CENTRE FOR SCIENCE AND ENVIRONMENT

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CSE

LEAVES OF IMPORTANT SURVIVAL TREES IN INDIA — MAHUA, KHEJDI, ALDER, PALMYRA AND OAK

CDM Executive Board
UNFCCC Secretariat
Martin Luther King Strasse 8
P.O. Box 260124
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Germany

16 January 2012

Subject: Responding to the call for public input on the CDM policy dialogue to review past CDM experience, and help ensure the readiness and positioning of the mechanism to meet the challenges of the post-2012 period

Dear Members of the Panel,

On behalf of the Centre for Science and Environment, I welcome and appreciate this opportunity to comment on and provide suggestions for the reforming and repositioning of the CDM to meet its goals in a more effective manner in the post-2012 period. We hope that the CDM Executive Board takes into consideration the recommendations made herein as it moves forward with its policy dialogue.

The Centre for Sciece and Environment (CSE) is a leading public interest research and advocacy organisation based in New Delhi. CSE researches into, lobbies for, and communicates the urgency of development that is both sustainable and equitable. Its consistent tracking of climate change negotiations at the international level and their resulting impacts at the national and local levels has been widely covered through its in-house science and environment fortnightly, Down to Earth. (Links to articles on issues pertaining to CDM are annexed to this letter)

The Clean Development Mechanism (CDM) was set up to forward the twin goals of assisting developed country parties in their emissions reduction commitments in a cost-effective manner and promoting sustainable development through CDM projects in developing countries. We see major drawbacks in the mechanism in its current form, which, without timely intervention, can undermine its effectiveness in meeting its goals. We have gained this perception through the following observations:

1. The Clean Development Mechanism is not leading to a transition towards a low-carbon economy in developing countries. It must pay for high-end projects, whereas its emphasis lies on delivering cheap credits.

2. By allowing developed countries to meet a significant proportion of their targets through the method of offsetting, the CDM incentivizes developed countries to increase their emissions while buying cheap carbon credits to meet their emissions reduction targets.

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3. Its failure to translate the 'additionality' criteria into practice as a screening method, has resulted in a large number of projects being non-additional.

4. It does not restrict the generation of credits from projects that support the use of fossil fuels, thus incentivizing fossil fuels.

5. The CDM supports a private-private model which engenders conflict of interest leading to highly non-transparent, non-additional and dubious projects.

6. Many CDM projects have failed to ensure that local communities benefit either directly or through the redistribution of benefits through their implementation. On the other hand, many have failed to not only take into consideration the negative impacts that they can have on neighboring local communities, but also overlooked the requirement to take their consent.

7. The prevailing volatility and low carbon prices reflect a primary flaw in the design of the CDM to generate cheap carbon credits.

8. The requirement built into the additionality criteria, which is to support projects that would not have been implemented in the first place, offers a perverse incentive to governments to maintain a business-as-usual policy in order to maximize the potential of CDM projects.

In light of the above observations, the following recommendations are being made.

1. CDM must include a minimum floor price, which will ensure that only high end or transition technologies will get into the system in order to ensure the real transition to a low-carbon economy. The Intergovernmental Panel on Climate Change's fourth assessment report has concluded that a carbon tax (or price) of US $50-100 on a tonne of CO2 equivalents is needed to make deep cuts in emissions in the world. But to begin with, the entry level price could be pegged at US $30-50 to provide the incentives for structural change.

2. A comprehensive 'positive list' that lists all the transition technologies should be created by each developing country taking into account its national circumstances, which can further enable such a transition. Any project that employs a technology from this list would be automatically deemed additional. A combination of a floor price and the 'positive list' will effectively remove the need for the obscure 'additionality' clause.

3. A limit needs to be placed on the percentage of emission reductions that can be achieved through offsetting. We suggest that this limit not be larger than 25% of any country's targets.

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4. The CDM should say no to carbon, capture and storage (CCS) and all fossil-fuel projects that besides being unsustainable generate a high volume of certified emissions reductions, which could further suppress the price of carbon.

5. Overall, the process needs to change. The institutional structure needs to be reformed such that more transparency is brought in, stakeholder participation is improved and procedures are simplified to enable the effective implementation of CDM projects.

Once again, I thank you for the opportunity to provide comments and suggestions and sincerely hope that the above will be taken into consideration while implementing changes in the CDM. Please do not hesitate to contact with any questions or queries.

Sincerely,

Chandra Bhushan,
Deputy Director General, CSE

ANNEXURE

Following is a list of reports that were published in Down to Earth (Science and Environment fortnightly) that have consistently chronicled the impacts of CDM projects in India:

1. Raipur's clean power plants using coal on the sly, November 2011
http://www.downtoearth.org.in/content/raipurs-clean-power-plants-using-coal-sly
2. Reliance's unusual reward, November 2011
http://www.downtoearth.org.in/content/reliance-s-unusual-reward
3. India, Japan pitch for carbon credits from nuclear energy, October 2011
http://www.downtoearth.org.in/content/india-japan-pitch-carbon-credits-nuclear-energy
4. Indian companies' CDM projects pollute environment, October 2011
http://www.downtoearth.org.in/content/indian-companies-cdm-projects-pollute-environment
5. Carbon credit earns profit, March 2010
http://www.downtoearth.org.in/node/1034
6. Badlands can earn, May 2009
http://www.downtoearth.org.in/node/3350
7. Carbon Discredit, December 2008
http://www.downtoearth.org.in/node/5316
8. Wind is big, August 2008
http://www.downtoearth.org.in/node/4858

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9. Carbonated future, May 2008
http://www.downtoearth.org.in/node/4543
10. C is for unclean, December 2007
http://www.downtoearth.org.in/node/7001
11.Trading Schemes, December 2006
http://www.downtoearth.org.in/node/8763
12. Unclean Process, August 2006
http://www.downtoearth.org.in/node/8190
13. Jindal steel claims CDM benefits, June 2006
http://www.downtoearth.org.in/content/jindal-steel-claims-cdm-benefits
14.Business as usual, April 2006
http://www.downtoearth.org.in/node/7659
15. Newest Biggest Deal (Cover Story), November 2005
http://www.downtoearth.org.in/content/newest-biggest-deal
16. Climate Inaction, January 2009
http://www.downtoearth.org.in/node/2876
17. Tidy gains, November 2003
http://www.downtoearth.org.in/node/13781