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FOR IMMEDIATE RELEASE

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Continuing loss of global carbon market infrastructure will delay action and increase costs

LONDON, 12 June: The loss of another key service provider for the Clean Development Mechanism (CDM) this week will lead to slower uptake and higher costs of emissions cuts going forward, warned the Project Developer Forum today.

SGS announced this week that it intends to withdraw from offering validation and verification services for projects under the CDM. This is a drastic development triggered by the current carbon market crisis, and follows a similar decision by DNV GL in February this year.

These major third-party auditors have withdrawn from the CDM in spite of continuing discussions about the important role this mechanism should play in fostering ambition and early action in the short term, as well as by providing essential building blocks and infrastructure for the development of a post-2020 climate regime. This highlights the need for concrete and urgent action to reverse the ongoing deterioration of the global carbon market infrastructure.

“The value of the CDM is increasingly being recognised as a cost-effective, efficient and reliable policy instrument by developing countries, and the evolution of tax and emission trading systems in China, South Korea, South Africa and Mexico show how important the building blocks of an offsetting mechanism are for these emerging carbon pricing regimes,” says Gareth Phillips, chairman of the Project Developer Forum.

“These countries are sending important signals, but this evolution needs to be supported and accompanied by more ambition and demand from international actors. We call upon developed and developing countries, airlines, the global shipping industry and those voluntarily offsetting their emissions to make use of the CDM now to avoid high costs in the future.”

The price of Certified Emission Reductions (CERs) has plummeted since 2007, from \$20 apiece to mere cents now, leaving developing countries with thousands of emissions mitigation projects that are not able to recover capital investments or even cover monitoring and issuance costs of their emissions reductions. Moreover, the current CER price provides no incentive for the development of new mitigation projects, contributing to the decline in the investment level of green energy projects since 2011.

Phillips adds: “As developing countries need to satisfy their growing energy needs, a lack of appetite for clean energy investments is leading to an increasing deployment of GHG intensive technologies.

This not only locks-in the emission trajectories of developing countries for many years, but also sharply increases the burden and cost of future climate change mitigation.”

The CDM is emerging as the only recognised international mechanism in the bottom-up international climate change arena, as it contains the required building blocks needed by scalable Monitoring, Reporting and Verification and baseline setting. It is a key element in ensuring the integrity and comparability of national policies and efforts. As a UN recognised mechanism, it is also capable of fostering indirect and, later, direct linking of the diverse carbon pricing systems that are currently emerging in developing countries such as China and Mexico.

Further deterioration of the CDM infrastructure will consequently accelerate market fragmentation, sharply increase future mitigation costs and reduce the prospects of building a coherent and efficient global carbon market from the promising but fragmented initiatives we now see emerging around the globe. As the recent IPCC report¹ has highlighted, global cooperation and carbon market instruments are key to ensure that the economic cost of climate change mitigation remains negligible, but now our efforts and capabilities to pursue this objective are being seriously impaired.

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Notes to editors:

1 Please see <http://mitigation2014.org/> for more information

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The Project Developer Forum is a collective voice to represent the interests of companies developing greenhouse gas emission reduction projects in international markets under the Clean Development Mechanism, Joint Implementation and other carbon emission reduction systems. Please see <http://pd-forum.net/> for more information.