

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

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Dear reader!



Dark winter storms are still ravaging the Northern climate policy world. The US becomes more and more unlikely to introduce a domestic emissions trading scheme anytime soon. Climate skeptics resurface everywhere and manage to seduce even respected media, while jeopardizing the future of the IPCC. A brave, but disappointed diplomat will leave the helm of the

UNFCCC Secretariat end of June. CDM submissions are starting to drop substantially and carbon brokers are downsizing their staff. But some shy signs of springs appear. No longer stunned, the UN system reverts into negotiation mode. The African CDM market sees a heartening increase of activity. Let us hope that full-fledged spring arrives for the CDM market sooner than later!

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Axel Michaelowa, Perspectives GmbH

UNFCCC, CDM-Executive Board and its panels

- UNFCCC secretary Yvo de Boer has stepped down, but will serve until the end of June. He is rather skeptical about the status of climate negotiations and expects no treaty this year.
- Reflecting the requests of Non-Annex I countries to hold extra meetings in 2010, the UNFCCC secretariat scheduled an additional session of climate talks from 9 – 11 April in Bonn. The weekend meeting will re-start the negotiations on the road to Cancun, which will also include meetings outside the UNFCCC process such as the Petersberg Climate Dialogue on 2-4 May in Germany.
- At the Bonn meeting the Ad-hoc working groups will resume their work. According to a UN press release, negotiations had come close to decisions in Copenhagen. Those comprise a set of measures to make a long-term action to climate change operational. The texts of the draft decisions are available at: <http://unfccc.int/documentation/...>
- By the end of February 40 Annex I and 30 Non-Annex I countries had submitted targets and mitigation actions under the Copenhagen Accord. Some mitigation action plans are very detailed. A further 35 Non-Annex I countries had signed the accord but not provided lists of actions. 4 countries (Cuba, Ecuador, Kuwait and Nauru) have formally rejected the Accord.
- According to the World Resources Institute, the 2010-2012 climate finance pledges of Annex-I countries have so far only reached the \$23 billion, short of the Copenhagen Accord promise. A majority of the funding is not "new and additional".

The EB held its 52nd meeting from 8-12 February. It took the following

Number of the month

70 - Number of countries that submitted targets and mitigation actions to be included in Appendix I and II of the Copenhagen Accord.

Designated Operational Entities

Companies applying to become operational entity: 9

Accredited operational entities: 26

- of which 18 from host countries
- of which 8 from buyer countries
- of which 23 for verification
- 9 DOEs have withdrawn
- 0 DOE is suspended

Designated National Authorities

The DNA approval hitlist suffers from the general CDM downturn.

China: 2411 projects (+42). The new approvals include 19 hydro, 15 wind, 5 waste heat recovery, 3 biomass power, 1 district heating, 1 coal mine methane, 1 power plant rehabilitation and 1 fuel switch. Total annual CER volume is estimated at 4.6 million.

India: 1467 projects (+0)

Brazil: 229 projects (+2)

Indonesia: 104 projects (+0)

Vietnam: 111 projects (+0)

Thailand: 100 projects (+0)

Philippines: 64 projects (+0)

Colombia: 45 projects (+0)

Peru: 34 projects (+0)

Israel: 32 projects (+0)

Argentina: 30 projects (+2)

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

Other news

A "Lighting Africa International

decisions:

- Clifford Mahlung from Jamaica became the chair, Pedro Martins Barata from Portugal vice-chair. The Asian member seat is still vacant.
- A consolidated methodology for biomass use in power-only plants was approved, which is the first result of the long-planned splitting of the unwieldy biopower methodology ACM 6 and should make life easier for project developers.
- Five methodologies were rejected, confirming the Meth Panel proposals.
- Large scale baseline methodology submission rules were revised. For the first time, methodologies that meet priority criteria approved by the Board will be treated preferentially.
- The start of the crediting period can be shifted by four years for projects from least developed countries. For other countries, the maximum shift can now be 2 years.
- As per the COP decision, projects from countries with fewer than 10 registered CDM project activities do not have to pay the registration fee before the first issuance of CERs.
- One Chinese DOE candidate has withdrawn, whereas another small Chinese DOE failed a performance assessment.
- Out of 82 requests for review for registration two projects were registered, of which one Chinese wind project. 45 projects have to make corrections, of which 11 are Chinese wind and 14 are Chinese hydro projects. 35 projects were put under review, of which 21 are Chinese hydro and 6 are Chinese wind projects.
- 12 projects were rejected, of which 6 Chinese wind projects and 3 waste heat recovery projects from the cement sector. The EB retains its narrow interpretation of E- policy for Chinese wind projects despite the COP decision on the host country's right to determine policy decisions.
- Regarding issuance of CERs out of 19 requests for issuance 4 projects were put under review, while for 15 CERs will be issued. Four further projects will receive CERs after resubmission.
- An interesting new feature are work plans for the Panels and Working Groups for the 1st half of 2010, which have high relevance for Africa and LDCs. The SSC WG shall develop a methodology for kerosene replacement in lighting. The lighting methodology II.J shall be expanded to LED lights. The buildings energy efficiency methodology III. AE shall include thermal efficiency improvements. The simplified additionality guidance for very small projects shall also be developed at high priority. A methodology book is to be prepared by the Meth Panel, which is also to improve applicability of the waste heat recovery methodology ACM 12.
- The key regulatory questions of the registration and issuance procedures were deferred as well as the appeal process against DOEs by project participants and additionality determination in PoAs.

Discussion on new market mechanisms

- Indonesia's Ministry of Forestry considers to reclassify oil palms as forest. This would eventually allow palm oil plantations to receive funding in the context of avoided deforestation (REDD).
- A study from the International Union for Conservation of Nature reviews the financial costs of abating greenhouse gas emissions through reducing emissions from deforestation and forest degradation (REDD), available at: <http://data.iucn.org/.../2009-047.pdf>, 2360 KB.

Supporting up-scaling of mitigation through programmes and bundles

In February, two PoAs entered the validation pipeline – a Solar Water Heating

Business Conference & Trade Fair" will be held on 18 - 20 May in Nairobi. It aims to promote the use of affordable and high quality off-grid lighting products and services targeting low-income populations in Sub-Saharan Africa. Further information is available at:

<http://www.lightingafrica.org>

A call for papers is open for a special issue of the journal "ephemera" on 'The atmosphere business'. Submissions are possible until 15 May 2010, further information is available at: <http://www.ephemeraweb.org>, 122 KB.

UNEP and the University of Eastern Finland (formerly University of Joensuu) organize their annual Multilateral Environmental Agreement summer course from 15-27 August 2010 in Joensuu, Finland. This year's special theme will be climate change, fellowships for applicants from developing countries are available. Applicants may visit <http://www.joensuu.fi/unep/...>

From 18 – 31 July 2010 the 7th International Summer Academy "Energy and the Environment" of the University of Greifswald, Germany will focus on "Transnational Energy Grids: Challenges on the Way to Sustainable Energy Transmission" <http://www.uni-greifswald.de/...>

A regional workshop for Latin America and Caribbean countries on preparing technology transfer projects for financing will take place in Belize City, Belize, from 5-7 May 2010. Information will soon be available at: <http://unfccc.int/ttclear/jsp/...>

CDM counter

as of February 28, 2010

- Methodologies

Pending large-scale baseline methodologies: 20

programme in South Africa and a cooking stove programme in El Salvador.

- Regarding the submissions India leads with 7 PoAs before China 6 and Vietnam (4). In total 22 host countries are involved, of which 4 are Least Developed Countries.
- With respect to consultancies, the World Bank leads with 7 before GTZ with 6 and South Pole with 4.
- In terms of technologies, biogas and demand & supply side energy efficiency measures lead with 12 PoAs each, followed by renewables (9).
- The Indian state of Haryana's Renewable Energy Development Agency launched a call for proposals for setting up 50,000 family size biogas plants through a PoA (<http://www.hareda.gov.in/nitbmass.pdf>, 43 KB).
- Project developer Tricorona is planning to distribute 30,000 cooking stoves to rural households under a PoA in the Democratic Republic of Congo.
- A report of the Africa Progress Panel on the role of PoAs in Africa is available at: [http://regserver.unfccc.int/seors/...](http://regserver.unfccc.int/seors/) (English, 906 KB) and <http://regserver.unfccc.int/seors/attachments...> (French, 906 KB).

The CDM in Least Developed Countries and Sub-Saharan Africa

- The Nigeria National Petroleum Corporation and Mobil Producing Nigeria has commenced work on a 500 MW gas power plant at the Qua Iboe Terminal in Ibeno, Akwa Ibom State, but it is unclear whether the gas is coming from reduction of flaring or from new fields.
- Swiss-based Addax and Oryx Group develops a 200 million € bioenergy project in Sierra Leone. The Project comprises a sugarcane plantation, an ethanol distillery and a 15 MW biomass power plant aiming to become a CDM Gold Standard project.
- The Africa Forum for Clean Energy Financing (AFRICEF) provides clean energy projects with free support on the preparation of business plans and offers participation at an investors forum in Johannesburg, South Africa on 21 July 2010. Applicants from any African country can submit proposals until 16 April. Details are available at http://www.cti-pfan.net/events_detail...

GTZ CDM Capacity Development

- GTZ sponsored a number of delegates for the second Africa Carbon Forum, held 3-5 March in Nairobi. The Forum was well attended by around 1000 delegates, twice more than expected, demonstrating growing interest in carbon market opportunities on the African continent. Representatives of the Programme for Basic Energy and Conservation in Southern Africa, a SADC programme implemented by GTZ, presented plans for a multi-country PoA for improved cook stoves and SME devices like tobacco barns, which is in an advanced stage of development, and will be set up under the umbrella of a Regional Carbon Facility for the Southern Africa Development Community (SADC). Overall, PoAs were widely discussed at the Forum, underlining their potential for Africa. Presentations are available at: <http://www.africacarbonforum.com/...>
- A GTZ workshop on "CDM in Bangladesh - Lessons Learnt and the Way Forward" was held in Dhaka on 28th February. The day-long conference was attended by local and international CDM experts, which reviewed the CDM opportunities and challenges, presented case studies of projects in Bangladesh and discussed the present programmes under development.
- GTZ's Household Energy Programme has updated its guidebook on "Carbon Markets for Improved Cooking Stoves" with information on recent changes in the CDM methodology AMS-II.G: <http://www.gtz.de/.../20674.htm>.

- of which forestry: 2

Pending small-scale baseline methodologies: 17

Approved and published large-scale baseline methodologies: 94 (including 17 consolidated ones)
- of which forestry: 9 (including 2 consolidated ones)

Approved and published small-scale baseline methodologies: 55
- of which forestry: 6

- Project pipeline

Projects currently open for public comments on PDD: 90
- of which 2 are a PoA

Projects and PoAs in the validation phase: 2946
- of which 44 are in the period where a request for review can be launched
- of which 334 are under completeness check
- of which for 20 a request for review has been launched
- of which 94 have to make corrections
- of which 36 are undergoing review
- of which 40 are PoAs
- of which 122 apply for the Gold Standard

Expected CERs until 2012 from projects at validation: 1072 million
- of which 26 million from those that officially applied for registration and 20.8 million from projects with request for review
- of which 40.6 million from projects that need to make corrections
- of which 14.5 million from those undergoing review

Projects that failed during validation: 908
- of which 147 have been rejected by the EB
- of which 47 have officially been withdrawn
- of which 148 got a negative validation report
- of which 566 dropped out of validation

Project developers, operational entities and consultants

- The submission of new projects fell to 84. Only one large new project entered the pipeline:
 - o 780 MW gas power plant (Azerbaijan, 2.2 million CERs by 2012)
- Philippines' Metro Manila Development Authority and the World Bank signed an emissions reduction purchase agreement for a public transport project in Manila. The project replaces an existing manual bus dispatch system with an electronic, radio frequency identification tag-based system and improves the operational efficiency by reducing the total vehicle kilometres travelled. However, the project faces an uncertain future as the SSC working group rejected the underlying methodology at its 24th meeting in February.
- The Asian Development Bank provides a grant for the construction of a 250 MW coal-fired integrated gasification combined cycle (IGCC) power plant in Tianjin, China. The first IGCC plant outside the industrialized world shall furthermore be co-financed through the CDM.
- Abu Dhabi company Masdar signed an emission reduction purchase agreement with Egyptian Sugar and Integrated Industries Company for a fuel switch CDM project in Egypt. The project strives to replace the consumption of heavy fuel oil with natural gas and is expected to generate 0.5 million CERs over 10 years.
- Malaysian plantation conglomerate Felda Holdings is planning to develop numerous biogas CDM projects, comprising 56 biogas plants, six compost plants, one pellet plant and two independent power producer (IPP) plants. The projects will use biomass waste from 70 palm oil mills owned by Felda.
- Swedish company Opcon, a maker of pollution-prevention systems and engines, has made a takeover bid of 110 million € for project developer Tricorona.

Incentives for CDM investment

- The price for EUA moved sideways at 12.75 Euro for the spot market and 14.0 Euro for 2012 vintages. The spread to issued CERs decreased to 1.2 Euro.
- The probability that the US will embark on a cap and trade bill with imports of CERs decreases day by day.
- Italy announced its ability to meet its Kyoto target (6.5%) without the use of international offset credits due to the recession impacts on Italian industry.
- Russia, after years of uncertainty, finally announced the first competitive selection and approval of JI projects. A maximum of 30 million ERUs is going to be issued for projects in the sectors energy, industry, use of solvents and similar products, agriculture (including forestry) and waste.
- First Climate is setting up an "International Carbon Compliance Initiative" – a 2012-2020 fund for European ETS participants, with a target size of 100 million Euro.
- Jordan is setting up an Environment Protection Fund to support private sector projects that comply with certain environmental regulations. The Fund will be financed through a 15% tax on CDM projects involving public project developers.
- The Associated Chambers of Commerce and Industry of India (ASSOCHAM) recommended withdrawal of customs duty on capital goods for implementation of Clean Development Mechanism (CDM) projects for fertilizer sector.
- Thailand has launched its own Crown Standard for high quality CDM Projects. The Crown Standard inter alia requires projects to contribute CER revenues to the local communities or Corporate Social Responsibility measures. By December 2009, only 3% of the Thai projects with Letter of Approval qualified for the crown standard.
- The Ministry of Environment of Pakistan plans to provide technical assistance to tree farmers in order to enable them to engage in the CDM.

- Registered Projects and CER Issuance

CER estimates until 2012 from projects failed before registration: 407 million

- of which 85.1 million from EB-rejected ones
- of which 19 million from withdrawn ones
- of which 69 million from validator-rejected ones
- of which 223 million from projects that dropped out of validation

Registered projects: 2062

- expecting 1763 million CERs by 2012
- of which 2 are PoAs
- of which 17 fulfil the Gold Standard
- Host countries: 63
- Buyer countries: 18

Issued CERs: 386 million

- Projects with issued CERs: 666
- 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.

7-8 Euro for medium-risk forwards,
8-9.5 Euro for low-risk forwards,
9.5-10.5 Euro for registered projects,
11.74 Euro BlueNext spot price on Reuters.

CDM Bazaar

By the end of February, 226 buyers (+1) from 35 countries (+0), 305 (+5) sellers from 63 countries (+0) and 643 service providers (+3) from 64 countries (+0) had listings on CDM Bazaar.

India leads the list of service providers with 154 entries, followed by the UK with 62 (+2),

- China starts to exploit its offshore wind power resources, which have an estimated potential of between 100 - 200 GW. Since the offshore sector is young, the big Chinese utilities see no major problems with the registration under the CDM. However, while domestic wind power companies were invited, the door remains closed for international investors.
- The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and Waste Concern, a Bangladesh NGO, set up a project to help Asia-Pacific cities in developing and implementing decentralized solid waste management strategies. The "trash-into-cash" project shall be co-financed through the sale of CERs.

US with 56, China with 52 and Brazil with 37 (+1). 69 projects and project ideas (+4) 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/...>

Country of the month: Ethiopia



After the recent CDM reforms favouring least developed countries and due to its potential for project activities, one of the most ancient countries in the world is likely to become an interesting CDM spot in the near future - Ethiopia. As a least developed country, economic development and poverty still remain Ethiopia's major problems, though adaptation to climate

change is an issue. A positive signal is the recent economic reform that resulted in a ten-percent yearly economic growth from 2003-2008. The economic base of the country is the agricultural sector that is mainly borne by small-scale farmers and enterprises. Ethiopia being the cradle of the coffee bean, coffee is Ethiopia's largest export commodity.

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)

The Ethiopian Designated National Authority is the CDM Advisory Panel (CAP), which was set up in 2005 after Ethiopia ratified the Kyoto protocol. A sound approval procedure for CDM project activities exists and the DNAs website (<http://www.cdmethiopia.org/>) provides adequate information on the requirements for project applications. However, Ethiopia does not play a noteworthy role in the CDM, yet. While several capacity building activities have been conducted by international organisations such as UNDP and UNEP, the CDM pipeline only comprises one forestry project - the Humbo Ethiopia Assisted Natural Regeneration project, which was registered in December 2009. In 2008 the GTZ Regional Energy Platform collected information on CDM development conditions in East African states, including Ethiopia - <http://www.gtz.de/...>, 432 KB.

Nevertheless, Ethiopia has considerably potential for CDM projects in several sectors. This is reflected in the ambitious mitigation actions that the Ethiopian Environmental Protection Authority has submitted under Annex II of the Copenhagen Accord. Proposed measures comprise grid connected renewable energy projects (installed capacity of up to 15,000 MW hydropower, 750 MW windpower and 450 MW geothermal power), however, the CDM potential of renewable energy needs to be put in relation with the low grid emission factor of 0,008 tCO₂/MWh. Furthermore, Ethiopia suggested activities in the field of biofuels, agriculture, waste management and forestry. Also, numerous offgrid measures were proposed, inter alia distribution of 150,000 solar home systems, 3 million solar lanterns and 9 million cooking stoves.

Web news and downloads of the month

- IGES has updated its CDM Investment Analysis Database - http://enviroscope.iges.or.jp/.../iges_cdm_ia_db_en.zip, 346 KB.
- IGES also published a new emission calculation tool - http://enviroscope.iges.or.jp/.../iges_er_sheet_gridef.zip, 612 KB.

- A new web service called “China Low Carbon Platform” strives to share information on low carbon energy systems and low carbon development strategies in Chinese communities – see <http://community.eldis.org/china/>.
 - A new quarterly Bulletin by World Bank Institute Climate Change (WBICC) is available: <http://web.worldbank.org/...>
 - The Wuppertal Institute has prepared a comprehensive report on “Further Development of the Project-Based Mechanisms in a Post-2012 Regime” available at <http://www.jiko-bmu.de>, 1.4 MB.
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