



**PROJECT  
DEVELOPER  
FORUM**

**Project Developer Forum's view on Durban**

25<sup>th</sup> March 2012

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# Overall

- Durban achieved much more than we expected
- Early optimism is being replaced by the reality that the global community still is not coming to terms with climate change
  - Lack of progress on the continued failure of the EU ETS (1/26)
  - Globally – not on the agenda in the US; slow progress elsewhere
- The political signals are out of sync with the science
- Good medium to long term prospects (2015 to 2020)
- But in the short term our businesses are severely threatened

# Continuation of the Kyoto Protocol

- Continuation of the KP and its accounting instruments is extremely positive.
- There is now a strong prospect that the fungibility of units established under the KP will continue in the long term.
- However, this important step has been eclipsed by the failure of the EU to agree to move to -30% and the withdrawal of a number of Parties from the KP

## Various approaches

- Approval of new mechanisms opens up considerable scope for further development.
  - Allows parties to come forward with new proposals for market based mechanisms as long as they meet basic criteria “must deliver real, permanent, additional and verified mitigation outcomes, avoid double counting of effort and achieve a net decrease and/or avoidance of GHG emissions”
  - And it allows top down mechanisms that “may assist developed countries to meet part of their mitigation targets or commitments under the Convention.”
- Well and good but these new mechanisms will face the same fundamental challenges that we face under CDM – additionality, validation, verification, double counting etc.
- The new text diverts attention away from the fact that building a real credible international market based mechanism with flexibility is not straightforward. We risk setting out to re-invent the wheel.

## Various approaches continued

- It also conveniently overlooks the fact that the private sector is close to giving up.
- We may have lobbied for new mechanisms in the past but these days we are fighting for our survival.
- Fifteen years of climate change expertise is going out of the window.
- New mechanisms will not be operational for many years yet
- My own company, for example, is winding down CDM investment and only continuing investment in clean energy in advanced developing countries and Annex I, driven by renewable energy tariffs, ROCs and RECs

Right now, we don't need more mechanisms, we need more markets.

# Hello Durban!

## Goodbye Annex 1 Non-Annex 1

- This is hugely positive development which seems not to have captured the attention of anyone!
- The Annex 1 / Non-Annex 1 divide has crippled the KP from the outset.
- We now have a commitment to develop a protocol, another legal instrument or an agreed outcome with legal force under the Convention applicable to all Parties.
- Granted it does not come into force until 2020 but it must be agreed by 2015 – only 3 CMPs away and if a Party wants to have a trial run, they'll need to start 2017 by the latest.
- Great news for the medium to long term
- Unless Parties fail to take it seriously

## CDM in the DP “one-world”

- CDM has great potential but it's role must change
  - From being seen as a mechanism to assist Annex 1 achieve least cost compliance and provide sustainable development benefits to host countries
  - To being a UNIVERSAL mechanism that can help ALL countries find and implement least cost mitigation actions in a credible and transparent way within the context of their national strategies
- I.e. CDM needs to be designed and operated in a way that:
  - makes it easy to integrate into the mix of domestic climate policy instruments (addressing E+-, temporal issues, streamlining additionality)
  - is efficiently operated (addressing governance and the strengthened role of DNA)
  - integrates well with the new market mechanisms.
- At the same time, this perspective creates the additional markets for CERs and supports EU's political ambitions for meaningful participation.

# Guidance to the CDM EB

- Being realistic, its almost too late – investment outside LDCs is shutting down.
- PD Forum’s own members are less and less interested in medium to long term issues; our aims are to:
  - get remaining projects registered;
  - ensure continued issuance from implemented projects proceeds as smoothly as possible; and
  - stop the EU ETS in particular from chipping away at our cash flow.
- Topics such as materiality and significant deficiencies remain relevant but the window is rapidly closing.
- What didn’t make it into the guidance is more interesting because it may give hints as to where Parties may go with future negotiations on CDM and with new mechanisms:

## What didn't make it into the guidance...

- Challenges to additionality of capital intensive projects
  - in PDF's view this is based on a poor understanding of project finance but its probably irrelevant to LDC projects
- Discussion around the introduction of conditionality of letter of approval as a means of ensuring that projects deliver on promised sustainable development benefits.
  - In PDF's opinion, this threatens the jewel in the crown of the CDM. Certainty of delivery of CERs is critical for a CDM project and if this risk is introduced it is unlikely that the private sector will invest further.
- Somewhat linked to this are recent reports that China may in the future become a net drain on CERs.
- There have also been changes to Chinese regulations that suggest fewer CERs may be transferred out of China post 2012.
  - This raises the question of what happens to CDM projects when they are brought under the jurisdiction of a domestic emission trading scheme - which is increasingly likely under the Durban Platform.

## What didn't make in... continued

- We have seen increased interest in crediting baselines and the creation of emission reductions for the host country's account.
  - This is also reflected in the wording of the new mechanisms.
  - This enhances the credibility of the concept of offsetting.
  - But absent policies to recognize the contribution of the project to a host country's emissions, the net result is fewer CERs = lower returns for investors.
  - Host countries must be more ambitious; establish suitable policies & mechanisms
- The Parties failed to agree on how to move forward with the appeals process and also referred the issue of significant deficiencies back to SBI.
  - The PDF has long argued that the lack of an appeals process damages the credibility of the CDM
  - The EB's draft procedures for addressing significant deficiencies were highly disadvantageous to PPs and therefore we supported CMP's decision
  - Moving forward, we would like to see one all encompassing appeals process which, *inter alia*, is fact based, transparent, independent, with direct communication and includes a mechanism for the allocation of costs associated with unsuccessful appeals

## In conclusion

- The Project Developer Forum remains committed to the continuation and continued development of a highly credible CDM
  - This mechanism and all its support structure is largely driven by the revenues derived from projects which we develop and implement; and
  - Despite the enthusiasm of our individual members, our companies are driven by private sector concerns – we cannot continue without reliable markets for the commodity which we produce.
  
- So in conclusion, we want

**More Markets, Not Mechanisms**

## Thank you for listening

The Project Developer Forum (PD-Forum) is a collective voice to represent the interests of companies developing greenhouse gas (GHG) emission reduction projects in international markets under the Clean Development Mechanism (CDM), Joint Implementation (JI) and other carbon emission reduction schemes and programs.

See our members at: [www.pd-forum.net](http://www.pd-forum.net)