

## Editorial

Dear Reader!

*The good news from the climate change summit in Cancún was that the UNFCCC process has not failed and is able produce results. Nonetheless, this outcome was only possible because in many instances, the decisions that were reached lacked clarity and the delegates chose to postpone crucial topics. This is why the overall results of the negotiations are rather vague, especially as regards the future of the Kyoto mechanisms.*

*In this issue of JIKO Info, we look at how the mechanisms can be further developed in the absence of substantive post-2012 decisions. Can the CDM continue? How can individual projects be turned into potential sectoral mechanisms, and where do NAMAs fit into that process?*

*On behalf of the editorial team, I wish you an interesting and enjoyable read.*

*Christof Arens*

## Content

- ▶ Flexible Mechanisms: Short-term Reform and Long-term Uncertainty  
Outcome of the Cancún Climate Change Summit
- ▶ Using the CDM beyond 2012  
Fragmentation or Business as Usual: Options for the Kyoto Mechanisms
- ▶ High-Level NAMA Roundtable
- ▶ Mexico presents buildings NAMA at COP16: Further support from international funders needed
- ▶ NAMAs in Tunisia: Climate funding for national waste management and energy policies

## JIKO Report

### Flexible Mechanisms: Short-term Reform and Long-term Uncertainty

#### Outcome of the Cancún Climate Change Summit

As usual, the flexible mechanisms were on the agenda in many negotiations in Cancún. Apart from the ongoing work performed by the CDM Executive Board (EB) and by the JI Supervisory Committee (JISC), the delegates also discussed integration of carbon capture and storage (CCS) into the CDM, the development of standardised baselines (SBLs) for the CDM, and the future of the mechanisms beyond 2012. JIKO Info takes a closer look at the key decisions reached.

To the great surprise of many, the COP decided in principle to allow CCS projects to be used in the CDM. This has been a subject of hot debate since 2006, and when the conference began there were no signs that the existing blockade could be dismantled. While the industrialised countries and the OPEC states had called for CCS to be included, Brazil and the small island states had repeatedly expressed environmental concerns about approving CCS for the CDM.

*Continued on page 2*

## JIKO Analysis

### Using the CDM beyond 2012

#### Fragmentation or Business as Usual: Options for the Kyoto Mechanisms

**After Cancún, and with CERs and ERUs from HFC23 and adipic acid projects excluded from the EU Emissions Trading Scheme, it appears that the chances of using the CDM through to the end of the decade have improved. Firstly, the decisions made in Cancún should be seen as confirmation that the CDM has a future. Secondly, the EU's decision can help increase the demand for CERs from projects involving energy efficiency, renewable energy, and waste management. Also, it became clear in Cancún that the development and establishment of new market-based mechanisms will be both difficult and time-intensive.**

This opinion can also be observed in the new emphasis within the practical activities and conceptual considerations involved in the German Environment Ministry's CDM/JI Initiative.

*Continued on page 5*

## JIKO Report

Flexible Mechanisms:  
Short-term Reform and  
Long-term Uncertainty

*Continued from p. 1*

In the end, these opponents voted in favour of CCS if the environmental concerns could be allayed.

Their concerns relate in particular to safety regarding CO<sub>2</sub> capture and storage, and the question of liability in the event of seepage. Although the CDM project cycle takes in a maximum of 21 years, CCS safety requires longer-term certainty. The host countries thus want to see rules ensuring that they will not be left alone to deal with the problems involved in

The Conference of the Parties also asked the EB to prioritise methodologies that can be used in under-represented countries and sectors. For Programmes of Activities (PoAs), the use of multiple methodologies and technologies in a single PoA is to be simplified. In doing so, the EB is also asked to look at the possibility of integrating city-wide programmes. This approach was proposed by the World Bank to improve integration of the transport sector into the CDM. Additionally, the EB will assess all existing methodologies for their ecological integrity

Towards an insecure future:  
The Chair of the CDM Executive Board, Clifford Mahlung, and staff from the Climate Secretariat at the summit in Cancún.

Photo: IISD/Earth Negotiations Bulletin



seepage occurring after the 21 years. The Subsidiary Body for Scientific and Technological Advice (SBSTA) has thus been asked to develop detailed rules for CCS projects to solve the critical issues. These will be presented at the next conference in Durban.

### Introducing Standardised Baselines

As ever, the talks on the ongoing work of the EB focused on several specific issues. Of particular importance is the mandate for the EB to develop standardised baselines itself (see JIKO Info 04 2010). The EB has been asked to prioritise SBLs for methodologies which could increase the number of projects in under-represented countries and sectors. In addition to this top-down approach, national governments, project developers and international organisations may submit proposals for SBLs – both for existing and newly developed methodologies.

and approve as its “highest priority” guidelines for the use of the “first of its kind” barrier and the analysis of “standard practice” as part of the proof of additionality requirement.

As a further measure to improve regional distribution of projects, the conference agreed to introduce a loan system for the development of projects in under-represented countries. The EB had put forward relevant proposals. The Climate Secretariat is now called upon to find an institution to administer the system. In addition, the simplified rules for proving the additionality of micro projects involving renewables and energy efficiency will be extended to other project types.

The conference also responded to the calls from market participants to allow direct communication between project participants and stakeholders on the one side, and the EB on the other. Up to now, communication has been indirect via the certifiers/verifiers. The EB will

## JIKO Report

now develop an appropriate process. No agreement was reached, however, on introducing an appeals procedure to allow objections to be raised against EB decisions. Particular points of contention involved the question of which body should act as the appellate body, who can submit a complaint, and on what issues. The Subsidiary Body for Implementation has until the Durban conference to draw up a set of recommendations.

### Drastic Budget Situation in the JISC

The talks on the JISC focused in particular on its pending insolvency. Given the low number of projects, the JISC has not even accrued enough revenue to cover its costs. At the same time, many components of JI Track 2, for which the JISC is responsible, are also used in Track 1 – such as the JISC-accredited verifiers. The Conference thus decided that in future, fees would be charged for projects in Track 1 to improve the Committee's revenue.

The Conference also decided that JI projects may be launched in Belarus and Kazakhstan, although these countries' accession to Annex B of the Kyoto Protocol has not yet entered into force. Certificates can, however, only be issued once this has happened. The conference also decided to perform a detailed analysis of the rules for JI in Durban.

### Uncertain Future

An overarching issue regarding CDM/JI was the growing uncertainty concerning the period beyond 2012. Market participants called for a clear sign that the mechanisms will continue to be used after 2012. However, most developing countries refused to discuss the future of the mechanisms as an issue separate to the future of the Kyoto Protocol. This came to the forefront in Cancún, because Japan and Russia expressed more determinedly than ever their refusal to agree to a second commitment period of the Kyoto Protocol beyond 2012. The Ad Hoc Working Group on Further Commit-



Is there potential for JI use in Russia? Russian delegate Oleg Shamanov in talks with John Ashe, Chair of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG KP).

Photo: IISD/Earth Negotiations Bulletin

## JIKO Report



Well advised: The Mexican Presidency led the Conference of the Parties to success.  
Photo: IISD/Earth Negotiations Bulletin

ments for Annex I Parties under the Kyoto Protocol (AWG KP) did note, however, that the flexible mechanisms should remain available to industrialised countries to help them achieve their emissions targets. But this wording is clearly reliant on new targets being agreed for the post-2012 period. While the AWG KP will continue its work, it is not unknown which legal form any new agreement will take.

There was less progress on the issue of creating new market-based mechanisms. These will be discussed further in the course of 2011. Nonetheless, the debate was raised to a new level because in Durban, the COP will take up this issue itself rather than negotiations being held at working group level.

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### Further information:

Links to all the decisions adopted in Cancún are available on the JIKO website at:

[www.jiko-bmu.de/986](http://www.jiko-bmu.de/986)

## JIKO Analysis

Using the CDM beyond 2012

*Continued from p. 1*

Which part of carbon reductions should emerging markets achieve of their own accord is a contentious issue. Gas and steam-fired power plants in Qinghai Province implemented as a CDM project.

Photo: Bin Gu/UNFCCC Photo Contest

The German government set out a fundamental task in its Coalition Agreement: to expand the CDM and improve its quality assurance. Against this backdrop, since spring 2010, the CDM/JI Initiative has underlined the bridging function of the existing project-based mechanisms, both with regard to the new market-based mechanisms and concerning nationally appropriate mitigation actions (the NAMAs). One of our major concerns at the moment is the extent to which Programmes of Activities (PoAs) can influence the development of national climate change policies and individual measures in the host countries.

Still, despite the underlying optimism, there is no reason to assume that CDM development and the introduction of new market-based mechanisms will be a matter of course. Some honest stock taking will have to occur if targets, requirements and practical activities are to be adequately defined. Neither a “wait and see”

nor a “business as usual” approach will help to prevent stagnation in the project-based segment of the carbon market. Which development models should we best prepare for?

### Taking the situation at face value

Despite the upbeat mood in Cancún, the CDM only has a binding future in relation to the EU Emissions Trading Scheme and – currently – only for least developed countries (LDCs). Also, projects registered up to and including 2012 which are not excluded due to “use restrictions” and earlier exclusion rules (sinks and nuclear energy projects) may still use certificates in the third trading period of the EU ETS, meaning until 2020.

By way of contrast, CDM projects which are not yet in an advanced development stage will have little chance of being registered. Outside the EU ETS, demand for CERs is extremely lim-



## JIKO Analysis

ited, and looking to the period beyond 2012, there is no confirmed demand – if anything the trend is towards disengagement. Japan, for example, is planning its own offsetting mechanism because it is unhappy with the slow progress in reforming the CDM.

One positive aspect is that the decisions made in Cancún are supported by a continuation of the CDM and of its reform. To be effective, the CDM must be reformed soon to overcome doubts regarding the economic and ecological efficiency of the mechanism. Plus, the debate regarding a second commitment period under the Kyoto Protocol has not let up. In addition, linking the CDM to the Convention is conceivable. The door to continued use of the CDM has not been closed despite the lack of demand.

### **Global acceptance of stricter reduction targets still the preferred option**

Reduction targets in industrialised countries provide a solid base for continued use of a reformed CDM. The CDM can be used wherever it can supplement national policies. Its additionality becomes clear in the context of NAMAs, which are implemented with national resources or are backed by international funding; this at least places evaluation on a transparent footing.

It also prevents the harvesting of 'low-hanging fruits' in CDM host countries, because it forces them to develop an interest in using the most cost-effective opportunities for their own policies. The developing countries have three different types of financial resources available in this connection: Their own budgets, carbon market funds, and international financial aid from industrialised countries. In developing their climate policies, they will have to decide the extent to which they want to harmonise deployment of those different resources and how much complementary they want between them. A simple ranking in which national funding is used by preference, followed by interna-

tional subsidies and only then supplemented by the carbon market would likely attract criticism. Firstly, there is a consensus among the industrialised nations that subsidies, where provided, must supplement private funds and not the other way around. And secondly, and essential to use of the various financing options, is the question of which emission reduction opportunity is most suited to which financing instrument.

It is, of course, quite likely that for a number of reasons the international community will not be in a position to agree new and appropriate emission reduction targets before the end of the first Kyoto Protocol commitment period. The much-cited 'gap' is a reality and it is so severe that greater reductions can only be agreed mid-decade. Given this situation, there will be two fundamental development options. One would mean the end of the project-based carbon market, while the other would throw it a lifeline.

### **The Option to Avoid: Fragmentation and disintegration**

While the media and NGOs exercise widespread criticism of the CDM because of poor additionality, the lack of ecological integrity and the inappropriate affordability of its emission reduction projects, many industrialised countries find its use troublesome. This is largely due to the CDM's uncertainties and time-intensive procedures. Given the vague international framework, these countries question why the CDM has to be the only available offsetting instrument. Unilateral mechanisms offer the chance of simplified processes, alternative modalities for verifying additionality (such as performance standards), and not least the possibility of promoting exports.

If the agreement of new, appropriate emission reduction targets is further delayed, the use of unilateral mechanisms will become ever more likely. The unified, project-based carbon market of the Kyoto world could soon become a thing of the past. Existing regional-level emissions

## JIKO Analysis

trading schemes are already planning their own offsetting mechanisms which will merely result in fragmented markets and sectoral and regional overlaps. The chance of a single carbon market is thus lost. In fact, the various offsetting mechanisms go so far as to block all notions of linking national and regional emissions trading schemes.

### **The Lifeline Option: A pragmatic approach not to be confused with muddling through**

A sufficiently strong group of states is interested in securing the carbon market. They are pushing for CDM reform, using jointly developed, innovative approaches like PoAs, and

When it comes to the carbon market, the next few years should also be used to gather experience with new mechanisms by means of pilot projects. The deciding factor is, however, that these activities must lead to notable emission reductions which actually help meet emission reduction targets. This is the only way to ensure that serious efforts are taken and that the measures adopted lead to additional carbon savings.

When compared with the CDM, new market-based mechanisms also offer the chance of establishing more efficient processes at macro-economic level. Even today, new approaches under the CDM could be put to the test under stringent conditions – say with the standardised



Which roles do least developed countries (LDCs) play in the CDM? Jacob Zuma, President of South Africa, and Ethiopia's Prime Minister Meles Zenawi.

Photo: IISD/Earth Negotiations Bulletin

are discussing how the CDM can be used as a link between the existing emissions trading schemes. The reformed CDM and its institutions would continue to be recognised. Regionally operated offsetting mechanisms do not throw the UN into question. Because the demand for certificates during this time-frame cannot be fed from globally agreed reduction targets, demand will have to be stimulated at national and/or regional level.

baselines agreed in Cancún, performance standards, e.g. related to market penetration of technologies, adequate processes for measuring, reporting and verification, and models to distribute accountable certificates among the actors. Irrespective of when globally appropriate reduction targets might be agreed, these pilot projects should not be shelved for too long.

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## High-Level NAMA Roundtable: Supported NAMAs a meaningful option for low-carbon development in developing countries

On the occasion of COP16, the Mexican Foreign Ministry organised a High-Level NAMA Roundtable with representatives from various negotiation delegations to foster informal exchange on the subject of NAMAs. The meeting took place on December 5, between the two weeks of negotiation, with Juan Cristóbal Mata Sandoval (Mexican Environment Ministry – SEMARNAT) as the moderator. Members of the delegations from Australia, Germany, Ghana, Mexico, Sweden, Switzerland and Tunisia participated in the roundtable discussions.

ferent project types such as energy efficiency, wind energy and solar energy (see the article on “NAMAs in Tunisia” elsewhere in this issue).

On the German side, Karsten Sach (German Environment Ministry) outlined the general requirements for NAMAs from a UNFCCC perspective and commented on how Germany has successfully supported Mexico and Tunisia in NAMA design. He said that Germany would like to remain involved in NAMA activities and that talks on cooperation with other countries were in the early stages.



Roundtables as a communications channel.

Photo: IISD/Earth Negotiations Bulletin

The meeting was held to bring a selected and manageable number of delegates from industrialised and developing countries together during the climate summit. This allowed them to talk informally but in detail about NAMAs in general, and about their practical experience in designing and promoting them. During the event, Mexico and Tunisia gave in-depth presentations on their NAMA efforts.

Mexico gave an overview of the existing national climate change programme, and of the NAMA initiatives in the transport, heavy industry and housing construction sectors. This was followed by a more detailed presentation on the country's housing construction NAMA which was completed in December 2010. This is currently Mexico's most mature NAMA concept (see the article on xxx elsewhere in this issue).

Tunisia presented two potential NAMA projects which were developed as part of German-Tunisian development cooperation efforts. They involved a waste management programme and a solar plan comprising several dif-

All roundtable participants basically agreed that the idea of supported NAMAs can be useful in helping developing countries on the road to low-carbon development. During the discussion, there was agreement that the approaches to supporting NAMAs should consider national conditions and focus on the priorities in the host country. It was suggested that developing countries which have yet to draw up a list of priorities for potential NAMAs could do so using low carbon development strategies (LCDs).

A NAMA pilot phase was considered useful by all participants in order to develop specific solutions and approaches for the open issues at UNFCCC level as regards monitoring, reporting and verification (MRV), and concerning interaction between NAMAs and the carbon markets.

*Matthias Krey, Perspectives Climate Change*



## JIKO Report

huge interest in side-talks held at the COP. Actual funding pledges were not forthcoming from potential funders. As regards further work on the NAMA, a prerequisite from the Mexican side calls for continued financial support in future design, implementation and financing of the NAMA.

### Further information:

The full version of the NAMA concept is available for download at:

[http://www.perspectives.cc/home/groups/7/Publications/NAMA\\_Design\\_Mexico\\_Working\\_Paper.pdf](http://www.perspectives.cc/home/groups/7/Publications/NAMA_Design_Mexico_Working_Paper.pdf)

Summary of NAMA application	
Issue	Description
Sector	Building construction
Sub-sector	Housing modernisation/construction (maximum 4 floors with 8 units)
NAMA scope	Mexico-wide
Measures and activities with a <b>direct impact</b> on carbon reduction	Substantial expansion of the Green Mortgage and <i>Ésta es tu casa</i> programmes using increased credit availability/subsidies and ambitious efficiency and renewables standards.
Measures and activities with an <b>indirect impact</b> on carbon reduction	Supporting measures for the redesign and transformation of the Green Mortgage and <i>Ésta es tu casa</i> programmes into an holistic urban planning process which includes mandatory building provisions.  Introduction of building provisions for energy efficiency in a pilot region  Promotion and implementation of building provisions in other regions over time  Capacity building and boosting the knowledge base. Expanding urban building criteria, with adoption and integration into an holistic framework
NAMA Time frame - Preparation phase	2011-2012
- Implementation	2012-2020
NAMA implementation and process costs	Full costs for significant expansion of the programmes through to 2020
NAMA Type	Supported NAMA (with the option for NAMA crediting for certain elements, e.g. photovoltaics)
Type NAMA-specific support needed	Financial and technical support, plus capacity-building

JIKO Report

# NAMAs in Tunisia: Climate funding for national waste management and energy policies

by Anselm Duchrow, GIZ



**Agro-Economist  
Anselm Duchrow**

manages the German Environment Ministry's CDM/JI Initiative in the MENA region, and is Head of German-Tunisian cooperation on climate change on behalf of GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit).

Wind farm in Tunisia  
Photo: GTZ Tunisia

Tunisia officially associated itself with the Copenhagen Accord in May 2010. At that time, NAMAs were just a long list of potential carbon reduction measures that was void of any real detail. With support from the CDM/JI Initiative operated by GIZ (a German development NGO), representatives from all affected sectors in Tunisia looked at NAMA suitability for their industries. Finally, two ideas were noted for further development of NAMA models: the National Plan for Renewable Energy and Energy Efficiency (Plan Solaire Tunisia) and a programme on sustainable management of organic waste. Read on to find out more.

The Plan Solaire Tunisia NAMA (2010-2016) comprises 40 individual projects to promote wind and solar energy, biogas, and the introduction of energy efficiency measures in the transport and buildings sector. The annual carbon savings amount to 1.5 MtCO<sub>2</sub>e, representing four percent of total annual emissions. The reduction target amounts to 660 kTep or 22 percent of the national consumption fore-

cast for 2016. The project design already contains SMART (specific, measurable, attributable and timely) indicators suited to use with NAMAs. These include the existing area of sun collectors [m<sup>2</sup>] and the installed capacity [MW].

The overall costs amount to €1.8 billion, of which €1.4 billion will be provided from national resources (private sector and government budget). This part of the NAMAs can be described as a "unilateral" NAMA. Pledges have also been made under bilateral and multilateral agreements to the tune of €9 million. This leaves €371 million, which Tunisia has applied for from the new carbon funding mechanisms.

The organic waste NAMA uses a coordinated package of measures to significantly reduce the occurrence of methane emissions from biodegradable waste. In contrast to waste management projects under the CDM, which have already been implemented in Tunisia, the NAMA involves no organic waste from private



## JIKO Report

households, but rather from agricultural waste, market waste, waste products from food production, and sewage sludge.

The NAMA model contains not only details of the necessary technology, such as fermentation and composting facilities, but also – and more importantly – the creation of statutory conditions and the introduction of waste management technology standards in order to implement the treatment and use of organic waste at the highest level. In this way, fermentation waste can be used as a fertiliser substitute and as compost in agriculture.

A key role is also played in the development of new occupations and professions, and training measures. These are necessary both to ensure that an industry sector can develop around the subject of organic waste management, and to quickly reduce to a minimum dependence on foreign expertise. bifa, an environmental institute, estimates that this NAMA will lead to savings of between 550,000 and 800,000 tCO<sub>2</sub>e per year.

Both NAMA models were presented at the high-level roundtable talks at the Cancún summit in Mexico (see the article on the roundtable elsewhere in this issue). International community interest in these models is huge, and Tunisia has been praised for its leading role in the NAMAs debate. The next steps involve a detailed plan of the models, through to full project maturity and including all necessary legal and institutional conditions and monitoring systems for carbon emissions and funding. Tunisia is looking for technical and financial support for this second NAMA development phase.

### Further Information:

The full NAMA concept can be downloaded at: [www.jiko-bmu.de/995](http://www.jiko-bmu.de/995)

## Glossary / Abbreviations

All CDM/JI-specific terms and abbreviations are explained in detail in a glossary on the JIKO website at [www.jiko-bmu.de/459](http://www.jiko-bmu.de/459)

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### Edited by:

Wuppertal Institute for Climate,  
Environment and Energy,  
Döppersberg 19  
42103 Wuppertal

### Responsible for the contents:

Christof Arens, Energy-, Transport and  
Climate Policy Research Group,  
Wuppertal Institute for Climate,  
Environment and Energy  
Tel. +49 202-2492-170

### Editorial Staff :

Christof Arens (CHA)  
Thomas Forth (TF)  
Wolfgang Sterk (WSt)

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