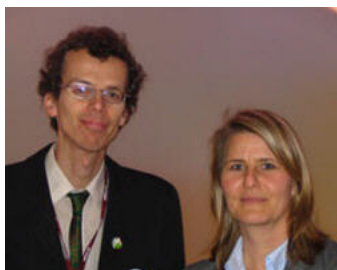


Carbon market news for the development community
From GTZ Climate Protection Programme on behalf of BMZ

Issue no. 80
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Dear reader!



In the aftermath of COP 15, the climate policy world tries to regain its breath and to understand where we stand now. Generally, climate sceptics and opponents of market mechanisms see their chance and attack the IPCC as well as the entire climate policy system with a boldness not seen in the last decade. In 2010, we thus have to prevent the rollback of the successes

achieved – such as over 2000 registered CDM projects and almost 3000 CDM projects in the validation pipeline - since 1997.

Anja Wucke, GTZ
Axel Michaelowa, Perspectives GmbH

Number of the month

2000 CDM project activities have been registered by January 2010, marking another milestone in the success story of the mechanism.

Designated Operational Entities

Companies applying to become operational entity: 14

Accredited operational entities: 26

- of which 23 for verification
- 9 DOEs have withdrawn
- 0 DOE is suspended

Designated National Authorities

The DNA approval hitlist stands almost unchanged at China: 2369 projects (+90). The new approvals include 29 hydro, 26 wind, 12 waste heat recovery, 7 biomass power, 3 landfill gas, 2 solar PV, gas power plants and district heating, 1 cement blending, coal mine methane, nitric acid, CFL, biodiesel, gas flaring reduction and power plant rehabilitation project each. Total annual CER volume is estimated at 9.1 million.

India: 1467 projects (+0)

Brazil: 227 projects (+4)

Indonesia: 104 projects (+0)

Vietnam: 111 projects (+7) – 4

hydropower plants with 0.1

million CERs p.a.

Thailand: 96 projects (+2) – both

wastewater projects (0.2 million CERs p.a.)

Philippines: 64 projects (+0)

Colombia: 45 projects (+0)

Peru: 34 projects (+0)

Israel: 32 projects (+0)

Argentina: 28 projects (+0)

Notified DNAs: 148 (117 host countries, 31 buyer countries)

UNFCCC, CDM-Executive Board and its panels

- By the end of January 55 countries had associated themselves with the Copenhagen Accord. Parties from the Annex I world comprise Australia, Canada, the EU, Japan, New Zealand, Russia and the US.
- Large Non-Annex I countries that submitted their Nationally Appropriate Mitigation Actions (NAMAs) include the so called BASIC Group (Brazil, China, India, South Africa), as well as Indonesia but also several parties from Sub-Saharan Africa and the AOSIS group. However, India and China did not specifically mention the Copenhagen Accord in their submissions.
- Overall, these pledges amount for more than 75% of the global emissions from energy use.
- In a joint statement the BASIC group leaders reiterated that the UN is the right framework for the international climate policy negotiations. They called for several meetings under the UNFCCC to ensure the success of a post 2012 climate framework.
- Since several countries including Bolivia, Cuba, Venezuela, Nicaragua and Sudan have announced not to sign the Accord, the UN-approval of the document remains in limbo.
- While "Copenhagen did not produce the final cake, it left countries with the right ingredients to bake a new one in Mexico", said the UNFCCC Executive Secretary in a press statement. Meanwhile Mexico has shifted the COP 16 to Cancun on the Yucatán Peninsula.

The EB did not meet in January 2010. At its upcoming 52nd meeting (February 08-12) the board will discuss the consequences from the COP's CDM reform decision.

- The EB will consider treatment of national policies that incentivize the use of low emission technologies. These so called E+/E- policies can seriously influence the the additionality of a project. In particular, the EB discusses

whether differentiated tariffs for renewable and non-renewable energy can be considered to be an E+/E- policy.

- Furthermore, an assessment of the board's compliance with indicative timelines is annexed to the agenda. An interesting visual representation of recent trends of timelines of important processes in the CDM project cycle can be downloaded at <http://cdm.unfccc.int/EB/052/eb52annagan14.pdf> (337 KB).

The Meth Panel met for its 42nd meeting on January 18-22.

- While no new methodology was recommended for approval, 5 methodologies were rejected (PFC emissions reduction in semiconductor processing operation, comprehensive energy efficiency improvement of existing coal-fired power plants, coal-oxygen smelting reduction iron-making technology, N₂O abatement in new capacity nitric acid plants and destruction of HFC-134a refrigerant at end of life of vehicles). Ten final decisions are still pending.

- In addition, important clarifications on the "Guidelines for the reporting and validation of plant load factors" were made. All CDM project activities that require determination of the plant load factor for renewable power plants should follow the guidelines provided by the EB on this matter using either of the options available in the document, i.e. the factor provided to equity financiers or one determined by a third party.

Discussion on new market mechanisms

- Nationally Appropriate Mitigation Actions (NAMA) submitted by developing country parties already comprise a broad range of categories, including forestry, agriculture, energy efficiency (demand side & industry), renewable energy, transport and waste management.

- The 'Bridging the Gap' initiative proposes how NAMAs in the transport sector could be defined, providing an overview of the potential mitigation actions, at national and sub-national level, that could be included within NAMA submissions, http://www.transport2012.org/...Guidance_on_Transport_NAMA.pdf (512 KB).

- IGES has published a new tool that shows the development of the discussion on the possible improvements of the Market Mechanisms based on the reports of the UNFCCC – download "Options on the Future Market Mechanisms under the International Negotiation" at http://www.iges.or.jp/en/cdm/report_kyoto...

Supporting up-scaling of mitigation through programmes and bundles

In January, a biogas micro-digester for rural households dissemination programme in China was the only PoA to enter the validation pipeline.

- Regarding the submissions India leads with 7 PoAs before China 6 and Vietnam (4). In total 21 host countries are involved, of which 4 are Least Developed Countries.

- With respect to consultancies, the World Bank leads with 7 before South Pole with 3. GTZ is involved in 3 PoAs at different stages.

- In terms of technologies, biogas leads with 12 PoAs, followed by demand & supply side energy efficiency measures (10) and renewables (9).

- GTZ has developed a template for PoA idea notes, offering guidance for assessing and structuring PoA opportunities. It can be downloaded at <http://www.gtz.de/...-program-of-activities-template.doc> (359 KB)

Other news

The Methane to Markets Partnership Expo, to be held in New Delhi, India on March 2 – 5, (<http://www.methanetomarkets...>) will host more than 130 methane capture and use project opportunities.

Applications for the ICAP Summer School on Emissions Trading for Emerging and Developing Countries, to be held in The Hague, July 26 - August 6, 2010 can be submitted until March 31, 2010. Detailed application instructions are available on the ICAP website at <http://www.icapcarbonaction.com>.

The conference "Putting a Price on Carbon - Economic instruments to mitigate climate change in South Africa and other developing countries" will be held at the University of Cape Town, Cape Town, South Africa on March 23-24. <http://www.erc.uct.ac.za>

The Ecological Society for Eastern Africa - ESEA will host a conference on Climate Change and Natural Resource Use in Eastern Africa: Impacts, Adaptation and Mitigation in Nairobi Kenya, May 19-20. <http://www.ecsea.org/...>

CDM counter

as of January 31, 2010

- Methodologies

Pending large-scale baseline methodologies: 25
- of which forestry: 2

Pending small-scale baseline methodologies: 17

Approved and published large-scale baseline methodologies: 93 (including 16 consolidated ones)
- of which forestry: 9 (including 2 consolidated ones)

Approved and published small-scale baseline methodologies: 55

The CDM in Least Developed Countries and Sub-Saharan Africa

- A workshop on development partnerships in the field of climate technologies and the carbon markets was held in Botswana - material can be found on <http://www.bih.co.bw/events.php?id=48>.
- The West African Development Bank (BOAD) plans to become a catalyst of the carbon market in West Africa, by promoting and financing CDM projects. A report in French on BOADs role in the future climate change regime is available at [http://www.africa-union.org/.../...FRENCH.DOC \(164 KB\)](http://www.africa-union.org/.../...FRENCH.DOC (164 KB)).
- Zimbabwe's Forestry Commission is conducting a cost-benefit analysis on the economic benefits of forestry projects under the CDM. The alternative scenario would be cutting the vast forests in the Matabeleland province for commercial purposes.
- In collaboration with the World Bank and the Malian Agro-industrial concern Déguessi Vert about 200 villages participate in a joint afforestation project in Mali. The project aims to plant 10,000 hectares of acacia across the country. The trees are estimated to sequester 0.1 million t CO₂ by 2012 and over 0.5 million t CO₂ by 2017.
- The second component of the eThekweni Durban landfill gas CDM project was launched in January. The entire project comprises the initial Mariannahill and La Mercy sites and is the first landfill CDM project in South Africa. Credits have thus far been sold to the World Bank.
- Forest carbon project developer Green Resources forecasts 1 million € in carbon credit sales in 2010 from its VER and CDM afforestation projects in East Africa. The Norwegian company is currently developing a CDM project in Idete, Tanzania, as well as several VER projects in Mozambique, Tanzania and Uganda.
- Ghana wants to set up a climate fund to support mitigation and adaptation in industry, the transport sector and demand side energy efficiency. It has committed 1% of the District Assemblies Common Fund to tree planting in 100 districts. How much of the funds go into CDM projects remains to be seen.
- GTZ has released a factsheet on using CDM for development in Sub-Saharan Africa, available at [http://www2.gtz.de/.../...factsheet-cdm.pdf \(583 KB\)](http://www2.gtz.de/.../...factsheet-cdm.pdf (583 KB)).

GTZ CDM Capacity Development

Indonesia is a newcomer to the programmatic CDM pipeline. 3 Indonesian PoAs were among the rush of 21 PoAs that entered the validation process in December 2009. One of these PoAs, the "Sustainable Small Hydropower Programme of Activities", has been developed through a Public Private Partnership (PPP) between South Pole Carbon Asset Management Ltd. and GTZ. The PoA taps Indonesia's large hydropower potential, which to date has only been exploited to a very limited extent due to high investment costs and other barriers. The PoA seeks to overcome this unfavourable situation by providing a co-financing mechanism for investments in small hydropower. With the first pilot CPA, an estimated 5.200 tCO₂ will be reduced per year. 10 additional CPAs shall be included in the year 2010.

The partnership between GTZ and South Pole Ltd has been a key factor for the PoA's viability, facilitating capacity development at the level of project developers, local communities, financial institutions and policy makers in Indonesia. In cooperation with the Indonesian Institute for Energy Economics (IIEE), the knowledge and experiences gained in implementing the PoA will be secured and disseminated amongst relevant stakeholders, thus supporting the acceleration of PoA development in Indonesia.

- of which forestry: 6

- Project pipeline

Projects currently open for public comments on PDD: 114
- of which 1 is a PoA

Projects and PoAs in the validation phase: 2935
- of which 43 are in the period where a request for review can be launched
- of which 261 are under completeness check
- for 85 of which a request for review has been launched
- of which 43 have to make corrections
- of which 36 are undergoing review
- of which 38 are PoAs
- of which 119 apply for the Gold Standard

Expected CERs until 2012 from projects at validation: 1084 million
- of which 21.4 million from those that officially applied for registration, including 38.0 million from projects with request for review
- of which 19 million from projects that need to make corrections
- of which 14.5 million from those undergoing review

Projects that failed during validation: 866
- of which 136 have been rejected by the EB
- of which 47 have officially been withdrawn
- of which 146 got a negative validation report
- of which 537 dropped out of validation

- Registered Projects and CER Issuance

CER estimates until 2012 from projects failed before registration: 390 million
- of which 81.6 million from EB-rejected ones
- of which 19 million from withdrawn ones
- of which 65 million from validator-rejected ones
- of which 224 million from

Project developers, operational entities and consultants

The submission of new projects grew to 104. 4 large new projects entered the pipeline:

- Coal mine methane (China, 4.5 million CERs by 2012)
 - 1320 MW supercritical coal power plant (India, 2.1 million CERs by 2012)
 - Oil field flaring reduction (Nigeria, 6.5 million CERs by 2012)
 - 223 MW combined cycle power plant (Macedonia, 1.6 million CERs by 2012)
- The World Future Energy Summit held in IRENA headquarters Abu Dhabi resulted in several deals involving the CDM. The German utility E.ON AG and the Abu Dhabi company Masdar announced a joint venture called E.ON Masdar Integrated Carbon in order to develop CDM project activities. It will start work in spring 2010 and focus on energy efficiency projects in industrial facilities, including reducing leakage from natural gas pipelines, gas flaring from oil wells and electricity consumption at industrial facilities.
- Furthermore, Masdar and the Government of Malaysia agreed to set up a public private partnership to develop CDM projects and cooperate in the construction of Malaysia's first carbon-neutral city. In sum, the cooperation could result in the development of projects worth 70 million €.
- EcoloCap Canada Ltd. has teamed up with Gazprom Marketing and Trading for the development of CDM projects in Asia. A first ERPA over credits from nine renewable energy projects in Vietnam was signed, generating 0.5 million CERs annually.
- South Korea's rural development corporation announced the set up of 83 small renewable energy power plants until 2016 with CDM finance. The expected total annual output is 2.2 TWh.
- The Land Bank of the Philippines and the World Bank signed a 2.4 million € worth purchase agreement to reduce emissions from landfills and livestock farms in the country between 2010-2013. Methane is estimated to account for nearly one-third of the GHG emissions of the Philippines.
- Malaysia's palm oil industry still offers a huge potential for CDM project activities - only 18 out of 417 mills are equipped with methane trapping devices, the Government announced.
- A further project with expected high number of CER started its operation - Hindustan Fluorocarbons Ltd has announced that its registered HFC-23 CDM project has now installed a thermal oxidizer plant and started the incineration of HFC-23 on January 15, 2010.

Incentives for CDM investment

- The UK government has launched the second phase of its Carbon Offsetting Facility (GCOF II) to offset emissions resulting from government air travel and potentially other emissions created by public sector organizations generated in the period April 2009 to March 2012. GCOF II will facilitate the purchase of Gold Standard or equivalent CERs by government departments and other public sector organizations. The first phase of GCOF purchased 305,000 CERs covering emissions from April 2006 to March 2009.
- The Japan Special Fund, financed by the Government of Japan and administered by ADB, is providing a 0.5 million € grant for a massive capacity building programme for Bhutan's DNA (National Environment Commission, NEC). The country has a huge hydro power potential and is planning future hydro power projects with installed capacity of some 10 GW. Hydro power-generated electricity accounts for more than 40% of the GDP.
- Thailand has been spotted as a good investment location and a beachhead in Southeast Asia by the 2.8-billion € Australian Carbon Cluster Initiative, which inter alia strives to enhance the number of CDM project activities in ASEAN countries. A CDM mission of Australian companies interested in a supply chain of carbon projects will visit further ASEAN countries in early

projects that dropped out of validation

- Registered projects: 2029
- expecting 1755 million CERs by 2012
 - of which 2 are PoAs
 - of which 16 fulfil the Gold Standard
 - Host countries: 61
 - Buyer countries: 16

- Issued CERs: 372 million
- Projects with issued CERs: 650
 - of which 5 Gold Standard projects
 - Rejected and not resubmitted requests for issuance: 9 (0.4 million CERs)
 - Withdrawn and not resubmitted requests for issuance: 17 (1.0 million CERs)

CER price

No recent price for high quality post-2012 vintages is available. 5-7 Euro for medium-risk forwards, 7-9 Euro for low-risk forwards, 9-11 Euro for registered projects, 11.5 Euro BlueNext spot price on Reuters

CDM Bazaar

By the end of December, 225 buyers (+3) from 35 countries (+0), 300 (-3) sellers from 63 countries (+0) and 640 service providers (+0) from 64 countries (+0) had listings on CDM Bazaar.

India leads the list of service providers with 154 entries, followed by the UK with 60, US with 56, China with 52 and Brazil with 36. 65 projects and project ideas (+0) have been posted by sellers.

GTZ Climate Protection Programme

The GTZ Climate Protection Programme is being carried out on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). More information at [http://www.gtz.de/...](http://www.gtz.de/)

March.

- Assets under management by carbon funds grew by 26% to 11.4 billion € last year. Therefore carbon fund managers dare an optimistic outlook for 2010, according to Environmental Finance: [http://www.carbon-financeonline.com/...](http://www.carbon-financeonline.com/)

Country of the month:

Zambia



Landlocked in Southern Africa, Zambia for long years has been a terra incognita on the CDM world map. While the Zambian DNA is established since November 2003 and numerous capacity building programmes were conducted through the World Bank, UNEP, UNDP or ECON of Norway, no projects had materialized until recently.

In recent years, Zambia's economic development started to pick up, albeit from a low base. In 2007 Zambia recorded the ninth consecutive year of economic growth. In line with the economic upturn, Zambia has become more attractive for foreign investors and is entering the CDM world. In January 2010, the EB registered the first Zambian CDM project - a small scale activity comprising the distribution of 30,000 renewable biomass cooking systems to rural households. The project represents the first CDM project in southern Africa, invested in by a European utility (i.e. RWE).

Furthermore, Zambia is going to host the African Carbon Credit Exchange in Lusaka. The carbon trading exchange shall provide access to finance and knowledge and bring greater transparency for buyers and sellers of CERs and VERs generated in Africa. Operation shall start from June 2010.

Zambia has significant CDM project potential. The major sectors of the Zambian economy are agriculture, mining, manufacturing and tourism, with mining being the single largest contributor to GDP. In particular, project opportunities can be found in themining, transport, waste, energy, manufacturing and agricultural sector. So far, 10 Project Idea Notes (PINs) received a letter of endorsement, one letter of Approval has be issued. However, regarding CDM capacity, there remains a critical need to involve national stakeholders at all levels, e.g. ministerial, institutional and municipal, as well as private sector companies.

Web news and downloads of the month

- The German Development bank KfW has published a "Tool for Calculating GHG Emissions in Solid Waste Management" in cooperation with GTZ.

Download at http://www.kfw-entwicklungsbank.de/.../Solid_Waste_Management-Greenhouse_Gas_Calculator/index.jsp

- The Japanese Ministry of the Environment published a new CDM guidebook: <http://gec.jp/.../cdmjmanual2009e.pdf> (3330 KB) (cut off date EB 50)

- The Austrian JI/CDM Programme's sixth annual JI/CDM Workshop attracted more than 150 participants from over 20 nations. Presentations on topics like outcomes of the Copenhagen Conference (COP 15), its implications on flexible mechanisms, as well as current and possible future developments on the international carbon market can be found at: <http://www.ji-cdm-austria.at/-de/portal/aboutus/events/>

- "A Primer on CDM Programme of Activities" explains the rules and illustrates the concept with several case studies - download the CD4CDM project of the UNEP Risoe Centre at:

Table of acronyms

Please click here for an explanation of all acronyms used in this newsletter:

<http://www.gtz.de/.../en-climate-cdm-abbreviations.pdf> (40 KB)

<http://cd4cdm.org/Publications/PrimerCMDPoA.pdf> (1040 KB)

- A new World Bank Carbon Finance paper discusses “a city-wide approach to carbon finance”. The authors focus on the role of cities in climate change, access to carbon finance, and mitigation options with a focus on the sectors energy, transport, water and wastewater, solid waste, and urban forestry.

http://siteresources.worldbank.org/.../A_city-wide_approach_to_carbon-finance.pdf (1270 KB)

- A report on options for agriculture in the carbon market by Econexus is available at: <http://regserver.unfccc.int/...> (412 KB)

- The Joint Implementation Network (JIN) has refreshed its website – it contains comprehensive information on climate policy and the CDM, for example the December 2009 issue of the Joint Implementation Quarterly, Vol.15, No. 4.

<http://www.jiqweb.org/images/stories/JIQmagazine/2009Dec.pdf> (2070 KB)

- Carbon Retirement considers itself to be “the world’s first truly ethical offsetting scheme” due to its use of CERs – inform yourself at:

<http://www.carbonretirement.com/>

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