

Concerns about quality: project types, additionality and credibility

Effort sharing under the Climate Package - assessing the role of the Clean Development Mechanism

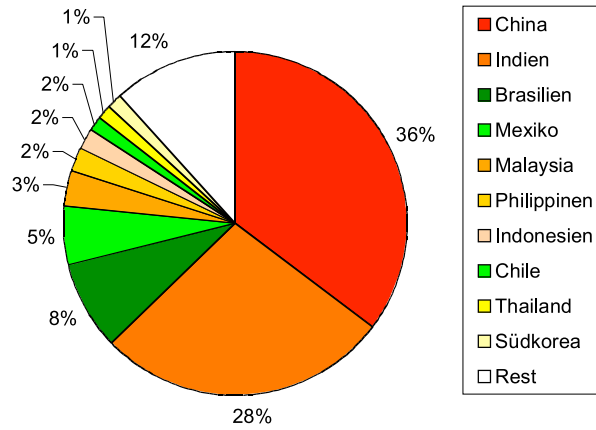
Event by Ecologic

European Parliament, Brussels, 3 June 2008

Overview

- **The CDM portfolio: project types and countries**
- **Quality problems: Additionality and Designated Operational Entities (DOEs)**
- **CDM in the EU ETS phase II**
- **Key lessons learned**

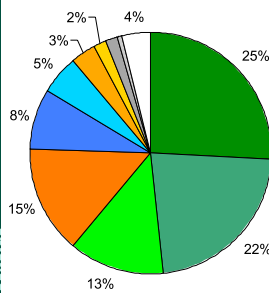
Project portfolio by project types



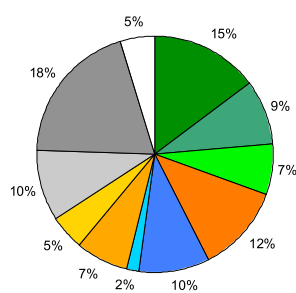
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Project portfolio by project type

No of projects



No of credits



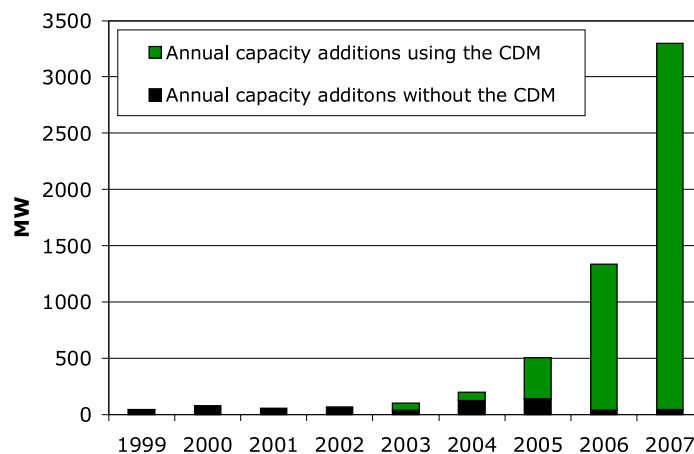
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Quality problems: additionality

- CDM is an offset mechanism: Crediting “business as usual” results in a global increase of GHG emissions
- Subjective “barriers” used to demonstrate additionality:
 - “Risk of currency exchange rate”
 - “Risk of possible future decrease of feed-in tariff”
 - “Unwillingness of management to invest”
- Investment analysis can be manipulated
- Additionality is questionable for many projects
 - Delphi survey: “Many projects would also be implemented without CDM registration” (71%)

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Case study: wind power in China



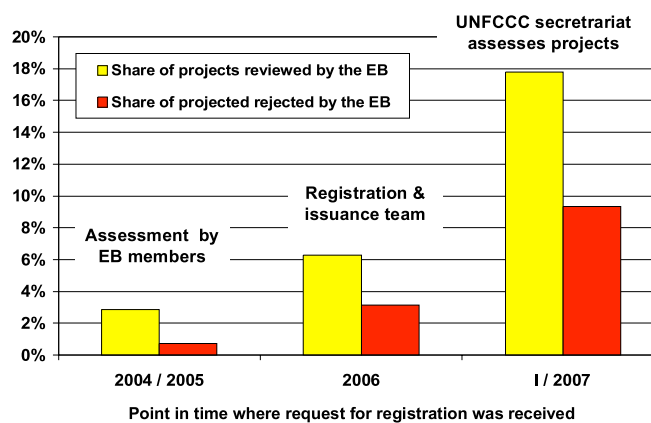
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Quality problems: Designated operational entities (DOEs)

- **Obvious quality problems in the last years:**
 - Spot checks by EB: non-conformities of the DOEs with regard to “competencies to perform validation and verification functions” and “compliance with CDM requirements”.
 - Only 36% of “retroactive” projects registered until July 2007 provided evidence that CDM was considered in the investment decision
- **Lack of detailed validation / verification instructions**
 - New Validation & Verification Manual underway
- **Currently still limited sanctions by the EB**
- **Low compensation, lack of qualified personnel**

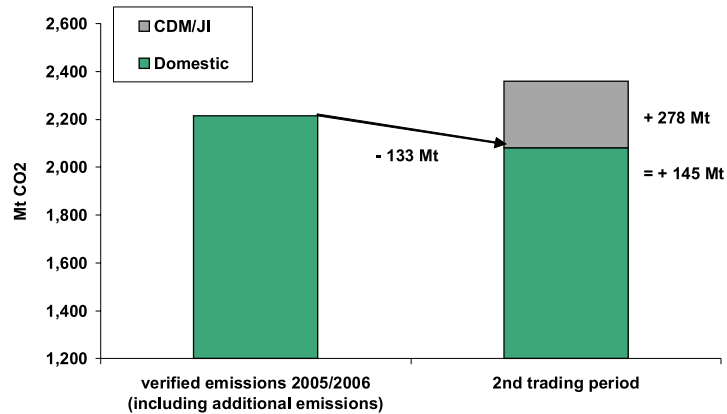
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Rejection of projects by the EB



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Use of CDM in the EU ETS 2008-2012



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Key lessons learned

- **Important achievements of the CDM**
 - Very successful for some non-CO2 mitigation opportunities
 - Capacity building and awareness raising
- **Considerable quality problems but improvements implemented / discussed:**
 - Enhanced screening of projects by UNFCCC
 - Better incentives for DOEs (VVM, training, sanctions, payment through UNFCCC)
 - Objective and transparent criteria for additionality (e.g. benchmarks)
- **But, whatever the rules: Offsetting / crediting has a lower environmental integrity than cap-and-trade**
- **Move from offsetting to own contributions by DCs**
 - Sectoral no-lose targets
 - Discounting of CDM credits or baselines below BAU
- **Ensure that actual emissions in the EU ETS decrease over time => need to limit the use of CDM/JI**

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Thank you for your attention!

**Study for WWF:
“Is the CDM fulfilling its environmental and
sustainable development objectives?”**

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