



for a living planet[®]

WWF Position on the Clean Development Mechanism for COP/MOP1 November 16, 2005

1. Overall Outlook of the CDM

The Clean Development Mechanism (CDM) was created as one of the flexible mechanisms in the Kyoto Protocol. It has two objectives:

- i) help Annex B countries meet their targets by investing in emissions reduction projects in non-Annex I countries
- ii) help Non-Annex I countries meet their sustainable development goals through CDM credits generated from projects

Unfortunately, the current status of the CDM is not operating in the direction of meeting either of the above goals. Despite a fine-meshed approval procedure introduced by the CDM Executive Board, WWF has concerns about the present developments.

- Many project developers seem to be advocating for a trade-off between additionality and lowest-cost emission reductions. A thorough and lengthy additionality assessment has proven necessary to avoid that the market is influenced by non-additional credits.
- Potential revenues from CERs do in some cases give perverse incentives to non-Annex I countries to refrain from or delay national climate policies, because such policies would make a CDM project non-additional.
- Sustainable development benefits are left out of the market due to an almost unequivocal focus on lowest-cost emission reductions.
- The emerging CDM market has become dominated by large volume projects with limited or no sustainable development benefits, generating little new investment and maintaining low prices.

At the same time, business and industries along with governments complain that the CDM project cycle is too complex and costly and that the project approval is bureaucratic and lengthy. The consequence, they claim, is that the number of projects will be very low thus not assisting neither Annex I nor non-Annex I in contributing to address climate change.

The CDM Gold Standard was developed and is supported by a large group of NGOs to ensure that CDM projects fulfil the objectives spelled out in the Kyoto Protocol.

WWF urges all Annex B parties as well as other CDM investors to use the CDM Gold Standard to ensure that CDM projects contribute to a long term solution for the global climate.

2. The CDM is meaningless without strong additionality

Some proposals for streamlining the CDM identify the existing requirements for the demonstration and assessment of additionality as a key point to simplify the project approval process. WWF is

seriously concerned that streamlining the CDM would weaken the provisions of additionality and move the CDM further away from fulfilling its objectives.

Without additionality, the CDM results in increased global emissions. Consequently, additionality criteria should be strict and the enforcement must be effective. WWF believes that the tool for the demonstration and assessment of additionality adopted by the CDM EB at its 16th meeting guarantees the safeguarding of additionality. This tool should not be changed.

The quest for additionality does in some cases discourage long term sustainable development policy reforms on the host country side because the introduction of national policies could make CDM projects non-additional. The CDM was never intended to be the only tool for sustainable development, and it must be ensured that using the CDM does not prevent non-Annex I countries from making good national policies to enhance sustainable development.

The CDM Executive Board should be requested to develop guidelines that encourage national policies without including free riders in the CDM and maintain strict additionality criteria.

3. Sustainable development goal must be respected

The CDM is the only mechanism where developing and developed nations work together on a long term solution to climate change. Developing countries place cheap reduction potentials at the disposal of developed countries in return for contributions to sustainable development. To disregard the fulfillment of the sustainable development objective is an abuse of the trust between Parties and lack of respect for the CDM.

CDM projects must promote sustainable technologies and long term solutions in order to assist developing countries in avoiding a GHG intensive development path.

Hence, the COPMOP must give the CDM Executive Board a mandate to develop a proposal on how the sustainable development objective of the CDM can be strengthened.

Although WWF recognizes that capping emission of large volumes of F-gases benefits the atmosphere, we would like to point out that F-gas removal is not in line with both goals of the CDM. The existing CDM projects or project proposals clearly demonstrate, that these projects offer little if any sustainable development benefits for the host country. In addition, these projects promote the continued dependence on unsustainable energy sources and technologies and do little to enhance the market for sustainable energy technologies and other long-term climate solutions

The reduction potentials should be harvested by means of state-of-the-art industrial processes financed by industrial grants from the World Bank or other International Financing Institutions instead diverting the CDM market.

4. Streamling the CDM

Business, industries and governments criticize the CDM Project Cycle to be too complex and costly thus limiting the number of CDM projects. One of the crucial issues currently discussed is the additionality provisions which project investors claim hinder the project approval and registration process.

Given the very low financial contributions to the administration of the CDM compared to the expectations of using the CDM in Annex I countries, it should not be a surprise that a bottleneck exists. The root of the problem is rather an overall lack of sufficient funding than an ineffective organization of a huge work load.

Annex I Parties should secure stable and sufficient funding for the administration of the CDM in order to ensure that the CDM fulfils its primary objectives in an efficient and expedient way.

WWF recognizes that even if the CDM is still in its initial stage, the time may have come to professionalize the administration. The CDM entails massive opportunities and well as expectations, and these should be honoured by sending a strong message that a professional and efficient management is a priority. In order to encourage business and industries to engage even more in climate change mitigation and sustainable development, it is important that management structures are clear, efficient and professional.

WWF believes that a streamlining of the present CDM organization introducing a professional team and a Chief Executive Officer responsible for the daily operation would be an appropriate measure to take.

WWF underlines, that any streamlining efforts with the purpose of increasing efficiency and capacity in the administration of the CDM must not in any way weaken the safeguarding of additionality.

Conclusion

WWF supports the dual goals of the CDM and has been working constructively to ensure that the benefits of the CDM are felt both in emissions reduction and sustainable development. While it is clear that the CDM will benefit from increased funding and some streamlining, it also crystal clear that the additionality provisions are the key to ensuring that both goals of the CDM are met. It must therefore be the utmost priority of countries not to weaken the additionality rules of the CDM, but rather to support other means to address any real concerns.

Contact Information:

Ms Mette Nedergaard
WWF Denmark
Mobile: +45 2629 6370
Email: m.nedergaard@wwf.dk