penal Code, which allows for the arrest of members of an "unlawful assembly" if they possess a deadly weapon or object that could be used as a deadly weapon (http://bit.ly/1bwhtaX). Awadhesh Kumar, president of the community organization Srijan Lokhit Samiti (and my team's guide when I visited Singrauli), condemned Sati Prasad's arrest and the subsequent security actions, saying:

Changing the Future

Projects like Sasan are advertised as a means to address the over 400 million people in India without access to electricity (http://bit.ly/kuMkxY), but the truth is that it is more profitable to send power over huge distances to industrial users. As I traveled around Singrauli, despite the tens of thousands of megawatts being generated all around me, I saw that local residents mostly lived in small dwellings without access to electricity. In fact, the International Energy Agency (IEA) found that in order to reach 100 percent energy access, half of all energy services must be provided by off-grid clean energy (http://bit.ly/14ZgXiu).

The protests lead by Sati Prasad and others in Singrauli are not in vain. A grassroots movement is brewing across India and the globe as communities rise up to protest deadly coal projects (http://bit.ly/17JSfCX). Despite violence and intimidation, I firmly believe that the Sati Prasad's of the world will eventually win. The documentation of the damage coal does to public health and local economies is too damning, and the demand from communities worldwide to move from dirty coal to clean energy is too great.

Glimpses from Ground: Analysis of selected CDM Projects in India

Gujarat Forum on CDM, based in Ahmedabad, Gujarat prepared the report "Glimpses from Ground: Analysis of selected CDM Projects in India" between October 2012 and March 2013. The report analyses the local realities of 11 projects all across India and focuses in particular on the second goal of the CDM: the contribution to sustainable development.

Local researchers visited the projects, and compared the official CDM project documentation with the local realities on the ground.

For example, the SRF Ltd HFC-23 project officially committed to fund INR 100 million for sustainable development activities. Although the project was registered in 2004, no such activities were carried out by the company. The project also promised to implement and Environmental Management Plan. However, local villagers complain about the releases of poisonous gas early in the mornings without prior notice, which adversely affects human health causing eye irritation, burning skin and burns the harvests.

A project by JK Lakshmi Cement limited is supposed to replace fossil fuels with biomass. The project documentation explains inter alia that the biomass is collected by dealers and that local villagers will get suitable monetary benefits for lifting of biomass from their fields. However, the visits revealed that there is no biomass collected from the local area and that local people are not involved in the project. Hence, also the claim that the project will provide employment opportunities does not hold.

The findings are daunting. In all cases, they found severe discrepancies between the promises in the project documentation and the real impacts of the project implementation. Yet, the CDM rules in place do not provide any remedy for local communities directly impacted by CDM projects. You can download the full report **here.**

The Mundra coal project in India, another battle against coal power in the CDM

By Falguni Joshi, Gujarat Forum on the CDM

Picture: www.ibnlive.in.com

Coal projects inflict a toxic burden on local peoples' health and ecosystems while levels of greenhouse gas emissions remain very high for many years to come. The UNFCCC has yet to address this highly contentious form of climate finance. Under increased pressure from buyers of carbon credits, governments and civil society organizations, coal climate finance under the CDM must come to an end.

Six coal CDM projects registered

Under the CDM, developers who plan to build new coal power plants can still apply to receive offset credits by claiming that they would build a less efficient new coal plant if they did not receive CDM offset revenues. Despite questionable additionality of these projects and the fact that coal power projects inflict toxic burdens on local populations and ecosystems, six projects located in India and China have already been registered by the CDM Executive Board. More than 40 projects are at validation stage.

But political support for providing climate finance through the CDM is shrinking. In August, the British government announced that starting in September 2013 it will stop endorsing investments for new CDM coal projects. Norway, one of the biggest buyers of CDM carbon credits has also announced that it will not buy credits associated with coal power projects. Moreover, French energy giant EDF Trading, the buyer of offset credits from Adani's coal power project in Mundra, India has recently announced that it is no longer associated with CDM coal project. We have demanded to exclude coal power projects from the CDM for many years and we'll keep campaigning for this at the upcoming climate change conference in Warsaw.

Adani's Mundra project violates India's air pollution regulation

One of the six registered projects is the Mundra project located at the villages Tunda and Siracha, MundraTaluka, Kutch District of Gujarat, in western India. This project is in violation with various national regulations, as highlighted in the inspection committee report of the Indian Ministry of Environment and Forests (MoEF) released in April 2013.

For example, the report states that even though the company claimed it had adequate pollution control equipments in place, their operation is an aspect that cannot be verified/commented upon by the Committee because of missing monitoring reports. This does not comply with the directive for controlling fugitive emissions which was adopted by the Gujarat Pollution Control Board (GPCB) in 2011. GPCB officials observed fugitive emissions due to movement of fly ash loaded dumpers and other heavy vehicles. In particular the report noted:

"It is clear that the company has been less than serious about reporting on compliance with the conditions set at the time of clearance. In many cases non-compliance with reporting conditions has been observed."

Despite these serious violations of India's air pollution regulations and evidence that the sustainable development criteria as highlighted in the project design document are not met the project remains registered as a CDM project. In August, 25 Indian civil society organisations wrote a letter to the Indian authority that approved the project's registration to withdraw the authorisation of the project under the CDM and to take urgent steps to repair the damage and to mitigate future harm as proposed in the inspection committee report's action plan. To download

The Gujarat Forum on CDM is a network of individuals and organisations working on environmental issues. It is also the Carbon Market Watch Network's focal point in India. The Forum specifically monitors CDM projects and developments in Gujarat, India.

the letter, click **here.**

In October, another 30 civil society organisations have sent letters the French government authority urging to end any involvement in the project immediately and the support the letter of approval for the project to be withdrawn and support the exclusion of coal power projects from the CDM at the upcoming COP-19 climate change conference in Poland. To download the letters, please click **here.**

The mysterious involvement of EDF Trading in Adani's Mundra project

EDF Trading is listed as one of the beneficiaries of carbon credits generated by Adani's Mundra CDM project which was registered in 2009. In August 2013 EDF Trading informally announced that it is no longer involved in the project but has ever since refused to make a public statement and to provide any sort of information about the background of the decision, and who – if not EDF Trading – has purchased the 600.000 carbon offsets. On 13 August 2013, EDF Trading stated in the French energy daily "Enerpresse" that the company is *"no longer associated contractually under the CDM, with this [Adani Mundra] supercritical coal power project in India."* Since EDF Trading's involvement in the project is confirmed by a letter of approval issued by the French government, and listed at the UNFCCC website, this decision came as a surprise. This statement is of special interest because Adani Mundra has been the first CDM coal power project that has been awarded 600.000 carbon offset credits.

Given the severe toxic burden this project poses to the local environment in Gujarat, numerous civil society organisations have sent letters to the Indian government, the French government and to EDF Trading to gain clarity about the mysterious destination of Mundra's carbon offset credits. Stay tuned!

Barro Blanco: A clear illustration of why CDM reform is needed

By Alyssa Johl, Senior Attorney, Center for International Environmental Law (CIEL)

Picture: Alyssa Johl

As we gear up for another round of climate talks, it is apparent that the time for CDM reform is now. At the upcoming climate talks in Warsaw, the UNFCCC's Subsidiary Body for Implementation (SBI) will present its recommendations for revisions to the CDM's "Modalities and Procedures". The Center for International Environmental Law (CIEL), Carbon Market Watch and others made our own recommendations, focused on establishing human rights safeguards that would help to prevent social and environmental harm, promote greater accountability, and ensure the effective participation of ALL stakeholders.

Why are human rights safeguards needed?

As evidenced by the increasing accounts of human rights abuses associated with CDM projects, the CDM has failed to ensure that projects are designed, implemented and monitored in a manner that protects human rights. One such example is the Barro Blanco project - a 29 MW hydroelectric dam that is currently under construction on the Tabasara River in western Panama. During the initial phases of project development, the company GENISA failed to adequately consult or obtain the free, prior and informed consent of the affected Ngäbe indigenous peoples, and failed to assess the project's environmental impacts to their lands. Despite these violations, the Panamanian government approved the environmental impact assessment in May 2008, allowing the project to move forward. As Carbon Market Watch has reported, a number of actions have been taken to hold the government accountable for its failure to protect the rights of the indigenous Ngo be communities from the impacts of Barro Blanco.

Center for International Environmental Law (CIEL) uses the power of law to protect the environment, promote human rights, and ensure a just and sustainable society. CIEL is a non-profit organization dedicated to advocacy in the global public interest, including through legal counsel, policy research, analysis, education, training and capacity building.

UN Special Rapporteur on the rights of indigenous peoples articulates human rights obligations with respect to Barro Blanco

Over the past few months, the campaign against the Barro Blanco project has reached new heights. In late July, the UN Special Rapporteur on the rights of indigenous peoples, James Anaya, visited the Ngäbe-Buglé Comarca, and learned firsthand of the human rights abuses associated with Barro Blanco. In his **concluding statement**, Anaya clearly articulated the international human rights obligations that apply in the case of the Barro Blanco, and described Barro Blanco (the only project mentioned) as emblematic of the many development projects that are threatening the lives and livelihoods of indigenous peoples in Panama. This formal statement by a UN mechanism is a critical step in recognizing and addressing the human rights impacts of CDM projects such as Barro Blanco. CIEL (and over 1,000 concerned citizens and partner organizations) have since asked Special Rapporteur Anaya to raise these concerns directly with the Parties to the Kyoto Protocol and the CDM Executive Board.

Despite growing international awareness of these human rights abuses, construction of the Barro Blanco project has continued. In September, the UN Development Programme concluded its second independent assessment of the project's impacts, and issued a report in which it confirms that Barro Blanco will cause significant harm to the Ngäbe people and their territories. It further states that the Ngäbe people were not adequately informed of these impacts during consultations held by GENISA. The report also confirms that the project will have significant impacts on Ngäbe culture due to threats to cultural and religious sites, such as burial grounds, archaeological artifacts and sacred plants that are highly valued by the Ngäbe people. Notably, the report highlights that the project is subject to international norms and standards, specifically indigenous rights protections, although it does not assess compliance with those standards.

In Warsaw, CIEL, Carbon Market Watch and other civil society groups will continue to raise awareness of the human rights impacts associated with Barro Blanco and other CDM projects to illustrate the need for human rights safeguards in the CDM. These changes would not only provide a means of recourse to the communities affected by Barro Blanco, but would also change the CDM's institutional policies to help ensure that other CDM projects around the world do not cause environmental and human harm.

"We have asked Special Rapporteur Anaya to raise these concerns directly with the Parties to the Kyoto Protocol and the CDM Executive Board".

Bonyic: an opportunity to comply with CDM rules and international law

By Joana Abrego, Legal Consultant, Climate Change Program, Environmental Advocacy Center of Panama (CIAM)

Picture: Joana Abrego, Naso community

In the next few days, review of the Bonyic Hydroelectric Project's request for registration will start. If rejected, the CDM Executive Board would be sending a strong message to the world for the need to comply with CDM rules and international law.

The Bonyic Hydroelectric Project is a 31.8 MW hydroelectric power plant located on the Bonyic River, in the Republic of Panama. Panamanian. Several international organizations, including Alianza para la Conservación y el Desarrollo (ACD), Asociación Ambientalista de Chiriquí (ASAMCHI), International Rivers, FERN and CIAM, have requested rejection of the project.

ciam
Centro de Incidencia Ambiental • Panamá

The Environmental Advocacy Center of Panama **(Centro de Incidencia Ambiental de Panamá - CIAM)**'s mission is to promote environmental protection, by encouraging citizen participation, through the spreading of knowledge, building networks and accountability so as to influence relevant decisions and policies.

The Bosque Protector Palo Seco Protected Area, where the project is located, serves as a buffer zone for the *Talamanca Range-La Amistad Reserves/La Amistad National Park*, a World Heritage site in Panama and Costa Rica. Approval of Bonyic would directly contradict UNESCO World Heritage Committee recommendations.
The project claims to be additional because it is located within a protected area and indigenous people lands

Indeed, the project is located in a previously pristine area within the Bosque Protector Palo Seco Protected Area. Conditions for construction in the area are certainly hostile, but these would affect similarly any proposed projects in the area. The high biodiversity of the area cannot be considered an investment barrier; its protection is the fulfillment of Panama's legal obligations in accordance with the Convention on Biological Diversity.

"A significant barrier for project implementation has been the project location in a sensitive social and biophysical environment, which has led to major obstacles in obtaining project financing..." (PDD, p.16)

The location is also within the traditional territories of the **Naso indigenous people**. Various factors, including lack of legal recognition of its territories, have caused a profound internal crisis among the Naso. Compensation given to community leaders recognized as "legitimate" cannot possibly alleviate the situation, and has in fact demonstrated to stir **more conflict**. Hence, CDM revenue cannot ameliorate the situation.

In August 2013 the UN Special Rapporteur on the Rights of Indigenous Peoples, James Anaya, recognized the territorial insecurity of the Naso people as particularly alarming. The CDM Executive Board, as a United Nations body, has an obligation to ensure universal respect and observance of human rights; and should not disregard the State's failure to fulfill the Naso's right to communal property.
Moreover, the Validation Report does not explain how the construction of the project has managed to achieve over 50% progress without CDM revenues despite the alleged investment barriers.
The Bosque Protector Palo Seco Protected Area, where the project is located, serves as a buffer zone for the *Talamanca Range-La Amistad Reserves/La Amistad National Park*, a World Heritage site in Panama and Costa Rica. Approval of Bonyic would directly contradict UNESCO World Heritage Committee recommendations.

The registration of Bonyic Hydroelectric Project would violate international law requirements regarding common heritage and indigenous people's rights.

These and other important issues were raised by stakeholders, but not taken into account by the Designated Operational Entity (DOE), the body that approves the project on behalf of the host country's government.

CDM rules require the DOE to take into account all the comments received during the validation of the proposed project activity and to report the details of the actions and take due account of the comments received. However, several important comments submitted by stakeholders were not taken into account. See our full submission to the CDM EB **here.**

Since 2010, the UNESCO World Heritage Committee has warned the Panamanian government about the highly likely negative impacts of the Bonyic Project and others on the biodiversity of the PILA, and it has repeatedly asked that all dam constructions in the area be halted. In July 2013, the Committee "regret[ted] that construction of the Bonyic dam has continued without prior consideration of the results of the on-going Strategic Environmental Assessment (SEA), and urge[d] the StateParties to complete it as a matter of priority and in line with international standards of best practice." (See all decisions by the Committee **here**)

Agriculture mitigation and carbon markets- unknown territory

By Ram Kishan, Regional Humanitarian Manager, Christian Aid

Picture: UN Photo/Kibae Park, www.unmultimedia.org/photo/

Climate change remains a real threat to the humankind, and while this will not be limited to any specific sector, agriculture will also be threatened by climate change. However, because of agriculture's potential for mitigation and carbon trading any move to bring this into the carbon credit markets will be a dangerous move for small and marginal farmers.

Agriculture plays a central role in the lives of the poor in developing countries. It does not only contribute to peoples' livelihoods but also represents an important element for food security. Some forms of agriculture contribute significantly to global greenhouse gas emissions (GHG). Other forms of agriculture contribute little to the climate problem. Some forms of agricultural production are more climate-resilient, and must be promoted in our efforts to protect food security and livelihoods in the face of growing climate impacts on our region.

Climate mitigation in the agriculture sector must be based on real emission reductions or prevention. So far, soil carbon "sequestration" has been presented as a solution to prevent dangerous anthropogenic interference with the climate system. But carbon "sequestration" in soils does not reduce or avoid emission reductions per se. As these 'reductions' are not permanent, technically, they cannot be defined as sequestration because soils will likely become a net source of carbon as precipitation patterns change and temperatures increase.

Carbon markets are seen as an important source of climate finance. However, in reality this functions differently as it is very difficult to achieve changes in terms of sustainable practices for the agricultural sector by relying on market based mechanisms. Carbon markets, as defined by the COP-17 in Durban aim "to enhance the cost-effectiveness of, and to promote, mitigation actions." However, until now this has been widely controversial because these markets have a top down governance approach and cannot cater for behavioral change in the agriculture sector or shield small farmers from negative social and environmental impacts. In reality, carbon markets have been beneficial for those firms that have received huge carbon credits for free from governments that can afford to subsidize their industries.

Market-based mechanisms should be based on criteria, such as vulnerability, harm to food production and sustainable development, and be applied on the basis of equity and common but differentiated responsibilities.

Agriculture offset projects are a very contentious issue because these create significant challenges in terms of measurement and environmental integrity. Furthermore, lack of appropriate data and measurements of in situ soil types as well as their associated climate

christian aid

Christian Aid insists the world can and must be swiftly changed to one where everyone can live a full life, free from poverty. We provide urgent, practical and effective assistance where need is great, tackling the effects of poverty as well as its root causes.

Drawing small farmers into carbon markets for the sake of carbon credits will create the potential for increased social conflict and human rights violations around land tenure, land grabbing and the displacement of food production in favor of more easily calculable carbon sinks.

variability, past and future land use, and management practices all compound the existing problems. Soil carbon content can be highly variable depending on crops and their cropping cycles, human activity, land tenure and the climate itself.

We see a real threat that the solution of carbon markets for climate mitigation in the agriculture sector will be further encouraged in international climate policy negotiations. This has the potential to aggravate already difficult challenges such as land rights and food security.
Drawing small farmers into carbon markets for the sake of carbon credits will create the potential for increased social conflict and human rights violations around land tenure, land grabbing and the displacement of food production in favor of more easily calculable carbon sinks.

In general there is a widely shared sense that market-based approaches now in consideration at UNFCCC level will not be very successful and likely have negative financial and environmental consequences. Furthermore, experience tells us that such mechanisms do not contribute to emissions reductions needed to avoid dangerous climate change and rather jeopardize the agriculture sector's ability to adapt to global warming.

There is a lot at stake at the upcoming Conference of Parties in Warsaw. Agriculture will be central in the Subsidiary Body for Scientific and Technological Advice (SBSTA) where mitigation aspects in agriculture such as co-benefits of climate adaptation policy will be discussed. Together with sectorial mitigation approaches and new market mechanisms agriculture will also feature prominently on the discussion agenda. Solely relying on market based measures to mitigate the effects of climate change in the agriculture sector means a high bet on food security and land tenure. Consequentially

Golden landscapes?

By Anika Schroeder, Desk Officer for Climate Change and Development, Misereor

The Gold Standard Foundation (GFS) is expanding its project scope to land use and forestry projects. This raises many questions even if we assume that this standard may ensure a high social integrity and provides funding for development and preservation of local ecosystems. There is a severe risk that this development opens the box of the Pandora and stipulates the inclusion of land based activities into more regional or even international compliance markets if not communicated carefully.

The widely accepted GFS was set up 10 years ago by several NGOs led by WWF in order to enhance and certify high quality carbon offset projects. The certification was only given to energy projects as too many risks were associated with crediting forestry or other land based activities 10 years back.
This summer, GSF expanded its scope and is now offering a 'land-use and forestry Gold Standard'. Afforestation/ Reforestation projects including mangroves can now generate Verified Emission Reductions (VER) for voluntary offsets. Schemes for Climate Smart Agriculture and Improved Forest Management are under development.

MISEREOR
IHR HILFSWERK

MISEREOR is the German Catholic Bishops´ Organization for Development Cooperation. Ever since its foundation in 1958 MISEREOR has strengthened the self-help capacity of farming communities consisting of people who are not merely passive recipients but agents of change.

Climate Constraints

What sounds like a good idea holds potential for many pitfalls and risks. First of all, fossil fuels need to remain under the surface while preserving ecosystems at the same time. As the window of opportunity to reduce global warming to below two degrees is getting smaller and smaller, accounting one with the other is just not helpful. Moreover, complex biological processes in soils and biomass make it difficult to obtain reliable soil and ecosystem carbon measurements – these, however, would be essential for the quantification of sequestered CO2 and the generation of corresponding VERs.

Paving the way toward the compliance market?

Land-based offsetting projects may not be too problematic if the standard would remain in the voluntary market.

But how to explain to negotiators, business and public that offsetting fossil fuel emissions with land based activities does not work if NGOs around the world are selling credits from these sectors with a formula: like "you drive a car, we plant a tree"?

There is a severe risk that this development paves the way forward for an inclusion of land based activities into international compliance markets or into more national and regional carbon markets. History has shown that activities that reduce emissions from land use have led to a criminalization of marginalized farmers and indigenous communities. Moreover, these activities have been responsible for land displacement and have limited the access to natural resources that livelihood systems depend upon.

Funding agriculture via carbon markets would benefit large-scale farming and companies who are able to bear the high upfront costs to negotiate with buyers of credits and to monitor activities. This could provide incentives for an expansion of large-scale agriculture and lead to further "land grab deals". Furthermore, carbon market 'readiness' projects will surely divert institutional, human and monetary resources away from other development efforts, as a large part of costs is likely to be met by Official Development Assistance (ODA). Funds from carbon markets may furthermore support practices that ensure highest carbon sequestration measures and "the absolute easiest to measure" techniques, rather than the most appropriate support needed by a farmer.

Political will from governments is needed to achieve "Golden landscapes". Best practices, however are necessary in order to make this happen. GSF can therefore still play a role in supporting real solutions if communication strategy would include the above constraints. But until now, the question, if GS supports an inclusion into the compliance market or not remains open.
For further reading and references see:

MISEREOR 2012: **"Climate-smart agriculture – A useful development paradigm?"**
MISEREOR 2012: **"Carbon markets in Agriculture – Benefitting the Poor and the Climate?"**

But how to explain to negotiators, business and public that offsetting fossil fuel emissions with land based activities does not work if NGOs around the world are selling credits from these sectors with a formula: like "you drive a car, we plant a tree"?

Reality Check: Offsets in EU's Climate Legislation

By Adela Putinelu,
Policy Assistant,
Carbon Market Watch

Picture: http://www.flickr.com/photos/20024546@N05

The European Union will easily meet its Kyoto climate targets for 2020, the annual report of the European Environment Agency (EEA) shows. While this is good news on the one hand, the report also shows that the EU has missed on a huge opportunity to boost domestic action. As EU policy makers are currently debating the design of EU's Climate Framework for the period 2020-2030 it is time to draw the line and take stock of EU's offsetting experience.

Offsets were established as a cost effective tool to mitigate greenhouse gas (GHG) emissions and comply with climate targets. However, it is a zero sum game for the climate allowing companies and governments to count the emissions 'saved' through investments in offsetting projects towards climate obligations. In the EU, the large quantity of offset credits allowed until 2020 bought governments and companies' way out of climate protection ensuring a minimum of environmental standards.

International Offsets Have Undermined EU's Climate Policy

The EU's Emission Trading Scheme is considered the pillar of EU climate policy and the largest market for emission permits in the world. Currently, the EU ETS suffers from record low allowance prices, a massive oversupply and very low demand. The economic recession combined with an over allocation of pollution permits rendered the quantity limit for offset credits too generous and consequently disrupted the functioning of the carbon market. According to the European Commission report "The state of the European carbon market", the use of international offsets in the EU ETS has almost doubled the oversupply in the period 2008-2011 and is estimated to amount to three quarters of the oversupply by 2020.

The EU's Effort Sharing Decision (ESD) ensures that the EU's greenhouse gas (GHG) target for 2020 is legally binding for Member States and economy wide in scope. It covers transport, buildings and agriculture sectors accounting for almost 60% of EU's GHG emissions.

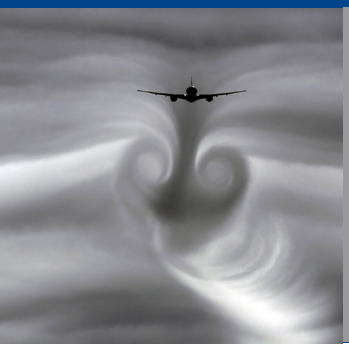
In October, the European Environment Agency (EEA) released its annual report "Trend and projections in Europe 2013" which shows that Member States are on track to fulfil their Kyoto commitments and will over-achieve the 20% reduction target by 2020 just with measures already in place. The report shows that reaching EU climate targets was possible and much easier than planned. However, the current rate of progress is far from enough to achieve 80-95% reduction by 2050.

Moreover, numerous offset projects have been criticised for not achieving sustainability benefits, their declared secondary goal. The UNFCCC has so far failed to address evidence about CDM projects linked to human rights abuses. More generally, the CDM keeps supporting unsustainable technologies, such as coal power plants and large hydro projects.
Carbon Market Watch has recently organised a European Parliament event 'International Carbon Offsets in EU climate legislation – Time to say good-bye? You can view the presentations and a summary of the event **here.**

To draw on the lessons learnt, we have published a new policy brief "The Elephant in the Room: International Offsets in EU's 2020 Climate Legislation" available **here**. To set the stage for a healthy climate and energy framework for the period 2020-2030, Carbon Market Watch recommends that:

- offset credits from following project types be banned for use in both the EU-ETS and the ESD for the period from 2013 – 2020:
  * Industrial gas projects that destroy HFC-23 and N2O from adipic acid production
  * Large-scale power projects, including hydropower, wind power, natural gas, and coal power
  * JI track 1 projects
- Moreover, a do-not harm assessment should be introduced that suspends offsetting projects in case of evidence of human rights abuses.
- A future EU climate framework for the period post-2020 must be based on domestic emissions reductions only.

ICAO promises global aviation deal in 2020



By Adela Putinelu,
Policy Assistant,
Carbon Market Watch

Picture: http://www.flickr.com/photos/20024546@N05

The International Civil Aviation Organisation's (ICAO) long awaited Triennial Assembly meeting in late September 2013 agreed to agree on a global market based measure (MBM) by 2020. Seemingly a good progress, the forthcoming agreement fails to put something tangible on the table. Little aspects about how such an MBM would look like are known while the airline industry strongly pushes for a global offsetting mechanism that would enable it to reach a carbon neutral growth goal. Global aviation emissions are set to rise dangerously and an offsetting mechanism by 2020 is too little and too late to ensure that the aviation sector reduces its emissions in line with the 2° degree Celsius goal.

Greenhouse gas emissions (GHG) from international aviation make up 5% of man-made global warming, representing the fastest growing transport sector. Future projections only foresee a steep growth and further increase of emissions of this sector. If the aviation sector would be a country, it would represent the 7th largest polluter. Most worryingly, air traffic emissions are rapidly rising at about 4% annually. CO2 emissions from aviation almost doubled from 1990 to 2006. Nevertheless, aviation emissions are currently not subject to any binding emission reduction target.

Procrastinating since 1997

In 1997 the Kyoto Protocol required states to find solutions through the UN aviation body, ICAO. However, ICAO failed to move for years and as a response the EU decided to include all emissions from flights to/from and within Europe in its emissions trading scheme, the EU -ETS in 2012. This unilateral decision has been very controversial, triggering opposition by many countries including the US, Russia, China and India. As a sign of compromise and in order to give ICAO enough time to negotiate a meaningful global aviation agreement, the EU decided to cover only intra EU flights for 2012.

However, the issue over regulating emissions through the EU ETS is again in the spotlight. After ICAO put forth a draft resolution in late September announcing agreement over the global deal by 2020, the EU announced that it still wants to regulate emissions in EU airspace until a global MBM comes into force.

The EU argued that until a global MBM comes into force, interim regional mechanisms that regulate the minimum of airspace emissions should be allowed to function. After tense negotiations in ICAO, the draft resolution specifies that regional mechanisms like the EU ETS could only function if there is mutual consent from all respective parties.

Strong international opposition to binding targets

United States, China, India, Russia and other nations were frantically opposed to the EU ETS and now believe it is unlawful that the EU applies its climate legislation for its own airspace. At the same time, European Commission announced that it expects a swift agreement on its proposal to cover emissions within EU airspace and that this is a sovereign right. In effect, even this measure means little for climate protection. If every country would regulate airspace emissions, only 22% of global aviation emissions would be covered. The rest occurs in international airspace and overseas.

"Read our Policy Brief - Turbulence Ahead: Market Based Measures to reduce Aviation Emissions"

As nations scramble over how to delay a binding target for regulating aviation emissions, the airline industry has already stepped in and announced that a global offsetting mechanism would be most administratively simple and feasible to implement. However, as the articles in this Watch This! Edition show, offsetting under the current rules will do little to reduce aviation emissions. Not only does offsetting not incentivise in-sector reductions, the climate effect is actually getting worse when offsets do not represent real emissions reductions. The battle over what constitutes a robust global market based mechanism for aviation emissions has started.

Voluntary carbon market approves wind farm project on occupied land previously turned down by CDM

By Erik Hagen, Chair, Western Sahara Resource Watch

Picture: http://www.flickr.com/photos/20024546@N05

The Verified Carbon Standard (VCS) has just registered a wind farm project in the occupied territory of Western Sahara. Earlier attempts by the project proponent to have the farm registered at the UN Clean Development Mechanism (CDM) had backfired precisely because of its location in a politically controversial area.

With its sunny climate and extensive windy coast line, Western Sahara ticks all the boxes as an ideal location for renewable energy projects. But the territory has been the scene of a protracted conflict since 1975, when Morocco invaded and subsequently annexed large parts of its southern neighbour. In the war that ensued, tens of thousands of Saharawi fled to the Algerian desert where they remain till this very day as refugees living in harsh conditions. Saharawis that stayed in their homeland face the brutal yoke of a military occupation. The United Nations consider Western Sahara as a territory awaiting decolonization, and have repeatedly stressed the Saharawi people's right to self-determination. No state in the world recognizes Morocco's claims on the territory. UN mediated peace talks are deadlocked due to Morocco's intransigence.

Blatantly ignoring international law and a UN Legal Opinion on the matter, Morocco uses and sells Western Sahara's natural resources as its own. Not blessed with hydrocarbon reserves and facing ever increasing oil bills, Morocco took an interest in developing its wind and solar potential, including in the territory that it holds in violation of international law. The Foum el Oued wind farm, with a capacity of 50 MW, is just one of the wind farms that Morocco seeks to build in Western Sahara. The project will be carried out by the Moroccan company NAREVA - owned by the Moroccan King whose father decided to invade Western Sahara - in close collaboration with German multinational Siemens, contracted to supply wind mill parts and technical knowhow.

Seeking UN endorsement for its plans on occupied land, NAREVA applied for registration at the UN CDM. But Det Norske Veritas, the Designated Operational Entity, turned the project down in 2012 precisely because it was located outside of Morocco's internationally recognized borders, in a politically contested area.
NAREVA's subsidiary Energie Eolienne du Maroc (EEM) then tried its luck on the voluntary carbon market, where the lack of standardized rules seems to have played in its advantage. VCS registered the contentious project in May 2013. WSRW has requested the VCS Board to reconsider this decision.

WSRW WESTERN SAHARA RESOURCE WATCH

Western Sahara Resource Watch is a network organisation that researches and campaigns the foreign companies involved in the resource rich occupied Western Sahara. WSRW aims to raise awareness of the illegal occupation of Western Sahara, advance the Saharawi people's right to self-determination and preserve the territory's natural resources for usage of its people.

Blatantly ignoring international law and a UN Legal Opinion on the matter, Morocco uses and sells Western Sahara's natural resources as its own

Watch This!

NGO Voices on Carbon Markets

Notice board

On 17 October, Carbon Market Watch organized an event in the European Parliament – 'International Carbon Offsets in EU climate legislation – Time to say good-bye?', presentations and the summary event available here.

Carbon Market Watch has published a policy brief – 'The Elephant in the Room: International Offsets in EU's 2020 Climate Legislation', you can access it here.

Our next event 'Effort Sharing – how to unlock the potential of non-ETS sectors in the 2030 climate package' in the European Parliament will take place on 6 November, details available here.

Sign On to COP19 Open Letter: Stop carbon markets from undermining mitigation commitments at COP-19. The letter is available in English, French, Spanish, Chinese, German, Hindi and Polish see here

Join our side-event during COP 19 in Warsaw on 15 November to discuss and advocate for human rights safeguards in the CDM! You can register here and find an updated schedule of all COP 19 side-events here.

"Read our policy brief – Rethinking the role of international carbon markets in the EU's 2030 climate framework, you can access it here

To prepare for COP 19, read our position paper 'Herding the global carbon market cats' here

About Carbon Market Watch

Carbon Market Watch, a project by Nature Code, provides an independent perspective on carbon market developments and advocates for stronger environmental and social integrity. Carbon Market Watch was launched in November 2012 to expand the work of CDM Watch to areas beyond the CDM.

The Carbon Market Watch Network connects NGOs and academics from the global North and South to share information and concerns about carbon offset projects and policies. Its purpose is to strengthen the voice of civil society in carbon market developments.

Join the Network

Subscribe to Watch This!

Follow us on

twitter@Carbonmrktwatch and facebook.

Carbon Market Watch
Rue d'Albanie 117
1060 Brussels, Belgium

info@carbonmarketwatch.org
www.carbonmarketwatch.org