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Wuppertal Institute for Climate, Environment and Energy

NEWSLETTER OF THE PROJECT "JIKO DEVELOPMENT PHASE 2007–2009" · WUPPERTAL INSTITUTE · RESEARCH GROUP ENERGY, TRANSPORT AND CLIMATE POLICY

Editorial

Dear reader,

The UN Climate Change Conference took place in December 2008 in the Polish town of Poznan. Compared with the previous conference in Bali, Poland's wintry temperatures mirrored the rather different political climate: the Poznan conference was dominated by the financial crisis that has pushed climate change out of the headlines and given some policymakers an excuse to turn their backs on ambitious climate change mitigation targets.

There was a similar atmosphere during negotiations on the EU Climate Change and Energy Package which were held in parallel to the UN conference in Poznan. While Poznan did not result in any significant progress on the future of the CDM and JI mechanisms, the EU decisions – at least where the EU Emissions Trading Scheme (ETS) is concerned – send out clear signals as regards future use of CERs and ERUs.

The decisions adopted by the EU will not, however, be enough in themselves to give the CDM/JI market the transparency and momentum it needs. UN negotiations in 2009 must thus be stepped up if the ambitious goal of securing a post-2012 climate change agreement by the end of 2009 is to be reached, which will also decide the future of the Kyoto mechanisms.

This issue of JIKO Info looks at the CDM/JI-related outcomes of the Poznan conference and of the EU climate change and energy package. It also contains two articles which present these outcomes through the eyes of industry and NGOs. The industry standpoint is set out by Dr. Michael Fübi, head of climate change policy at RWE Power; the NGO views are put forward by Christoph Bals, executive director for policy at Germanwatch.

On behalf of the entire JIKO team, I should like to wish you an interesting and enjoyable read.

Christof Arens

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JIKO Analysis

UN Climate Change Conference Paves Way for Copenhagen Agreement

Divided response to Poznan decisions

The UN Climate Change Conference was held from 1–13 December 2006 in the Polish town of Poznan. When addressing the CDM/JI mechanisms, delegates gave greatest attention to whether to approve CCS and HFC projects and to advancing the CDM and JI beyond 2012. Proposals concerning the role of the Kyoto mechanisms in a future climate change regime ranged from sectoral approaches and benchmarking to discounting CERs and differentiating between host countries. No agreement was reached in Poznan, however, as initial progress is not expected until the Bonn conference in March 2009. JIKO Info looks at the CDM/JI-related outcomes from Poznan and gives an insight into the upcoming round of negotiations.

There was a significant increase in the number of CDM projects approved last year, with over 1,200 projects registered by November 2008. This represents a 67 percent rise compared with 2007. This rise was, however, accompanied by growing criticism. A number of studies and media reports have shown that the CDM Executive Board (EB) has approved a large number of non-additional projects. Non-additional projects result in some of the emission reductions the Kyoto Protocol prescribes in industrialised countries being offset by spurious reductions in developing countries and thus to an actual increase in global greenhouse gas emissions.

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EU Agreement on Post-2012 Use of Flexible Mechanisms

Agreement on climate and energy package coincides with climate change conference in Poznan

The EU announced its climate and energy package in December 2008. Among other things, the package contains a set of rules on the extent to which the CDM and JI may be used beyond 2012. Two key components take in the review of the EU Emissions Trading Directive and the decision on distribution of climate change targets (known as effort sharing) for sectors not covered by the Emissions Trading Scheme – for example buildings, transport and agriculture.

In 2007, the EU set its own target to achieve a minimum 20 percent reduction in its greenhouse gas emissions by 2020 compared with levels in 1990. And if a new international climate change agreement comes into being, the EU is also prepared to raise that target to 30 percent on the condition that other developed countries commit to similar cuts.

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UN Conference paves way for Copenhagen agreement
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Halldor Thorgeirsson, UNFCCC, AWG-LCA Vice-Chair, Chair Michael Zammit Cutajar and Marcela Main Sancha, UNFCCC, in talks at the Poznan conference. Photo: Leila Mead. Printed with the kind permission of IISD/Earth Negotiations Bulletin.

The criticism surrounding the CDM is directed both at the UN procedure and at the work performed by the Designated Operational Entities (DOEs). At its last meeting of the year, just ahead of the CMP, the EB suspended one of the biggest DOEs (Det Norske Veritas) for breaching the CDM rules. The EB accused Det Norske Veritas of using poorly qualified staff and of failing to provide transparent documentation of its project-related decisions. The decision caused considerable unrest among carbon market participants.

Advancing the CDM in its present form

Against this backdrop, the Conference of the Parties serving as the Meeting of the Parties (CMP) discussed measures to improve the environmental integrity of the CDM. The EU proposed far-reaching reforms of the mechanism, including having DOEs selected and remunerated by the UNFCCC rather than by project developers. This would reduce the pressure on certifiers to give lesser priority to environmental concerns in order to 'push through' their clients' projects. Also, technical decisions should be transferred to the Climate Secretariat in order to lessen the workload of an already over-burdened EB. A code of conduct for EB members would ensure they are better safeguarded against potential conflicts of interest. It was also suggested that an appeal procedure be devised to allow project developers to contest EB decisions.

Many countries from the South rejected these proposals, however. They believe that the Secretariat is dominated by the industrialised countries and thus have little trust in its work. Many developing countries called for the CDM process to be simplified rather than making it more stringent. They pointed to the repeated delays in project registration and inconsistencies in EB decisions.

None of the proposals was adopted in its original form. The CMP instructed the EB to develop and implement as a matter of priority a system to monitor DOEs on an ongoing basis and to publish statistics on DOE performance on its website. The EU proposal for DOEs to be remunerated by the UNFCCC was whittled down to an instruction to the EB to look at ways of improving DOE objectivity and independence.

The Conference of the Parties also tackled public criticism that the EB was too subjective in its current project evaluation procedure. The CMP thus requested the EB to provide for more objectivity in the procedure used to prove additionality. This is to be achieved with standardised methodologies for use in calculating financial parameters, quantitative approach-

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Climate policy decisions reached in Poznan

The Poznan conference served as a milestone in preparing for a firm post-2012 agreement at COP 15 in Copenhagen in December 2009. The conference thus marked the transition from the presentation of standpoints to hard and fast negotiation on the comprehensive climate regime to be agreed in Copenhagen later this year. Delegates therefore refrained from reaching any significant decisions. The chairs of the ad hoc working groups (AWGs) were, however, given a mandate to produce drafts for the 2009 negotiations. While progress was made in operationalising the Adaptation Fund agreed in Bali, it will continue to be financed solely by means of a levy on CERs and not on AAUs and ERUs as called for by some countries. In the course of the debate on the 'shared vision' agreed in the Bali Action Plan, it became clear that more and more countries are in favour of keeping global warming below 2° C. Many developing countries and emerging economies also announced their own emission reduction targets. No further agreement was reached, however, on setting medium-term targets for industrialised countries to achieve by 2020 (as agreed at the Bali conference).

es to highlight barriers and better definition of the term common practice. Objectivity in baseline setting is also to be improved. An EU proposal to increase the use of benchmarks failed to attract support.

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Entrance to the Poznan International Fair grounds, the venue for the UN Climate Change Conference.
Photo: Wuppertal Institute

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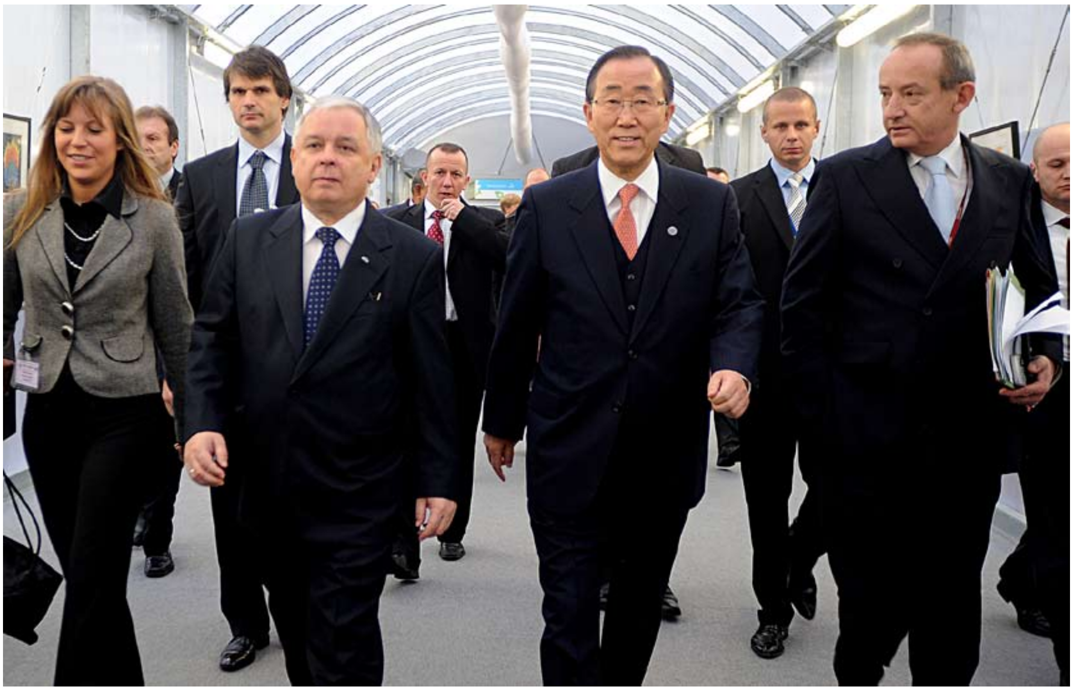

Polish President Lech Kacynski, UN Secretary General Ban Ki-moon and UNFCCC Executive Secretary Yvo de Boer on their way to the opening plenary. Photo: Leila Mead. Printed with the kind permission of IISD/Earth Negotiations Bulletin.

2° C. Many developing countries and emerging economies also announced their own emission reduction targets. No further agreement was reached, however, on setting medium-term targets for industrialised countries to achieve by 2020 (as agreed at the Bali conference).

The expectations as regards improving the mechanisms' environmental integrity rest, among other things, on the *Validation and Verification Manual* (VVM) adopted by the EB in 2008. The VVM, an instruction manual for DOEs, summarises and explains the CDM procedure. The CMP asked the EB to update the VVM on a regular basis and to take measures to bring about its implementation.

The Validation and Verification Manual is available for download at: http://unfccc.int/EB/044/eb44_repan03.pdf

Eligibility of CCS and HFC projects

The approval of carbon capture and storage (CCS) as a CDM project type has long been a subject of debate. Although OPEC and industrialised countries are in favour of integrating CCS into the CDM, other developing countries like Brazil, India and the small island states continue to reject the idea. Given that an agreement could not be reached, the EB was asked to assess the implications of integrating CCS into the CDM and to report its findings at CMP 5. As in previous years, no consensus was reached on projects involving destruction of hydrofluorocarbons (HFCs). While most countries now believe such projects should not be approved for new facilities, China in particular is convinced that the problems concerning projects of this type can be solved in the context of the CDM (see JIKO Info 04/2007). Both issues will be revisited at the SB sessions in June.

Geographical distribution of projects

Another controversial point focused on the geographical distribution of CDM projects. Backed by the EU, a proposal was put forward by African nations and least developed countries (LDCs) asking that:

- The registration process be simplified for countries that are significantly under-represented.
- The EB promote the development of methodologies suitable for use in such countries.
- Governments promote the development of projects in such countries.

Other countries in the South, like Saudi Arabia and Columbia, argued that not only least developed countries, small island states and Africa were being disadvanted in the CDM and that no specific group of states should receive preferential treatment as a result. Consequently, in response to pressure from a number of countries, the geographical focus was removed from the item on methodology

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development. However, the text referring to a simplified procedure and project promotion still contains a reference to LDCs, small island states and Africa.

The CDM's role in the post-2012 regime

The negotiations held in 2008 on the future of the climate regime led to a long list of options as to how the flexible mechanisms might be advanced beyond 2012. These largely involved sectoral approaches and benchmarking, and also the possibility of discounting CERs and distinguishing between host countries. Some states suggested integrating carbon capture and storage (CCS) and nuclear energy into the CDM. In Poznan, the Parties only discussed the further negotiation process, not the substance of developing the CDM further. The programme of work for 2009 requires the Parties to provide further input by the beginning of February. The chief negotiator of the respective ad hoc working group has until March to use this input to produce a revised draft.

Proposals on improving the CDM can be found at: http://unfccc.int/resource/docs/2008/awg6/eng/inf03.pdf

JI: Consolidating the start phase

With regard to JI, the CMP took receipt of the Joint Implementation Supervisory Committee report. JI projects have only been eligible for approval since 2008, meaning that the mechanism is still in its teething stages. The CMP thus refrained from adopting any overarching decisions. It did, however, call upon the Parties to provide additional contributions to fund the JISC, whose budget shows a worrying deficit of almost US$ 2 million.

Evaluation and outlook

Although the decisions on improving the environmental integrity of the CDM did not go as far as the EU and environmental NGOs would have liked them to, the COP still agreed steps to improve monitoring of DOEs and provide for greater objectivity in project approval. Just how the CDM Executive Board will implement these steps remains to be seen, however. Events in 2009 will show whether the Validation and Verification Manual improves the approval process to any significant extent.

In terms of the post-2012 regime, the climate change conference in Poznan served merely as a milestone and was not expected to produce any guiding decisions on the flexible CDM and JI mechanisms. The debate on the Kyoto mechanisms is still in its early stages, with a set of what in some cases were extremely varied proposals only having being collated and systematised in 2008. Full-blown negotiations will first be entered into in 2009. An initial indication of the direction likely to be taken is expected at the climate change conference in Bonn at the end of March. **WSt, CA**

Useful links:

Decisions adopted at the Poznan conference are available for download at: http://unfccc.int/meetings/cop_14/items/4481.php

German Environment Ministry Side Event on Programmes of Activities: http://www.jiko-bmu.de/basisinformationen/nachrichten_termine/doc/691.php

Summary of the climate policy decisions reached in Poznan (German Environment Ministry website): http://www.bmu.de/klimaschutz/internationale_klimapolitik/14_klimakonferenz/doc/42490.php

Conference analysis by the ISSD/Earth Negotiations Bulleting reporting service: http://www.iisd.ca/download/pdf/enb12395e.pdf

The podium during the opening plenary of the COP/MOP: Photo: Leila Mead. Printed with the kind permission of IISD/Earth Negotiations Bulletin.

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EU agreement on use of flexible mechanisms beyond 2012

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The EU has also set another 2020 target: it wants to increase energy efficiency by 20 percent and raise the share of renewables-generated energy in the overall energy supply to 20 percent.

The EU's Climate Action and Renewable Energy Package of December 2008 sets out the emission reductions the individual member states are expected to achieve in ensuring the EU attains its goal. The package also contains measures which will make it easier to achieve the target. Key elements of the package include the review of the Emissions Trading Directive, the effort-sharing decision, the Renewable Energy Directive and measures to promote carbon capture and storage (CCS).

CDM/JI and the EU Emissions Trading Scheme

The climate package provides for a 21 percent cut by 2020 in emissions from sectors covered by the EU Emissions Trading Scheme (ETS) compared with levels in 2005. The EU Emissions Trading Directive has been amended accordingly and now sets out two scenarios for CDM/JI use, both of which are reliant on a post-2012 climate change agreement.

If no international climate change agreement is reached, the following rules will apply:

→ Facility operators who have already participated in the current trading period may use their remaining CERs and ERUs if they have not exhausted the quantities approved for the current period. Alternatively, a quantity of certificates may be used in an amount equal to a specific percentage (at least 11 percent) of the quantity allocated for the period 2008–2012. Whichever option allows facility operators to use the greater quantity of CERs/ERUs may be used.

→ New participants in the EU ETS may use CERs/ERUs up to a certain percentage (at least 4.5 percent) of their verified emissions during the period 2013–2020. This means that 4.5 percent of greenhouse gas emissions may be covered by CDM/JI credits each year. If fewer CDM/JI credits are used in a given year, the remainder may be transferred to the subsequent year.

→ Air transport will be covered by the EU ETS from 2012. Airlines may use CERs/ERUs up to a specific percentage (at least 1.5 percent) of their verified emissions during the period 2013–2020.

The actual percentages will be determined by implementation provisions agreed in the EU comitology procedure. They will be designed to ensure that the overall quantity of CDM/JI credits approved for use in compliance does not exceed 50 percent of required reductions.

If a post-2012 agreement is reached which commits the EU to a reduction target greater than 20 percent, the allowed quantity of CERs and ERUs will be raised by half of the additional reductions required. This adjustment is not automatic, however. Rather, if a stringent post-2012 agreement comes into force, the EU Commission must present a new legislative proposal to the European Council and the Parliament. That is, yet another amendment to the EU Emissions Trading Directive will be required.

In addition to the quantitative restrictions, the climate and energy package allows the development of implementation provisions to limit the use of certificates accrued from certain project types. These provisions will also be agreed in the comitology procedure. Plus, the revised ETS Directive states that apart from CDM and JI, community-level projects (often described as domestic offset projects) may be allowed in sectors not covered by the EU ETS. The amended Directive thus provides for a further mechanism to be introduced at EU level alongside the CDM and JI.

CDM/JI and the Effort Sharing Decision

The effort sharing decision regarding distribution of emission reduction targets implements the unilateral 20 percent target for those sectors which are not covered by the EU ETS. The decision prescribes that by 2020, emissions in these sectors be cut by 10 percent compared with 2005 levels and divides this target into national shares among the 27 EU member states. A linear reduction curve with binding annual reductions for the period 2013–2020 is also prescribed. National contributions are allocated according to the respective country's

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Lignite-fired power station in Turow, South-West Poland. In operation since 1962, the plant is Poland's third-biggest and has an output of 2,000 MW (representing 7 percent of the country's overall supply). Photo: GB Earth, photocase.com

relative wealth and range from –20 percent for richer countries like Luxembourg and up to +20 percent for poorer states such as Bulgaria. Germany is committed to cutting its emissions by 14 percent.

In the absence of a post-2012 international climate change agreement, each member state may use CDM and JI credits in an amount equivalent to three percent of their 2005 emissions. Member states that do not use up their three-percent allowance in a given year may either save the remainder for the following year or sell it to another member state. Twelve member states may also use an additional one percent of their 2005 emissions, but only in the form of certificates accrued from projects conducted in least developed countries (LDCs) and small island developing states (SIDS). The twelve countries concerned are Austria, Belgium, Cyprus, Denmark, Finland, Ireland, Italy, Luxembourg, Portugal, Slovenia, Spain and Sweden. The additional rule was introduced because the EU Commission reports that these particular EU member states face comparably higher costs in complying with their reduction commitments.

Although the three or four percent share of a country's 2005-level emissions appears low, it is of course allowed for each year of the 2013–2020 commitment period. Because the required reductions are set out in a linear curve from 2013 to 2020, they are low in the first year and reach a maximum in the last. Hence, according to EU Commission statistics, the overall quantities of CDM/JI credits allowed for compliance equal more than two-thirds of the required reductions.

In the event a new post-2012 agreement comes into being, allowances for use of CDM/JI credits for compliance would also be raised (as with the EU ETS) by an amount equal to half of the additional reduction required. Again, a new legislative process would be triggered rather than the target and allowances being adjusted automatically.

The types of certificates allowed for use are the same as the EU ETS allows in the 2008–2012 trading period. Certificates from afforestation and reforestation projects may also be used. Use of credits from community-level projects is also possible (see above). **WSt**

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Further information:

Documentation on the EU Climate and Energy Package and related information is available on the EU Commission website:
http://ec.europa.eu/environment/climat/climate_action.htm

German Environment Ministry background paper on the EU Climate and Energy Package:
http://www.bmu.de/klimaschutz/downloads/doc/42799.php

Responses to the EU Climate and Energy Package:
http://www.climnet.org/EUenergy/EU_Energy_Package.html

JIKO Contributing Articles

The JIKO team invited two prominent climate change experts to write contributing articles and comment on the decisions made in Poznan and Brussels from their particular perspective. Industry representative Dr. Michael Fübi, head of climate change policy at RWE Power, and NGO representative Christoph Bals, political director at Germanwatch, take a critical, institution-specific look at the current situation regarding the Kyoto mechanisms.

JIKO Standpoint

Post-2020 Climate Policy Needs New Focus

EU Climate and Energy Package Hikes Up Costs of Climate Efforts with Drastic Consequences for CDM Sector / Copenhagen Must Settle CDM Future

by Dr. Michael Fübi, RWE Power AG

Last year, the EU adopted its climate and renewable energy package. This year, the international community will map out the future for the Clean Development Mechanism (CDM).

For further information on the EU decisions, see the previous article and also http://ec.europa.eu/environment/climat/climate_action.htm

RWE has put its trust in the CDM, believing it is indispensable to sustainable, efficient climate change mitigation.

When it comes to the role of the CDM in global climate change efforts and the size of the CDM sector that has developed in recent years, the EU appears unimpressed. At the end of December 2008, the EU Parliament and the Council decided to restrict use of CDM certificates in achieving its 20 percent emissions reduction target by 2020. The quantities of CDM certificates approved for use in reaching the Kyoto targets for the period 2008 to 2012 have been extended to 2020. But until a post-Kyoto agreement is finalised, from 2013 onwards the sectors now participating in the EU ETS will only receive new allowances worth around 200 million tonnes of CDM-generated certificates. And not all facility operators will benefit in the same way. German facility operators in particular have more or less been excluded from using more CDM certificates than already allowed during the period 2008 to 2012. In setting this rule, the EU has passed up the opportunity both to achieve its emissions targets without the need to implement prohibitively expensive reduction measures in Europe and for installation operators to use a substantial amount of cheaper CDM certificates for ETS compliance rather than certificates acquired through auctioning.

This came as a huge disappointment to industry and energy suppliers who had already earmarked the quantity of CDM certificates allowed for use until 2012 and intended to use the CDM to buffer the costs of their climate efforts beyond 2012. Now, instead of being achieved where they are most cost-effective, carbon savings will be made where policymakers decree. Australia recently showed that there is a better way. When designing its emissions trading scheme, the Australian government relied on cost-effective climate change mitigation activities: to achieve their targets, participants in the Australian emissions trading scheme will be allowed to generate up to 100 percent of the certificates needed from CDM projects.

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Dr. Michael Fübi, engineer and businessman, has headed the climate change section at RWE Power AG since late 2005. RWE is a key player in the CDM sector and has been involved in upwards of 100 projects so far.

In recent years – largely driven by demand in Europe – a CDM sector has emerged with the capacity to generate an average 500 million CERs per year. The EU decisions represent a massive cut in this sector's potential. How the EU member states will exploit their limited opportunities to use CDM certificates and thus generate demand remains to be seen. Another uncertainty involves the amount of CERs needed in other trading schemes in the US, Canada and Australia, and whether this will compensate (at least in part) for the lesser demand from facility operators participating in the EU ETS. The market situation for independent project developers is also difficult in that buyers acquiring certificates for their own use will optimise the expanded opportunities to use CDM credits for compliance up to 2020 by being extremely selective in their project choice and by developing more of their own projects.

Project development entails great uncertainty and so harbours tremendous risk. On the one hand, no decision has been reached as to the project types that will no longer be allowed beyond 2012. On the other, if a post-Kyoto agreement comes into force, businesses run the risk of not being able to use certificates for compliance in the EU ETS if they were generated from projects approved prior to 2013 but involve reductions to be achieved beyond 2012. Use of these certificates would be dependent on the CDM host country ratifying the new agreement. The rapid drop in prices for EUAs and secondary CERs in the past few months has only served to exacerbate the already difficult situation in a CDM sector that is trying to hold its own in the economic crisis. The sector faces considerable problems in obtaining the funding needed for project development and implementation. There are already signs of market consolidation and a decline in project activities.

The climate change conference in Poznan produced no results as regards a post-Kyoto agreement. There was, however, an unpleasant surprise in that despite the prevailing consensus as to the urgency of the matter, the international community did not even manage to agree on reforms to the CDM process and the roles played by related institutions. Although there was agreement on a number of key issues, their finalisation was stymied by the policy tactics employed in the closing minutes of the conference.

Efforts to ensure the CDM's future must continue.

Pony power meets wind power: A wind farm which is part of the CDM Project 1261 Guohua Wind Farm in Inner Mongolia. The photograph was entered in the UNFCCC/CDM International Photo Contest 2008. Photo: Chun Li.

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Christoph Bals is the executive director for policy at Germanwatch, and a board member at Stiftung Zukunftsfähigkeit (The Sustainability Foundation) and the Munich-based Climate Insurance Initiative. He has launched numerous climate and development initiatives and has also organised climate and industry alliances such as e5, e-mission 55 and atmosfair.

Signs Point to Need for CDM Reform

by Christoph Bals, Germanwatch

The next few months will highlight the climate change-related risks that we, our children and our grandchildren will face over the coming decades and centuries. Will the economic crisis be used as a chance to engage in creative destruction (Schumpeter) as a means of establishing a low-risk energy structure? And as a reason to join forces in overcoming the challenges involved in securing energy and climate certainty by means of energy efficiency, the use of renewable energy and carbon capture and storage (CCS)?

The new US administration has at least made all the right noises when addressing these problems. And it has filled its key government positions with people who can be trusted to push forward with much-needed change. The EU, by way of contrast, has demonstrated far less trust in its own ability to act. When adopting its climate and energy package in December, it wavered; the package is less ambitious than expected but at least it is in place. In the face of fierce opposition from the coal lobby in Germany, 100 percent auctioning of emissions allowances for the energy sector in western Europe was pushed through. A steadily growing share of renewable energy coupled with the emissions trading scheme, which is becoming less of a subsidy instrument and more a tool to promote and incentivise climate change efforts, make the building of new coal-fired power stations a hazardous game for investors and will continue to do so as long as they lack carbon capture and storage (CCS) facilities. This is also why it was decided that for a limited period starting in 2013, funds accrued from auctioning of emissions allowances may be used to finance the construction of coal-fired power stations. The message is clear: without subsidies, the building of new coal-fired power plants no longer pays.

EU Announces Generous Rules on CDM/JI

The generous provisions allowing use of CDM/JI certificates are also a concession to the energy sector and to industry as a whole. For stationary facilities participating in the EU ETS, this means they must reduce their emissions by 3,100 million tonnes during the period 2008 to 2020. They may, however, surrender 1,400 million tonnes' worth of carbon credits during the same period. There are also special contingents for new facilities and air transport. Overall, credits may be used to meet 53 percent of reduction commitments under the EU

Installation of a solar-thermal facility as part of CDM Project 0079 in Kuyasa, South Africa.
This is the winning photograph of the UNFCCC/CDM International Photo Contest 2008.
Photo: Nic Bothma.

ETS. The rules are even more generous for the EU member states, which retain responsibility for sectors not covered by the emissions trading scheme. The approved amount of CDM certificates used for compliance will increase further if the EU raises its reduction target to 30 percent as it plans to do if an ambitious Copenhagen agreement comes into being.

Three consequences arise from this generous use of CDM/JI certificates.

→ The EU believes it is necessary to restrict global warming to less than 2° C. In its Communication of 28 January, the EU Commission pointed out that an increasing number of scientists are calling for more stringent targets (350 ppm). Achieving such goals would mean at least a 25 to 40 percent reduction in emissions in industrialised states and significantly lower increase rates in the emerging economies in the period up till 2020. The CDM is, however, being used to counteract one target with another. The EU Commission thus proposes that the CDM's potential be exploited in addition to the industrialised nation-supported climate strategies adopted in the emerging economies.

→ A key component of the international climate strategy adopted by all industrialised countries is that the emerging economies should take on serious obligations to engage in climate change activities from 2013, especially in the low-cost sector. The problem is that in its present form, it would be the CDM that reaped this low-hanging fruit. To avoid this strategic dilemma, the EU Commission has proposed that as part of the pending CDM reform, the CDM be tailored to the high-cost sector instead.

→ If such a large percentage of the EU target is to be met with CDM-generated certificates, then the credibility of that target will be reliant on the fact that CDM-supported projects (sectors and policies, for example) are really and truly additional.

The UN climate change conference in Poznan served first and foremost to move away from idea-gathering and engage in serious negotiation. CDM reform will be addressed in March. There is much to do on this front.

Imprint

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