

Carbon Finance

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NGOs give CDM a 'passing grade', call for reforms

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Six non-profits have concluded that the Clean Development Mechanism (CDM) could provide sufficiently high-quality carbon offsets for a future US cap-and-trade programme, but have called for significant reforms.

The [Offset Quality Initiative](#) (OQI) has criticised the CDM's additionality guidance – designed to ensure that carbon credits are only awarded for reductions that are 'additional' to business-as-usual – called for better oversight of project verifiers, and has suggested that the use of temporary credits for forestry projects be phased out, as they discouragement investment.

The OQI “neither endorses nor opposes the CDM”, but aims to objectively analyse it using eight criteria. It concludes by giving the CDM “a passing grade”, but suggested a number of improvements.

“While there have been concerns about the quality of offsets, especially regarding additionality and third party verification, OQI's analysis shows that the CDM is making improvements to address the concerns of its critics,” said Michael Gillenwater of the Greenhouse Gas Management Institute, one of six OQI member organisations.

The OQI says that “CDM's processes perform sufficiently against most of our core offset quality criteria” although it identifies “room for improvement”.

Specifically, [the report](#) argues that the guidance for assessing additionality is “too subjective and vague [and is] applied inconsistently”. It calls for more guidance to the Designated Operational Entities (DOEs), who are charged with verifying projects, and the use of standardised investment and analysis tools.

The report is also critical about the rigour of the CDM's verification processes, arguing that DOE staff need better training and guidance, and that the practice of project developers hiring DOEs to verify their projects leads to conflicts of interest.

It applauds the recent [suspensions](#) of SGS and DNV, arguing that it shows that oversight is improving, and says that DOEs should be assigned to projects by a neutral party, and paid predetermined fees.

The report also calls for a move away from project-by-project emissions baselines towards more standardised baselines – such as those based on benchmarks. While the former approach “is generally sufficient to ensure offset quality”, benchmarking baselines for some project types “could help increase administrative efficiency”.

Finally, it finds that the use of temporary credits to address permanence risk in forestry projects – the danger that

11/25/2009

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the carbon stored could be released by fire or pests – “may be overly conservative” and has discouraged CDM investment in the sector. Instead, it would like to see the use of buffer pools of excess credits or insurance products “to provide more market certainty”.

The OQI comprises the Climate Trust, the Pew Center on Global Climate Change, Climate Action Reserve, Environmental Resources Trust/Winrock International, the Greenhouse Gas Management Institute and the Climate Group.

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