

CDM Highlights 71

May 2009

Monthly newsletter of the GTZ Climate Protection Programme (CaPP), written by Perspectives GmbH. Please send questions, comments or newsworthy items to climate@gtz.de

Editorial

Dear reader!

While demand for CER falters in the wake of the economic crisis, the supply side keeps surprisingly steady. China has crossed the mark of 2000 approved projects. The first profits of project developers are posted and their share prices are increasing. The CDM still has many friends among the UNFCCC negotiators so it is unlikely that it will be thrown overboard.

Anja Wucke, GTZ and Axel Michaelowa, Perspectives

UNFCCC, EB and its panels

- At the UNFCCC negotiations between March 30 and April 8, the following progress was made
 - A chairman's text on mechanisms reform with 12 sections on CDM was the basis of discussion: i) forestry, ii) CCS, iii) nuclear, iv) sectoral CDM on the basis of benchmarks, v) sectoral crediting on the basis of no-lose targets, vi) policy CDM, vii) standardized baselines, viii) lists of project types automatically deemed additional, ix) country-specific eligibility criteria for CDM projects, x) simplified rules for poor countries, xi) incentives for sustainability benefits of projects and xii) discount factors.
 - It was decided that at this stage the continuation of status quo should be retained as a generic alternative to any reform
 - For the sectoral crediting mechanism, a host country would propose coverage of a sector and the target level. A new body or the CDM EB would evaluate the proposed target and the target level would have to be confirmed by the COP. There is no consensus whether the no-lose target should be stricter than business as usual; registered CDM projects in a sector covered by the new crediting mechanism would continue to generate CERs until the end of their current crediting period, even if this goes beyond 2012.

Designated National Authorities

- Cape Verde has notified its DNA
- The Chinese DNA has confirmed that it will not lower the CER floor price which currently stands at 8 Euro. However, persistent rumours claim that prices actually paid for certain project categories are lower.
- The DNA host country approval hitlist stands at
 - China: 2023 projects (+141). The new approvals include 53 hydro, 36 waste heat recovery, 18 wind, 13 biomass power, 3 LFG and coal mine methane, 2 gas power plants and 1 wastewater, cement blending, biogas, agricultural waste, fuel switch, solar, nitric acid, district heating and power plant refurbishment project each. Total annual CER volume is estimated at 16.2 million
 - India: 1225 projects (+53).
 - Brazil: 209 projects (+5)
 - Mexico: 189 projects (+0).
 - Indonesia: 90 projects (+0).
 - Vietnam: 82 projects (+0).
 - Thailand: 60 projects (+0).
 - Philippines: 55 projects (+0).

- Colombia: 39 projects (+2), one landfill gas and one composting project with 0.1 million CERs per year. The Colombian DNA has updated its website with CDM statistics at <http://www.minambiente.gov.co/contenido/contenido.aspx?catID=829&conID=3046>. Colombia has also introduced a new CDM approval procedure.
- Peru: 24 projects (+0)
- Argentina: 24 projects (+0)
- The German DNA has requested a new validation whether the Xiaoxi large hydro project in China fulfils the World Commission on Dams guidelines, as the NGO International Rivers claims that statements in the first validation were wrong.
- There are no news regarding DNA investor country approvals.

Project developers and consultants

- The submission of new projects fell to 92. Large new projects in the pipeline are
 - 262 MW hydro project (Nigeria, 2.8 million CERs by 2012)
 - 460 MW wind project (India, 2.7 million CERs by 2012)
 - 200 MW hydro plant (China, 2.3 million CERs each by 2012).
- Shares of CDM developers listed on the London Stock exchange have made sizeable gains in the last month, doubling from their lows and increasing above end-2008 figures
- Camco made a profit of 2.2 million Euro in 2008. Its CER portfolio stood at 100 million at the end of December and increase marginally by end of March. Tricorona posted a maiden profit of 7 million Euro in the first quarter of 2009. It downgraded its CER portfolio to 57.3 million from 64.2 million at the end of 2008.
- Vitol, a Swiss trading company, has acquired a multi-project portfolio of Chinese CDM projects from Icecap.
- The European Commission has funded the first registered small-scale reforestation CDM project on 370 ha in India.

Incentives for CDM investment

- EU allowances have further risen to 14 Euro for the spot market and 16.8 Euro for 2012 vintages. The spread to issued CERs has widened to about 2.4 Euro.
- In the first 3 months of 2009 according to New Carbon Finance secondary CER trade volumes reached 180 million at a volume of 1.8 billion Euro. Primary CER volumes reached 60 million
- Barclays Capital now sees the EU trading scheme to have a net surplus of 23 million due to the free fall in industrial production. It forecasts EU allowance prices at below 10 Euro for the remainder of 2009. Point Carbon also predicts a long market, with an average price of 12 Euro.
- Ireland has stopped its CER acquisition due to the recession which is expected to reduce the Kyoto shortfall from 18 to 7.5 million AAUs. Until now, the Irish government had bought 3.5 million CERs.
- New Zealand foresees a net Kyoto surplus of 10 million AAUs. Previously, a net demand of 22 million AAUs had been estimated. The first 0.4 million ERUs for New Zealand JI projects were issued in March.
- The UK government will offset its travel emissions exclusively through Gold Standard CERs from now onwards. From 2005 to the end of 2008, it bought 0.3 million normal CERs for travel offsets.
- In an unusual alliance, Scottish companies fight together with NGOs for a limitation of CER and AAU imports.
- The Czech Republic has started the first Green Investment Scheme for housing energy efficiency
- Indian fund Green Ventures allocates less money to CDM projects than originally planned due to the low secondary CER prices.
- The Tanzanian government encourages villages to embark on CDM forestry projects covering 500-1500 ha.
- The German postal service has introduced a voluntary supplement of 5 cents per letter to offset emissions from postal operations through Gold Standard CERs.
- Regarding post-2012 negotiations
 - The UK has proposed an emissions target of -34% for 2020, to be increased to -42% in case of a global agreement
 - The Third Asian Ministerial Energy Roundtable wants CCS and nuclear power in the CDM.

Web news and downloads of the month

- A marginal abatement cost curve for Brazil is available at http://www.mckinsey.com/client-service/ccsi/pdf/pathways_low_carbon_economy_brazil.pdf
- Marginal abatement cost curves for Indonesia, the Philippines, Thailand and Vietnam have been published by the ADB at <http://www.adb.org/Documents/Books/Economics-Climate-Change-SEA/PDF/Chapter08.pdf>
- Promotion of renewable energy through CDM projects in India is discussed in <http://www.forumofregulators.org/Data/Reports/FOR%20Report%20on%20Policies%20on%20Renewables-08.04.2009.pdf>
- A report on forest carbon offsetting, including the role of CDM, is available at <http://www.ecosecurities.com/Registered/ECOForestrySurvey2009.pdf>
- A summary of emissions reductions options from coal in China is available at http://www.iea.org/Textbase/speech/2009/Tanaka/Cleaner_Coal_China.pdf
- "Linking the Australian Emissions Trading Schemes" written by Frank Jotzo; Australian National University and Regina Betz; University of New South Wales, evaluates the proposed Australian scheme with regard to international emissions trading and linkages and can be downloaded from <http://www.climatestrategies.org/our-research/category/33/128.html>
- A short summary of tax incentives for CDM project developers in China is available at http://www.bakernet.com/NR/rdonlyres/95097CA1-263B-4618-988A-29ECEB398498/0/china_new_tax_incentives_for_clean_development_ca_apr09.pdf
- Richard Tol calculates the role of the CDM for abatement costs of the EU in "Intra- and Extra-Union Flexibility in Meeting the European Union's Emission Reduction Targets", download at <http://www.esri.ie/UserFiles/publications/20090424140706/WP290.pdf>
- By the end of April, 206 buyers (+5) from 34 countries (+0), 272 (+7) sellers from 58 countries (+1) and 572 service providers (+24) from 61 countries (+0) had listings on CDM Bazaar. India leads the list of service providers with 135 entries, followed by the UK with 57, US with 52, China with 48 and Brazil with 32. 54 projects (+2) have been posted by sellers.

Other news

- Ecosecurities' founder Pedro Moura Costa has left the company.
- Point Carbon and the GHG Management Institute offer a joint electronic course "Introduction to carbon markets"

Country of the month: Uruguay

Uruguay was one of the early movers in the CDM market, setting up its DNA already in mid-2001 (see www.cambioclimatico.gub.uy). The Government of Canada provided funding through its CDM Office for the development of the National Strategy Study, managed by the World Bank and finalized in 2002 (download at <http://www.carbosur.com.uy/archivos/Estudio%20MDL%20Uruguay.pdf>). Uruguay also adopted a progressive approach to evaluation of sustainable development through a multi-criteria and multi-stakeholder assessment, including NGOs and business. For example, the stakeholder consultation needs to be filmed and the film submitted as part of the application. Spain financed calculation of the baseline grid emissions factor. Despite the early institutional setup, project development has been relatively muted, with three projects registered (landfill gas, biomass use in cement manufacture and biopower, 1.3 million pre-2012 CERs) and another three in the validation pipeline (2 biopower plants and one wind farm, 0.5 million CERs) out of a portfolio of a dozen projects promoted by the DNA since 2006. The local CDM consultancy Carbosur has plans to combine new forest plantations with livestock emissions reductions and submitted a new methodology that was however rejected.

Number of the month

2023: projects approved by Chinese DNA, almost as many as the rest of the world combined

CDM counter (as of April 30, 2009)

- Pending large-scale baseline methodologies: 23
 - of which forestry: 1
- Pending small-scale baseline methodologies: 14
- Approved and published large-scale baseline methodologies: 88 (including 14 consolidated ones)
 - of which forestry: 11 (including 2 consolidated ones)
- Approved and published small-scale baseline methodologies: 46
 - of which forestry: 5
- Notified DNAs: 138 (111 host countries, 27 buyer countries)
- Companies applying to become operational entity: 14
- Accredited operational entities: 28
 - Of which 22 for verification
 - 3 DOEs have withdrawn
 - 0 DOEs are suspended
- Projects currently open for public comments on PDD: 92
 - Of which 1 is a PoA
- Projects that are undergoing and have undergone the public comment period: 3284
 - Of which 51 have applied for registration since the end of the last month
 - Of which 74 are in the period where a request for review can be launched
 - Of which 124 are under completeness check
 - for 25 of which a request for review has been launched
 - Of which 74 have to make corrections
 - Of which 31 are undergoing review
 - Of which 104 have been rejected
 - Of which 32 have officially been withdrawn
 - Of which 9 are PoAs
 - Of which 93 apply for the Gold Standard
 - Of which 594 were submitted more than once
- Expected CERs until 2012 from those projects: 1416 million
 - Of which 50.3 million from those that officially applied for registration
 - Of those 11.7 million from projects with request for review
 - Of which 58.9 million from projects that need to make corrections
 - Of which 10.8 million from those undergoing review
 - Of which 68.1 million from rejected ones
 - Of which 10.4 million from withdrawn ones
- Registered projects: 1596
 - expecting 1594 million CERs by 2012
 - Of which 0 are PoAs
 - Of which 10 fulfil the Gold Standard
 - Host countries: 55
 - Buyer countries: 14
- Issued CERs: 282 million
 - Projects with issued CERs: 500
 - Of which 4 Gold Standard projects
 - Rejected requests for issuance: 9 (0.2 million CERs)
 - Withdrawn requests for issuance: 15 (1.4 million CERs)
- CER price: 6-8 Euro for high quality post-2012 vintages, 5-7 Euro for medium-risk forwards, 7-8 Euro for low-risk forwards, 8-10 Euro for registered projects, 11-12 Euro for issued CERs, 11.55 Euro BlueNext spot price on Reuters..

The information contained in this message may be passed on to others. If you wish to use the information – in part or in full – in other newsletter or information services, we request that you advise us of your intentions prior to circulation at climate@gtz.de

Imprint

Responsible: GTZ Climate Protection Programme, a project carried out on behalf of the German Federal Ministry for Economic Cooperation and Development

Deutsche Gesellschaft für Technische
Zusammenarbeit (GTZ) GmbH
- German Technical Cooperation -
Dag-Hammarskjöld-Weg 1-5
65760 Eschborn
Germany
www.gtz.de/climate

Authors: Axel Michaelowa, Perspectives GmbH