

Bridging the Gap for Real Emission Reductions

Greenpeace views on the development of existing and future carbon market mechanisms

International carbon market mechanisms have played an important role in engaging some developing countries in international climate action. However, the existing carbon market mechanisms have failed to deliver in terms of real additional emissions reductions, environmental integrity and sustainable development. These mechanisms need to be profoundly reformed and new mechanisms established to ensure that carbon market mechanisms truly contribute to keeping global mean temperature increase as far below 2°C as possible.

In this briefing Greenpeace presents its views and recommendations for existing and future carbon market mechanisms under a new, international climate agreement.

Excluding advanced developing countries from project-based CDM

Many of the projects currently eligible for crediting under the Kyoto Protocol's Clean Development Mechanism (CDM) do not guarantee real additional emissions reductions and their sustainable development benefits are questionable. CDM projects also take place in a very limited group of host countries¹.

Greenpeace believes the project-based CDM should be continued as a tool for Least Developed Countries and other developing countries with little capacity to act, provided that sufficient improvements to the sustainable development criteria are agreed. For more capable countries, new mechanisms, such as crediting below a no-lose sectoral or national target, should be established.

Improving reporting and monitoring of sustainable development benefits

The reporting and monitoring of the CDM's sustainable development benefits must be enhanced. Sustainable development benefits are currently not monetised and thus there is little incentive for investors to ensure their attainment, except in certain niche markets. This practice has resulted in a 'race to the bottom,' as countries minimise or simplify the sustainable development component of their project approval process in order to attract investment. Furthermore, with no requirement to monitor or verify the attainment of sustainable development benefits, there is little incentive to ensure that even those outlined in the project design document materialise, in contrast to the achievement of emissions reductions.

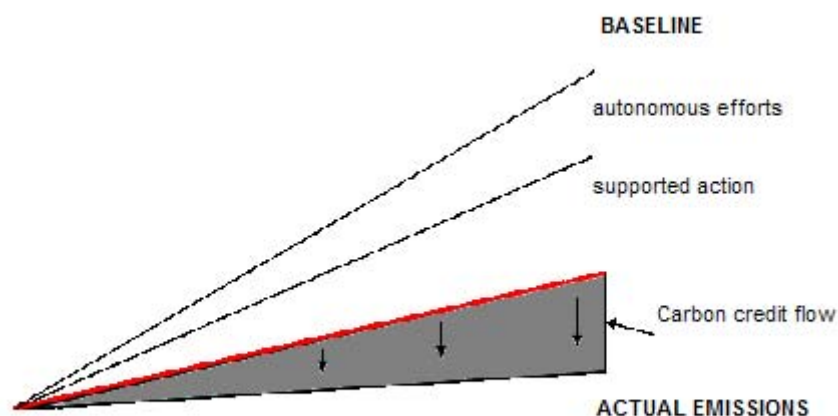
The CDM must ensure real and additional emissions reductions and contribute to sustainable development. Governments must not undermine climate protection by wasting time and taking resources away from more effective and clean solutions. Costly, unreliable and ineffective technologies such as nuclear power, carbon capture and storage (CCS) and unsustainable agrofuels should not be eligible for crediting.²

¹ Oeko-Institut (2007), *Is the CDM fulfilling its environmental objectives?* Study prepared for WWF.

² Greenpeace, 2008: Clean Development Mechanism: no place for carbon capture and storage (Greenpeace briefing paper); Greenpeace, 2008: Getting serious about nuclear power (Greenpeace briefing paper). For both documents see www.greenpeace.org/kyoto.

Time for a new sectoral mechanism

Greenpeace supports the establishment of a new market mechanism specifically designed for the advanced developing countries. The Greenpeace proposal for a 'sectoral no-lose target crediting mechanism' would reduce emissions on top of existing and planned domestic measures for a specific sector (for instance the power sector). It would be 'no-lose' in the sense that there would be no compliance penalties if the planned additional reductions did not take place. Additional emissions reductions would, however, generate income



in the form of carbon credits which can be traded on the international market. This mechanism would encourage positive structural changes and large emission reductions on a sectoral or national level instead of small ad hoc reductions (such as projects under the CDM). It would allow national governments of developing countries to create long-term national policies on, for instance, clean energy and energy efficiency improvements.

The role of carbon markets in reducing global emissions

Under a Copenhagen agreement, the emissions reductions achieved by the above-described carbon market mechanisms should be additional to developing countries' autonomous and supported actions.

Developing countries, especially the advanced developing countries, need to begin de-carbonising their economies by autonomous and supported action on no-regret and low-cost options. This 'enhanced action' must be supported by technology, financing and capacity-building from developed countries in a measurable, verifiable and reportable way. Additional reductions that go beyond these no-regrets and low-cost options should contribute to the compliance of industrialised countries. In other words, the purchase of carbon credits by industrialised countries should result in reductions on top of the 15-30% deviation from business-as-usual growth of emissions in developing countries.

Carbon markets will continue to play a role in the international climate regime. To stay as far below global mean temperature increase of 2°C as possible, global emissions have to be reduced to as close to zero by 2050 as possible. This means in the longer term there will be little room for offsetting, i.e. reducing emissions in developing countries to allow emitting to continue in industrialised countries.

Forest credits in the carbon market?

On forest protection, Greenpeace supports the establishment of a multilateral forest fund replenished through increased public financial support. Public control of the allocation of financial resources is vital to determine which policy actions are most urgently required to protect forests and which measures have clear net benefits for biodiversity and forest-dependent people. Furthermore, economic analysis shows that countries like China, India and Brazil could lose tens of billions of dollars for clean energy investments under the carbon market mechanisms, if forest protection measures are included in the carbon market.

Greenpeace calls on all Parties to oppose the inclusion of REDD in the carbon market mechanisms.