

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

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Dear reader!



While carbon market business has contracted sharply – 2009 primary CER transactions more than halved - not all news are bleak. Christiana Figueres from Costa Rica, a strong supporter of the market mechanisms and “the mother of the programmatic CDM” has been designated to follow Yvo de Boer as the UNFCCC head in July. She called private market actors

to take a more active role in elaborating the functioning of the carbon market. On the other side of the Atlantic, one of the greatest environmental disasters ever, the oil spill in the gulf of Mexico, is putting the US Congress under pressure to adopt comprehensive climate legislation before the summer recess. And while the CDM Executive Board is making slow, but steady progress to streamline administrative procedures and adopt a bold approach to additionality, UNFCCC parties meet in Bonn to resume the climate negotiations.

Friedel Sehleier, GTZ
Axel Michaelowa, Perspectives GmbH

UNFCCC, CDM-Executive Board and its panels

- The meeting of the UNFCCC subsidiary bodies and the sessions of the Ad-hoc working groups resumed on 31 May in Bonn. A further meeting of the Ad-hoc working groups is scheduled for 2-6 August in Bonn.
- The chair of the AWG-LCA put forward a more consolidated draft negotiation text. It includes an option that allows the establishment of new market mechanisms and the use of units for compliance under Kyoto Protocol and Convention.

The EB held its 54th meeting from 24-28 May. It took the following decisions:

- Regarding the revision of methodologies, requests can now be initiated by the Secretariat itself, in addition to the already existing paths through project developers, the Meth Panel and the EB. Project participants who submit a request have to be heard by the Meth Panel.
- Two small-scale methodologies with high replicability were approved, following the trend towards more user friendly methodologies seen in the last meetings: AMS I.F allows using diesel generator-derived default emission factors for captive or mini-grid renewable electricity. AMS II.K covers co-and trigeneration for commercial buildings.
- Several methodologies were revised to expand applicability and made more user-friendly, e.g. AMS II.J for energy efficient lighting. The proposed expansion of biofuel methodology AMS III.T to cover biodiesel was not accepted; the EB asked the SSC WG to develop a dedicated new small-scale biodiesel methodology.

Number of the month

>3000: number of projects in the validation phase; together with registered projects, the 5000 mark has been passed in April 2010.

Designated Operational Entities

Companies applying to become operational entity: 14

Accredited operational entities: 30

- of which 8 from host countries
- of which 22 from buyer countries
- of which 30 for verification
- 9 DOEs have withdrawn
- 2 DOE are (partially) suspended

Designated National Authorities

The DNA approval stands at:

China: 2536 projects (+40). The new approvals include 14 hydro, 11 wind, 3 biogas, 2 landfill, industry energy efficiency, solar each, 1 waste heat recovery, biomass power, coal mine methane, waste, biodiesel and cogeneration each. Total annual CER volume is estimated at 7.5 million.

India: 1533 projects (+0)

Brazil: 235 projects (+0)

Vietnam: 116 projects (+1) – 1 biomass project (0.1 million CERs p.a.)

Indonesia: 104 projects (+0)

Thailand: 107 projects (+0)

Philippines: 64 projects (+0)

Colombia: 45 projects (+0)

Peru: 34 projects (+0)

Israel: 32 projects (+0)

Argentina: 30 projects (+0)

Notified DNAs: 154 (122 host countries, 32 buyer countries)

- The debundling check was removed for mini projects with a size of less than 1% of the small-scale thresholds. This creates consistency between PoA and single project procedures.
- ACM0008 on coal mine methane reduction has to be revised due to problems resulting from inconsistent definition of monitoring parameters.
- Swing plants producing either CFC or HCFC-22 do only qualify for use of HFC-23 methodology ACM0001 if they have produced HCFC-22 for at least 3 years. This makes it impossible for the developers of the withdrawn Quimobasicos project in Mexico to resubmit their project, which would have generated 0.8 million CERs per year.
- The decision on whether grid emission factors published by DNAs shall be validated by a third party remains the prerogative of the host country government; it cannot be forced upon reluctant DNAs.
- Renewable energy projects below 5 MW and energy efficiency projects below 20 GWh savings per year are automatically considered additional under certain conditions, inter alia if they are located in LDCs, small island states or a special underdeveloped zone of the host country. The latter can become interesting e.g. for Western China. Also, DNAs can define the specific underlying technology of such a micro scale project type as additional, which then needs to be approved by the EB.
- New procedures for the completeness check will speed up the process and increase transparency. The timeline now foresees 7 days for the completeness check and further 23 days for an "information and reporting" check. The single steps of the completeness check process will be published on the UNFCCC website for each project. The request for review period was shortened to 28 days.
- None of the two DOE suspensions (TÜV Süd and KEMCO) was lifted; KEMCO failed again in a performance assessment. SGS emerged unscathed from a spot check, likewise a performance assessment of JCI delivered positive results.
- In the biggest round of accreditations since March 2009, three new DOEs from Japan (KPMG AZSA, Ernst & Young ShinNihon Sustainability Institute and Nippon Kaiji Kentei Quality Assurance) and two from the US (Conestoga Rovers and Perry Johnson Registrars) were accredited.
- A standardized format for a monitoring report was approved, which is based on the classical PDD structure. The new format is heavier than the formats commonly used by project developers and may increase costs of monitoring, but will enhance transparency and comparability and thus make life easier for the regulators.
- Out of 21 requests for review for registration 11 projects were put under review, 4 of which are Chinese wind projects and three Chinese hydro projects. The latter apply a higher electricity tariff than comparable projects of the respective grid. A review case that is regarded as groundbreaking for a whole project category will be conducted for an Indian supercritical coal project. Furthermore, 8 projects have to make corrections, of which 6 are Chinese hydro projects. Due to the new system of giving low priority to review cases, no review cases were decided at this EB meeting both for registration and issuance. Regarding issuance of CERs, out of 9 requests for review 3 projects were put under review, while 6 have to make corrections.
- Despite freeing time by moving all review cases to the next meeting – and thus not rejecting any project – the EB's agenda remains full. Important decisions such as definition of E+/E- policies, the loan scheme for support of countries with less than 10 registered projects and the appeal procedure were deferred without a new deadline.

Discussion on new market mechanisms

- A study on sectoral mechanisms in the power sector including four case studies done by New Energy Finance for the Spanish EU Presidency is available at <http://www.mma.es> (1.4 MB).

Other news

Engineering Staff College of India offers a training on "CDM and Carbon Finance for Agriculture, Forestry and Land Use Projects" from 25-27 August in Hyderabad. For information see <http://www.escihyd.org/>.

The World Bank offers an e-learning course "CDM/JI: Navigating the Kyoto Protocol project-based mechanisms" in collaboration with the GHG Management Institute from September 15 - October 15 and November 15 - December 15. Further information is available from [Samira El Khamlichi](#).

CDM counter

as of 31 May 2010

- Methodologies

Pending large-scale baseline methodologies: 26
- of which forestry: 1

Pending small-scale baseline methodologies: 18

Approved and published large-scale baseline methodologies: 97 (including 19 consolidated ones)
- of which forestry: 10 (including 2 consolidated ones)

Approved and published small-scale baseline methodologies: 59
- of which forestry: 6

- Project pipeline

Projects currently open for public comments on PDD: 113
- of which 1 is a PoA

Projects and PoAs in the validation phase: 3035
- of which 94 are in the period where a request for review can be launched
- of which 403 are under completeness check
- of which for 23 a request for review has been launched
- of which 56 have to make corrections (incl. 1 PoA)
- of which 24 are undergoing

- Sectoral mechanisms and subsidies for NAMAs are assessed by the Center for Clean Air Policy, including case studies for China, Mexico and Brazil; <http://www.ccap.org> (1.2 MB).
- The challenges of REDD with carbon crediting are highlighted in US public TV channel magazine "Frontline", eliciting lively discussion. See <http://www.pbs.org/frontlineworld>.
- A presentation on a REDD project with crediting in Cambodia can be downloaded from <http://www.iges.or.jp> (1.9 MB).
- A 3 day pilot training session of the World Bank e-learning course on Low Carbon Development Energy Planning is scheduled for summer 2010 in Africa. The full series of 4 courses (introduction, power, households, transport) is scheduled to open in autumn. Further information can be obtained from [Samira El Khamlichi](#).
- A set of recent publications with a special focus on sectoral approaches by the Centre for European Policy Studies (CEPS) is downloadable at [http://www.ceps.eu\(...\)](http://www.ceps.eu(...)).

Supporting up-scaling of mitigation through programmes and bundles

In May, one PoA entered the validation pipeline – a solar water heating programme in South Africa.

- 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 5 and South Pole with 4.
- In terms of technologies, demand & supply side energy efficiency measures lead with 14 PoAs, followed by biogas (12) and renewables (10).
- The World Bank's Carbon Partnership Facility signed a contract with Amman municipality (Jordan) for the Amman Green Growth Program, a first of its kind city-wide CDM program, focusing on waste, energy, urban transport, and urban forestry sectors.

The CDM in Least Developed Countries and Sub-Saharan Africa

- A scoping study on the carbon market potential for the secretariat of the Southern African Development Community provides an overview of the CDM potential and activities in the SADC countries - <http://www.econ.no> (371 KB).
- An interesting example for entrepreneurship in Africa is the private project developer ADERCI in Cote d'Ivoire, that engages in bioenergy and waste management projects and currently holds a pipeline of 7 projects - <http://www.aderci.com>.
- The Ethiopian Environmental Protection Authority (EPA) released a draft national CDM regulation which comprises a five-year tax holiday for project developers as well as a VAT waiver.
- The UNFCCC Secretariat is preparing broadcasts on the CDM for African radio stations.
- ACAD facility (reported in previous Highlights) has so far selected 7 projects for validation/registration cost grants.

GTZ CDM Capacity Building

- An Indo-German Carbon Bazaar was held in Delhi, India in early May, organised by GTZ together with the Indian Ministry of Environment and Forests and the German Federal Ministry for the Environment, Nature

- review
- of which 42 are PoAs
- of which 124 apply for the Gold Standard

Expected CERs until 2012 from projects at validation: 1048 million

- of which 62.1 million from those that officially applied for registration and 4.9 million from projects with request for review
- of which 23.6 million from projects that need to make corrections
- of which 22.1 million from those undergoing review

Projects that failed during validation: 999

- of which 150 have been rejected by the EB
- of which 49 have officially been withdrawn
- of which 153 got a negative validation report
- of which 647 dropped out of validation

- Registered Projects and CER Issuance

CER estimates until 2012 from projects failed before registration: 438 million

- of which 85.6 million from EB-rejected ones
- of which 22.6 million from withdrawn ones
- of which 71 million from validator-rejected ones
- of which 258 million from projects that dropped out of validation

Registered projects: 2224

- expecting 1817 million CERs by 2012
- of which 3 are PoAs
- of which 17 fulfil the Gold Standard
- Host countries: 64
- Buyer countries: 18

Issued CERs: 418 million

- Projects with issued CERs: 733
- of which 6 Gold Standard projects
- Rejected and not resubmitted requests for issuance: 10 (0.5 million CERs)
- Withdrawn and not resubmitted

Conservation and Nuclear Safety (BMU). The gathering attracted some 500 carbon market experts, who engaged in political discussions, B2B meetings and a conference focussing on new mechanisms and the programmatic CDM in India. Presentations are available at <http://www.cdmindia.com>.

- A GTZ workshop on "Energy generation from waste" was held by the CDM-Initiative together with the German chamber of Commerce in Brazil (AHK) in São Paulo on 6th May. Project developers, owners and carbon credit buyers discussed opportunities and barriers for CDM projects in the solid and liquid waste management sector in Brazil. Among the numerous case studies presented on technologies for using landfill or sewage gas for generating electricity and obtaining CERs was a Public Private Partnership (PPP) between the Brazilian utility COPASA and GTZ. Presentations (in Portuguese) can be downloaded at <http://www.ahkbrasil.com>.

Project developers, operational entities and consultants

- The submission of new projects remained high at 104. Two large new projects entered the pipeline:
 - o 3960 MW Supercritical coal power plant (India, 3.5 million CERs by 2012)
 - o 855 MW run of river hydro plant (Brazil, 1.7 million CERs by 2012)
- News company Thomson Reuters has acquired the Norwegian information provider Point Carbon in order to strengthen its consultancy skills for the carbon market.
- South African Gold producer Gold Fields plans to capture methane gas from a gold mine in Free State province and sell about 1.7 million CERs to European trading company Mercuria.
- Carbon Expo 2010 trade fair was held in Cologne, Germany in late May. Compared to 2009, attendance and number of exhibitors as well as size of exhibits dropped drastically.

Incentives for CDM investment

- The price for EUAs decreased to 14.9 Euro for the spot market and 16 Euro for 2012 vintages. The spread to issued CERs increased to 2.3 Euro.
- According to the World Bank, primary CDM transaction value fell by 59% between 2008 and 2009; 200 million CERs changed hand in 2009.
- The World Bank made the first purchase of AAUs from the Czech Republic, giving credibility to "hot air" sales.
- The draft Kerry-Lieberman climate bill of the US Senate would allow for the use of up to 500 million credits from international offsets per year, if the US signs a bi- or multilateral climate policy agreement. Credits may come from sector crediting mechanisms, UNFCCC mechanisms and REDD. After five years of operation of the US scheme, a discount factor would be introduced, meaning that 1.25 international credits would be required for one domestic allowance.
- Egypt has established a "CDM Awareness and Promotion Unit", which serves to conduct capacity building, set up a CDM helpdesk for project developers, provide financial and legal support, market CDM projects and to streamline the political framework for the CDM in Egypt.
- Chile's policy to attract foreign investment through the CDM is assessed in a paper of the University of East Anglia, <http://www.uea.ac.uk> (110 KB).
- Renewable energy from biomass may become eligible for feed-in tariff subsidies in South Africa according to ESKOM. In this regard, electricity cogeneration from the sugar industry is likely to become a considerable contributor to South Africa's future energy supply.
- India's GHG emissions have risen by 52% from 1994 to 2007 according to government data. Although significant attempts have been made in recent years to bring down emissions from electricity generation and distribution processes, still more than one third originates from this sector.

requests for issuance: 15 (0.9 million CERs)

CER price

7-7.5 for high quality post-2012 vintages,
7.5-9 Euro for medium-risk forwards,
9-10 Euro for low-risk forwards,
10-11.5 Euro for registered projects,
12.62 Euro BlueNext spot price.

CDM Bazaar

By the end of May, 229 buyers (-1) from 41 countries (+0), 325 (+3) sellers from 73 countries (+0) and 669 service providers (+10) from 72 countries (+2) had listings on CDM Bazaar.

India leads the list of service providers with 147 (-7) entries, followed by the UK with 67 (+2), China with 59 (+7), US with 54 (-4) and Brazil with 32 (+2). 77 projects and project ideas (+1) 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/...>

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)

Country of the month:

Republic of Moldova



After its independence from the Soviet Union in 1990 the Republic of Moldova has gone through economical dire straits and a political catharsis process, culminating in an anti-communist riot in 2009. Moldova is amongst the poorest countries in Europe and foreign investors refrain from engaging in the country due to an unfavourable investment climate that is characterized by

intransparent administrative structures, legal uncertainties and poor economic growth. Rising inflation has eaten into the recent economic upswing and the economic and financial crisis has led to a significant decrease in remittances from Moldovans living abroad, which accounted for approximately one third of the country's GDP.

Unsurprisingly, Moldova has so far not been the first choice of project developers and investors regarding CDM project activities. Only four projects have been registered - three small-scale building energy efficiency activities and one forestry project, all of them elaborated by the World Bank. The pipeline currently comprises four further activities, namely one landfill gas, one fuel switch, one forestry and one combined heat and power plant project. The Moldavian DNA was established within the State Hydro-meteorological Service of the Ministry of Ecology and Natural Resources in 2003. In addition, a Carbon Finance Unit (<http://www.cfu.md/>) has been established in order to escort existing CDM projects and promote new activities. However, the capability of this framework has not really been tested so far, a circumstance that could rapidly change if the country's full CDM potential would be tapped. In this regard, the independence from energy imports plays a major role. As Moldova is heavily dependent on electricity imports from Romania and oil and gas imports from either Russia or the Ukraine, in 2007 new energy legislation was adopted in order to increase the share of renewable energy up to 20% in 2020. In particular micro-hydro power offers vast possibilities and the potential for larger hydropower stations has not been fully exploited. Besides this, energy efficiency measures appear promising both on the supply and demand side. Considering the latter, the programmatic CDM could serve as a suitable instrument to generate larger volumes of emission reductions.

Web news and downloads of the month

- The key overview publication "State and trends of the carbon market 2010" by the World Bank is available at <http://siteresources.worldbank.org> (1.9 MB).
- The best freely available analysis of carbon funds "Carbon Funds in 2010: investment in Kyoto Credits and emissions reductions" is available from French CDC Climat at <http://www.cdclimat.com> (1.3 MB).
- A must-read for all CDM professionals is the World Bank assessment of its first decade of carbon market involvement, with a wealth of interesting statistics. Download at <http://siteresources.worldbank.org> (1.5 MB).
- Point Carbon's annual report on the carbon market "Carbon 2010 - Return of the sovereign" is now available for free at <http://www.pointcarbon.com> (590 KB).
- A survey that was commissioned by IETA unveils skepticism amongst carbon market decision-makers with regard to the future role of the CDM – see <http://www.ieta.org> (1.9 MB).
- The 2009 annual report of all carbon finance activities of the World Bank is available at <http://siteresources.worldbank.org> (8 MB)
- An empirical survey of the CDM in swine farms in Mexico is available at <http://www.eumed.net/> (Spanish only).
- The Mongolian DNA, the CDM National Bureau has relaunched its website -

<http://www.cdm-mongolia.com/>.

- In a case study of the Chinese biogas sector Hans Curtius and Tobias Vorlauffer assess the contribution of the CDM to sustainable development in China - <http://www.frankhaugwitz.info> (635 KB).
 - A CDM host country analysis of Argentina was published by the German Development Bank DEG - <http://www.gtai.de> (289 KB).
 - A tough criticism of market mechanisms in influential US "Harper's Magazine" has been made available by CDM Watch, download at <http://www.cdm-watch.org> (489 KB).
 - Kirsty Hamilton analyses how investment into renewable energy can be scaled up in developing countries - <http://www.chathamhouse.org.uk> (290 Kb).
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