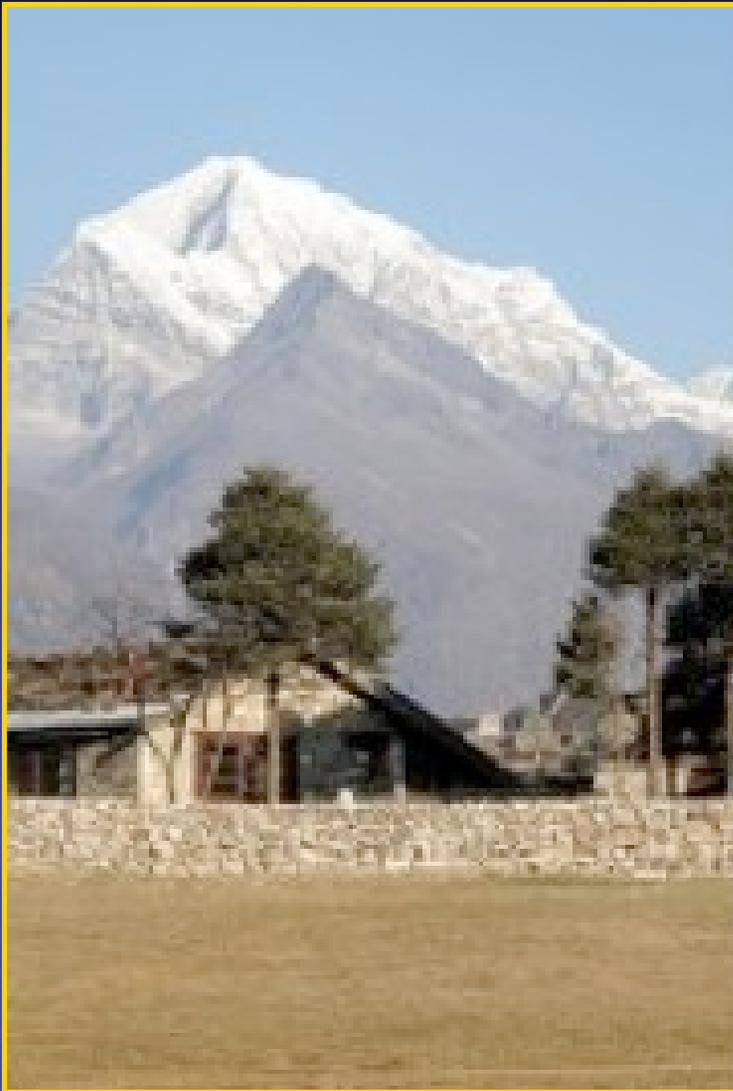




Making Your Voice Heard: A Citizen's Guide to the CDM

20 April 2009

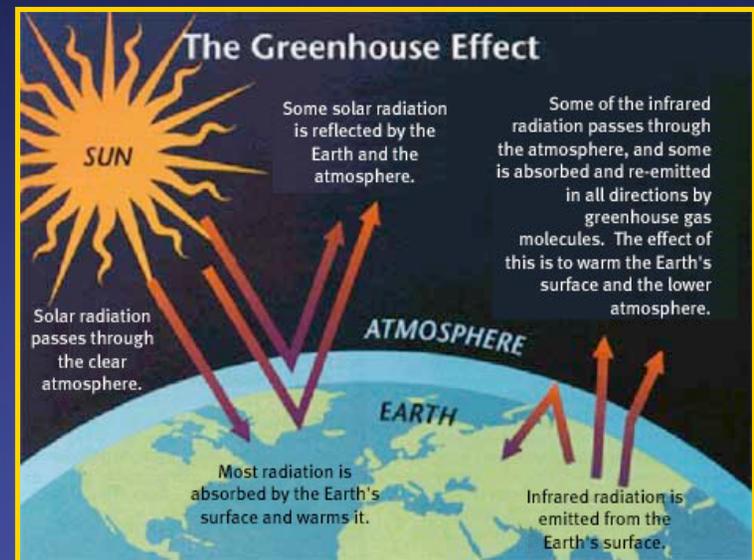
Outline



- **Climate Change and the CDM**
- **Large Hydro and the CDM**
- **Key Problems with the CDM**
- **The CDM Process**
- **Useful Links for Stakeholder Input**
- **Writing a Comment**
- **Useful Reports**

Carbon and Climate Change

- Global warming is a major threat to communities in developing countries.
 - **Wet areas getting wetter; dry areas getting drier**
- The largest sources of greenhouse gases is from burning coal, oil, and petroleum.
- The US and China are the biggest emitters of carbon dioxide, a heat trapping greenhouse gas.



Origins of the CDM

- The **Kyoto Protocol (1997)** is a protocol to the United Nations Framework Convention on Climate Change (UNFCCC), an international environmental treaty.
- Kyoto set targets for industrialized countries to reduce their emissions by an average of 5% below 1990 levels in the period 2008-2012.



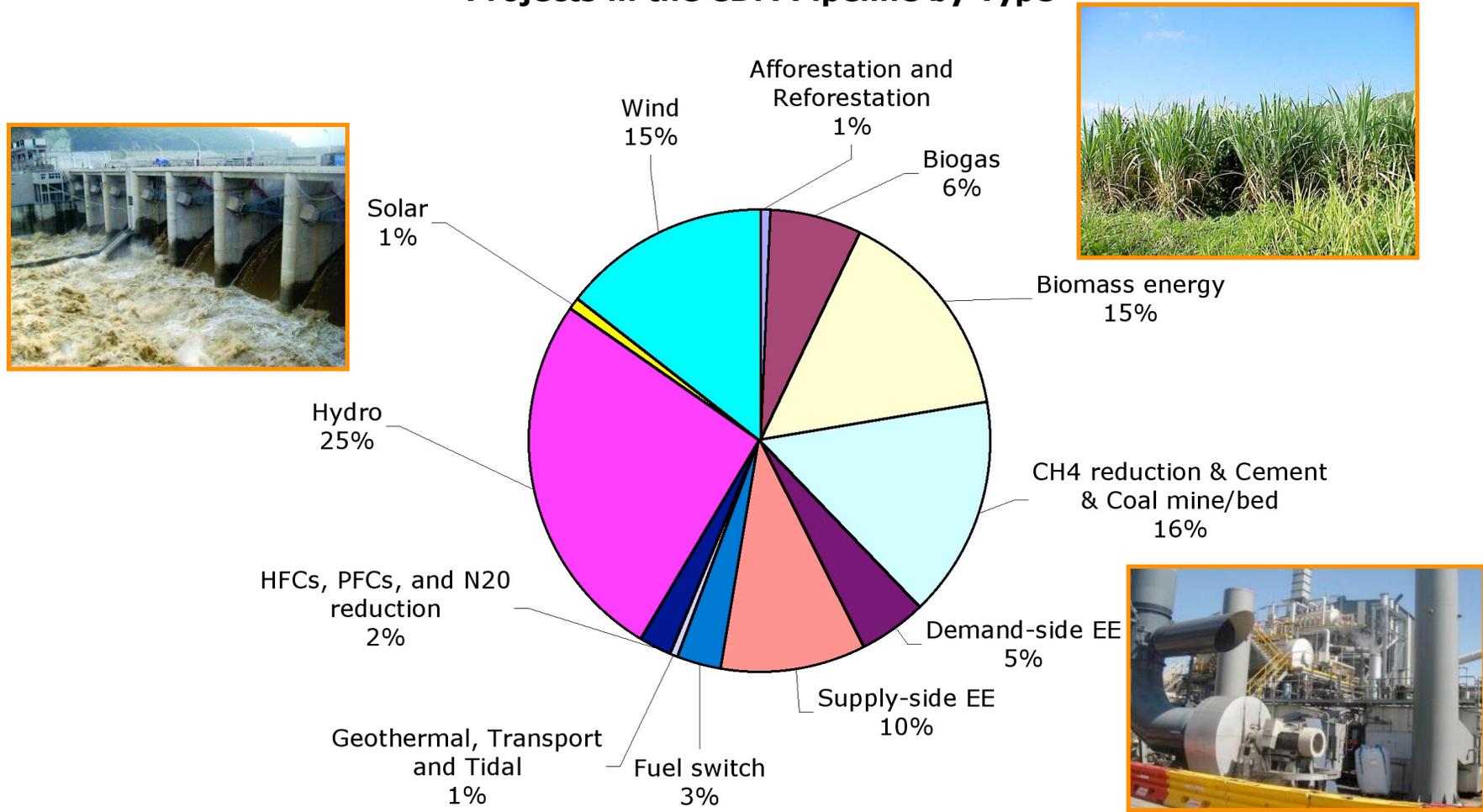
Origins of the CDM

- Under Kyoto, the **Clean Development Mechanism (CDM)** is supposed to reduce emissions and promote sustainable development by:
 - allowing **project developers** in low-income countries to generate revenue by selling “carbon credits” or “offsets” for projects that reduce greenhouse gas emissions and
 - allowing **offset buyers** (industrialized country companies and governments) to use the credits to show compliance with Kyoto Protocol-mandated emissions reductions.



Current CDM Pipeline: 4541 Projects

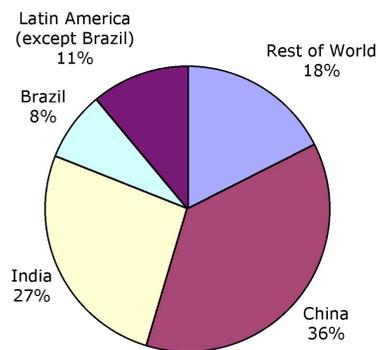
Projects in the CDM Pipeline by Type



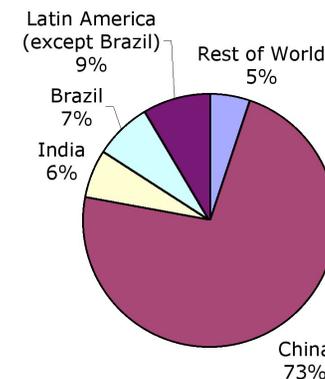
Hydropower

- Majority of CDM Projects in China, Brazil, India and Mexico
- Hydropower concentrated in China, which has a thriving hydropower industry
- Hydropower makes up 25% of all CDM projects in the pipeline

Percentage of CDM Projects by Country/Region



Percentage of Large Hydro Projects by Country/Region



Problems with the Current CDM

1. **Additionality**
2. **Sustainable development**
3. **Effectiveness**
4. **Perverse incentives**
5. **Ecological Limits to Offsetting**
6. **Equity**

Additionality

- What does “additional” mean?
 - CDM credits must represent real emission reductions that **would not have happened** without the CDM
- However, if a project does not represent real reductions (i.e. it would have gone ahead anyway), they are non-additional, which allows emissions in industrialized countries to increase without actually reducing emissions in a developing country.
- Estimates of non-additional projects range from **40% to a high majority** of projects.

Additionality

- Most projects “prove” additionality with the following tests:
 - **Investment analysis** is used to show that a project is unprofitable without the additional CDM income.
 - **Barrier analysis** is used to show that there are barriers that prevent project implementation without additional support from the CDM. (Examples include: project is located in a remote area, project ran into financial difficulties, etc.)
 - **Common practice** is used to demonstrate that the project type has NOT diffused in the relevant sector and region.
- Main tools for additionality testing are **subjective**

Sustainable Development

- Little or no sustainable development benefit
- Host country defines “sustainable development”
- Some projects cause social and environmental damage:
 - large scale hydro power
 - land fill gas flaring
 - coal fired power plants



Other Problems

- **Effectiveness:**
 - **Inefficiency:** some emission reductions can be achieved cheaper in other ways
 - **Ineffective:** CDM revenues too low and too unpredictable to support emissions reductions in developing countries
- **Perverse incentives:**
 - Postpones climate friendly policies
 - Increase of production of the chemical HCFC-22 in order to produce more waste gas (HFC23) for more CDM credits
 - Supports cheapest, least best solutions (ex. “clean coal”) rather than better solutions (ex. solar).

Other Problems

- **Equity:**
 - Increases future costs of developing countries' own reductions
 - A levy on CDM revenue for adaptation fund => developing countries pay for their own adaptation
 - Lack of safeguards for stakeholder consultations
- **Ecological Limits to Offsetting:**
 - To stay below 2°C, we need **both** a 25-40% reduction in industrialized countries **and** real reductions from developing countries. Offsets take us farther away from our goals.



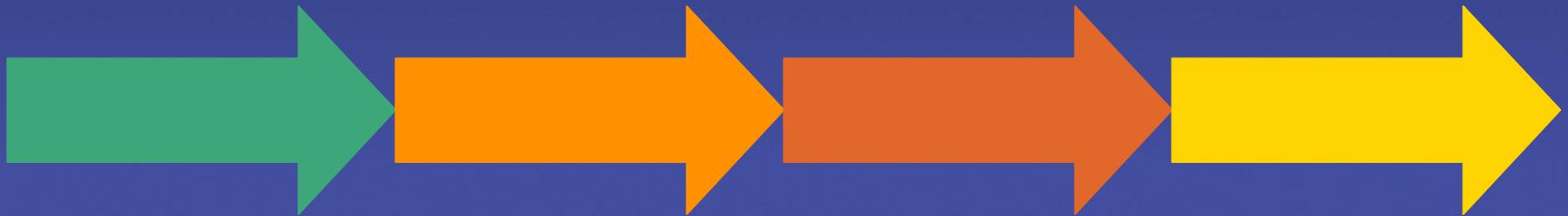
Example: Allain Duhangan

- 192 MW project in the Kulu district of Himachal Pradesh, India
- **Problems:**
 - Affected peoples found that the Environmental and Social Impact Assessment (ESIA) was inadequate.
 - Project involved illegal felling of trees and dumping of waste during construction.
 - The diversion of the Duhangan river did not assess the minimum flows necessary for downstream community needs (drinking water, irrigation water, and ecosystem services).
 - Affected peoples were not consulted on the project.

Understanding the CDM Project Lifecycle

1. Validation
2. Registration
3. Verification & Certification
4. Issuance

Stakeholder Input
in yellow boxes



Validation

Project Design Document (PDD)
written by the developer or a hired consultant

Before the project is validated, the developer must consult you on the design of the project.

Host country approval of CDM Project
by country's Designated National Authority (DNA)

Your DNA must approve the project and you should have input in this decision.

PDD undergoes validation
by certified CDM auditing company, called a Designated operational Entity (DOE)

Project can be withdrawn

30-Day Comment Period
as a part of the validation process

Registration

Request for registration

The PDD and validation report are submitted to the CDM Secretariat

Project may be held from validation

Project may be rejected

Review by UNFCCC Registration and Issuance Team

Project may require corrections

Theoretically, stakeholders could influence a project's approval by lobbying their Government to request a review, or by convincing three members of the CDM Executive Board to request a review.

**CDM Executive Board (EB) approval
Project is registered**

Verification & Certification

Monitoring

The project developer must monitor all the data required by the PDD monitoring plan to calculate the number of credits to be generated by the project

Monitoring Report

written by the developer or a hired consultant; developer decides how often

When verifying that the project is reducing emissions, the DOE doing the verification may interview you. Tell the DOE if the project is not performing well.

Verification & certification of monitoring report
by the DOE

Issuance

Request for Issuance

Monitoring and Verification & Certification reports are submitted to the CDM Secretariat

Review by the UNFCCC Registration and Issuance Team

Stakeholders could have a last chance to influence a project's approval by lobbying their Government to request a review, or by convincing three members of the CDM Executive Board to request a review.

**CDM Executive Board (EB) approval
Certified Emissions Reductions (CERs)
are issued**

Useful Links for Stakeholder Input

- Contact info for your host country's DNA:
<http://cdm.unfccc.int/DNA>
- 30-day public comment period on PDDs:
<http://cdm.unfccc.int/Projects/Validation/index.html>
- 15-day public comment period for experts on new methodologies:
https://cdm.unfccc.int/public_inputs/index.html
- Procedure for contacting the CDM Executive Board for unsolicited comments:
http://cdm.unfccc.int/Reference/Procedures/eb_pro_c01_v02.pdf

Writing a Comment

Ask yourself the following questions:

1. Has the CDM authority in your country approved this project?
2. Does the project contribute to sustainable development in your country?
3. Were you consulted about the project before the 30-day comment period?
4. Is the environmental assessment of the project adequate?
5. Is the emissions baseline an accurate estimate of what will happen in the absence of the project being registered as a CDM project?
6. Will this project go ahead anyway if it is not registered as a CDM project? That is, is it additional?

For examples of comment letters, see:

<http://www.internationalrivers.org/en/node/1741>

International Rivers Reports

- Rip-Offsets: The Failure of the Kyoto Protocol's Clean Development Mechanism. <http://internationalrivers.org/node/3498>
- Bad Deal for the Planet: Why Carbon Offsets Aren't Working... And How to Create a Fair Global Climate Accord. [http:// internationalrivers.org/en/node/2826](http://internationalrivers.org/en/node/2826)
- Failed Mechanism. How the CDM is Subsidising Hydro Developers and Harming the Kyoto Protocol. <http://internationalrivers.org/node/2470>
- Xiaoxi and Xiaogushan CDM Hydropower Projects: Report from a Field Trip. [http:// internationalrivers.org/node/3555](http://internationalrivers.org/node/3555)