

ecoco



The Closed Development Mechanism – don't call us, we'll call you

Many organisations that support investment in the South have learned a valuable lesson in recent years – people are part of the solution rather than part of the problem. The result has been a trend towards increased public participation, designed to improve quality of both implementation of investment projects and development of investment policy, by a range of institutions ranging from the World Bank to export credit agencies.

Why then are these lessons not being applied to the CDM rules? According to the current text, the CDM will comfortably qualify as the process which gives less access to fewer people, not only in terms of the project cycle, but also with respect to the policies and practices of the key institutions – most notably the Executive Board.

Welcome to the Closed Development Mechanism – people keep out, we are busy saving the climate and promoting sustainable development. Honest.

A coherent framework that encourages public participation as a means of delivering quality assurance for CDM projects has simply not been put in place. Where the public is invited to contribute it is under cosmetic terms and conditions that give too little time and too little weight for public views to be adequately debated. To give one very simple example, affected groups only have 30 days to comment on a CDM project validation document.

Compare this with the World Bank (WB) that gives affected groups 60 days to comment on an environmental assessment of a proposed project. Some, including the US Congress, in-

sist that the time period for comment on WB projects should be 120 days – four times as long as the CDM will provide. Affected parties that wish to have input into a CDM project will have to master unique and complex issues as “leakage”, “additionality” and “baselines”. Thirty days gives enough time to find out about the project, swear loudly and ring the nearest lawyer. If project developers are looking for more constructive input, this time period has to be lengthened.

Simple example two. A CDM appeals process is totally absent. While the World Bank and Asian Development Bank (ADB) have formal procedures for reviewing complaints from stakeholders and affected parties about WB or ADB loans, appeals against CDM project activities can only be made by involved Parties or 25 per cent of Executive Board members (if they feel like it). Affected communities for example have no recourse to a formal project appeals mechanism and there is no formal consultative mechanism between the Executive Board and the NGO community on policy issues. For a new institution seeking to avoid political controversy, such an ivory tower approach is a recipe for disaster.

The lack of a coherent public participation process is bad for quality assurance of CDM projects and bad for the credibility of the mechanism and institutions themselves. At the UNFCCC level itself civil society has clearly demonstrated – at COP after COP – that it is part of the solution in the fight against climate change. Why then with the CDM are we apparently being treated as part of the problem?

Counting sinks

LULUCF is still very much in play in Marrakesh as delegates would know. For the sinks provisions in the Bonn Agreement to be soundly implemented, parties should be required to provide detailed information. This should include information on 3.3 and 3.4 – and not merely Annex A as Canada would have it – and be submitted on an annual basis. Information should be backed up by science-based rules on issuance and cancellation. It is also clear from a number of sections of the Bonn texts that 3.3 and 3.4 units should not be banked for the second commitment period.

Ensuring best practice

As stated in yesterday's Eco, Parties should ensure that the Article 7 COP/MOP decision recommends a decision be taken by COP10 on the rules required for reporting under activities under 3.3 and 3.4. This will ensure quality of the annual inventory and serve as the basis for sinks eligibility requirement.

Reporting

The general information required for 3.3. and 3.4 should include geographical location of areas of land subject to LULUCF activities under 3.3 and 3.4; spatial assessment units; all units of land of an activity (not a pick and choose selection where Parties identify those lands they'd like to count as part of their activity and leave out others); and all pools included in the LULUCF text.

Specific information on 3.3 should include information demonstrating that 3.3 activities had started on or after January 1, 1990 and before December 31, and are human-induced.

Specific information on 3.4 should include information demonstrating that 3.4 activities

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– *Counting sinks, from front page* had started on or after January 1, 1990 and before December 31, and are human-induced. There must be annual reporting on net accounting for cropland, grazing and revegetation. Parties that include forest management should have to include information demonstrating that elected lands subject to accounting for forest management were not accounted for under Article 3.3.

Issuance and cancellation

The question of when a Party can issue and cancel 3.3 and 3.4 units is at the core of the sinks 5, 7 & 8 discussion. There are a number of proposals on the table which could jeopardise the integrity of the system. There is, however, a way forward.

It is key to the accounting of Articles 3.3 and 3.4 sink activities that issuance and cancellation of units occur contemporaneously, and at the end of the commitment period when the net effect is apparent. This will ensure transparency and not allow sinks units to enter into the system one year that may disappear the next. (Of course, Parties should still report annually on Article 3.3 and 3.4 activities.)

However, FCCC/CP/2001/Inf.5 is vague on when a Party can issue – and cancel its sinks units under Articles 3.3 and 3.4. The New Zealand position leaves it up to the Party to decide but evidently sees it as a “net” transaction, i.e. you calculate the net amount absorbed or emitted by sinks and issue or cancel units equivalent to that total amount. But watch out, as in its usual devious fashion, Australia proposes that a Party can issue sinks units whenever it wishes, but only cancel them at the end of the commitment period. How convenient.

Rational for non-banking

For several reasons, banking of LULUCF credits poses a major threat to the effectiveness of the Kyoto Protocol. This was identified by a number of Parties before Bonn and therefore the Agreement includes provisions that 3.3 and 3.4 tonnes cannot be banked into the second commitment period. This is especially important due to sufficiently weak targets in the first commitment period and the fact that potentially bankable LULUCF credits could be a) large in size and b) unevenly distributed among parties. Thus, by not allowing banking of any LULUCF credits, Parties would :

- a) Fulfill principle (f) of the sinks decision stating “that accounting for LULUCF does not imply a transfer of commitments to a future commitment period.”
- b) Operationalise footnote 3 of FCCC/CP/2001/L7 stating that “the accounting framework established in this paragraph should not be construed as establishing any precedent for the second and subsequent commitment period.”
- c) Prevent inconsistencies because sinks in 2nd commitment period might well be different from sink rules in 1st commitment period. See e.g. FCCC/CP/2001/L.11/Rev.1, page 2, Article 2c, or page 9 Articles 15 and 16.
- d) Ensure transparency in the second commitment period target negotiations, i.e. x% emission reductions means x% and is not clouded by banked BAU sinks tonnes.

The sinks provisions were some of the most hard fought over elements of the Bonn Agreement.

Parties must not lose sight of their uncertain and controversial nature, be true to the Agreement and bring them into the system in a sound and transparent manner.

And finally: Do not listen to Canada.

Peugeot in bad CDM

Oh no, not again! Peugeot has increased advertising of its sinks project in the Amazon. Planting trees in a deforested area. Big deal.

Will it compensate for its “fossil sins” such as car manufacture and participation in the Paris to Dakar car race.

It appears Peugeot has not understood no good public relations can be derived from sinks in the CDM projects. It is a major loophole in and threat to the integrity of Kyoto Protocol.

To compound this bizarre behaviour, add local controversy such as the lack of consultation and sharing of precise information. And odd accounting of carbon benefits such as – can you believe it – a total of 100 years of gains, no discounts and no doubts.

Its planned use of strong herbicides to get rid of weeds in the area trees were to be planted led to tension with the locals. Could this be its example of transferring “clean development practice”?

Peugeot should concentrate on improving the fuel efficiency of its automobiles and not be associated with such dubious projects.

Due to unavoidable circumstances, we have been unable to publish Eco on recycled paper. We expect to rectify this situation soon.

“Fossil of the Day” Award

Australia, which collected the second highest number of fossil awards at COP6bis, showed early signs it was maintaining form when it became the sole recipient of yesterday’s fossil of the day award.

It received the award for its prime minister John Howard’s stirring statements on the Kyoto Protocol at the Liberal Party campaign launch in Sydney two days ago. These were his words:

“Australians want a global agreement on greenhouse gas emissions. But we are not going to ratify the Kyoto Agreement until the full cost to Australia of that ratification is known. Unlike (opposition leader) Mr Beazley we are not going to sign away Australia’s freedom of action until we know the full cost to Australian industry and Australian jobs of that particular action. Everyone in this area who thinks about it knows that the only way you can have an effective international agreement on greenhouse emissions is to include the United States of America and also the developing countries.”

Pop quiz : If Australia is not going to ratify the Kyoto Agreement, why is it present at these negotiations in Marrakesh?

Abraham

In these nervous times, arriving delegates have been charmed by the warmth of the people of Marrakesh. The cosmopolitan readiness of the locals to cheerfully make a dirham or two from visitors of all religions and nationalities without fear or favour captures all that is most noble in the UN process. While browsing in the souks this morning, Ibrahim spotted a BINGO rep negotiating franchises with local entrepreneurs for the sale of “credible sinks CERs” alongside the genuine Rolexes and Chanel nos. 5, 7 & 8. Russian delegates were also spotted at a souk-side seminar on “polite negotiation for beginners” run by some enterprising salesmen. A sobering thought.

THANKS

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