

Why the EU and Ukraine should sign bilateral agreement on JI

by Lennard de Klerk*

Ukraine was not the first country to embrace Joint Implementation, but very soon it caught up and currently the country is the leading host country in JI. Ukraine hosted the first registered JI project and also the first track 2 ERUs were issued in the country. As of September 2010, Ukraine has approved 50 projects and another 129 projects have been endorsed. The overall reduction potential of these 179 projects is 170 million ERUs (2008-2012), although not the full volume will reach the market. Some 10 million ERUs have already been issued up till now.

The main driver to facilitate JI is maybe not so much the GHG emission reduction, but the promotion of investments in energy efficiency and renewable energy, including coal mine methane utilization (CMM). As a post-Soviet country, Ukraine consumes too much energy, which it has to purchase from Russia at near market prices. JI is seen as an attractive mechanism for acquiring some of the necessary capital for the industry to remain competitive and at the same time reduce Ukraine's overall energy dependency.

As the Kyoto Protocol will expire on 31 December 2012,¹ Ukraine wants to give a long-term perspective to investors in energy efficiency and renewable energy. One of the options for this is to introduce a domestic cap-and-trade scheme (see Box 1). As the purpose is to attract foreign investments, a stand-alone Ukrainian Emission Trading Scheme

Box 1. Draft law on an Emissions Trading System in Ukraine

On 23 September 2010, a draft law[#] was submitted to the parliament proposing an ETS in Ukraine. Main points of this draft law are:

- 2011 – 2012: Setting-up monitoring system at installation level
- 2013 – 2016: Collecting emission data at installation level
- 2017 – 2018: First phase of trading scheme with 'no lose' targets
- 2019 – 2020: Second phase of trading scheme with penalties
- Allocation for first phase based on grandfathering
- Carbon-neutral growth reserve for installations that increase production but reduce specific emissions
- Provisions to link the UA ETS with other trading schemes

http://gska2.rada.gov.ua/pls/zweb_n/webproc4_1?id=&pf3511=35712

(UA ETS) would not make sense. Therefore, a link to the EU ETS would be necessary. However, the EU will only allow this if the UA ETS sets stringent caps, which is not in the interest of Ukraine. After all, in the process of recovering from the break-up of the Soviet Union, the industry has a growing output. Furthermore, a reduction target of more than 20% (as currently proposed by the country under the Copenhagen Accord) would mean that Ukraine will have a more stringent cap than some of its western EU neighbours.

A UA ETS is therefore not a viable option in the short run. The only way to promote new investments and new technologies is to implement temporary measures to bridge the gap between 31 December 2012 and a domestic ETS and/or a new international agreement coming into force.

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1 New JI projects can be registered and ERUs can be issued after this date even in the absence of a second commitment period as clarified by JISC23. See para 78 of the "Report on experience with the verification procedure and possible improvements in the future operations of JI".

Investments in energy efficiency and renewable energy is not only good for Ukraine. The country is a major transit country of natural gas to Europe. It is also the largest European country that is not (yet) EU Member State. The EU realizes the importance of Ukraine very well, which, a.o., has become clear after the “gas war” of 2006. Since gaining independence in 1991, there have been several EU-Ukraine initiatives related to energy, energy efficiency and climate change (see box 2).

One of the most apparent measures to support energy efficiency in the short term is through a so-called bilateral agreement, which would enable an extension of JI cooperation after 31 December 2012. The EU directive specifically hints at expanding the usage of ERUs through the conclusion of bilateral or multilateral agreements: “In the event of the conclusion of an international agreement on climate change being delayed, the possibility should be provided for to use credits from high-quality projects in the Community scheme through agreements with third countries. Such agreements, which may be bilateral or multilateral, could enable projects that generated ERUs until 2012 but are no longer able to do so under the Kyoto framework to continue to be recognised in the Community scheme.”²

At a first glance, there might be two conflicting interests within the EU. On the one hand, from a climate change perspective there is a preference for limiting the flow of offsets credits in the EU ETS, in particular if the EU target remains 20%. Furthermore, some negotiators believe that Ukraine’s proposed emission reduction target of 20% is not stringent enough (which in itself is strange compared with the current EU target). On the other hand, from an “energy” perspective, there is an interest in promoting any instrument that bring Ukraine closer to Europe and make the country less dependent on Russia.

A bilateral agreement can very well find a compromise between both strategic interests. The agreement can contain criteria on which JI projects would be eligible in the third phase of the ETS. One can think of restricting it to certain types (e.g., energy-efficiency, renewable projects and CMM utilization) or JI projects that apply to certain high standards (e.g., JISC approved). This will not only limit the influx of large volumes of offsets to the EU ETS, but also ensure that the investments are directed to those sectors that are of strategic interest of the EU.

With no perspective of a new international agreement being concluded in the coming two years, the EU should focus on its neighbours first. A bilateral agreement will connect energy and climate change, will intensify the EU – Ukraine relations and can help the EU and Ukraine to coordinate their efforts in the internal negotiations. So, why wait?

2 Preamble 30 of the Directive 2009/29EC, 23 April 2009.

Box 2. EU – Ukraine relations on energy, energy efficiency and climate change

In December 2005, a MoU on the cooperation in the field of energy between the European Union and Ukraine was signed stating that “both sides further recognise the importance of developing a roadmap for increasing co-operation in energy efficiency that will also address the promotion of renewable energies and measures to tackle climate change, including the emissions from fossil fuel power plants and the use of the joint implementation mechanism under the Kyoto Protocol.”

At the Paris Summit in September 2008 an agreement was reached to start negotiations on an EU-Ukraine Association Agreement and the Cooperation Council adopted the EU-Ukraine Association Agenda. For 2010, a list of priorities for action was jointly agreed upon by Ukraine and the EU. The Association Agenda states under the section Environment “implementing the Kyoto Protocol through a dialogue within the Joint EU-Ukraine Working Group on Climate Change on a new post-2012 agreement on climate change, on eligibility criteria for using the Kyoto mechanisms, and on developing measures to mitigate and adapt to climate change”. As a priority of this Agenda for 2010 under the section Energy efficiency, renewable energy and environmental aspects:

- Exchange of expertise and best practices in order to prepare, adopt and implement sub-sectoral energy policy documents on energy efficiency and renewable energy;
- Advance in assessing the technical and financial feasibility of implementing methane capture and clean coal technologies and their promotion.

On 24 September 2010, the European Commission signed the Protocol on the Accession of Ukraine to the European Energy Community. Member states committee themselves to liberalize their energy markets and implement key European legal acts in the field of electricity, gas, environment and renewable energy. Furthermore, Ukraine is signatory to the Energy Charter and the Energy Charter Protocol on Energy Efficiency and Related Environmental Aspects (PEEREA) promoting energy efficiency and attempts to minimise the environmental impact of energy production.

The logo for the Joint Implementation Action Group (JIAG) features the letters 'JIAG' in a bold, sans-serif font. The 'J' and 'I' are blue, while the 'A' and 'G' are red.

Joint Implementation Action Group

The Current State of Affairs in the Climate Change Negotiations Leading up to COP16

by Job Taminiau*

The Bali Action Plan placed considerable emphasis on the Conference of the Parties 15 (COP15) in Copenhagen of December 2009 as the summit where Parties would agree on the Kyoto Protocol follow-up framework. However, the COP15 ended with a disappointing result, as no such framework was established and the only political agreement, the 'Copenhagen Accord', was not adopted by consensus. Instead, the COP took note of the Accord.

Nonetheless, this Accord contains some important goals as illustrated in box 1¹, which can form the basis for further negotiations. In the meantime, over 130 countries have expressed their support for the Accord. COP15 has been followed this year by several high-level statements concerning the negotiation process and whether at the next climate summit, COP16 in Cancun, Mexico, a post-2012 global climate policy agreement could be reached.

Despite the overall bleak starting point, several UN negotiations held this year have achieved some progress. This article reviews the negotiation process so far, the position of key negotiation Parties and the prospect for Cancun.

The negotiation process

Negotiations resumed in Bonn on 9-11 April 2010. The meetings of both the Ad-hoc Working Group on Long-term Cooperative Action (AWG-LCA) and the Ad-hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP) agreed to add two extra meetings between the June session in Bonn and COP16. This decision put the total of UN climate talks session during 2010 on five meetings. In addition, at the April meetings in Bonn it became clear that the legitimacy of the Copenhagen Accord remained controversial (ENB, 14 April 2010).²

The June sessions from 31 May to 11 June of this year showed some more substantive negotiations. Familiar

Box 1. Seven main points Copenhagen Accord

1. Recognition and consensus among leaders of the necessity of a collective long-term response. Notably, the Accord includes the U.S. and China.
2. A target of a 2°C limit in global temperature rise is codified in the Accord.
3. Fast-track finance for adaptation measures and support for the least developed countries through 'new and additional, predictable and adequate' financial resources for technology transfer and development and capacity building.
4. Recognition of the principle of 'common but differentiated responsibilities and respective capabilities'.
5. Inclusion of the need to address deforestation through REDD+.
6. Agreement on Measurement, Reporting and Verification (MRV) mechanisms.
7. A scheduled evaluation in 2015 of the implementation of the Accord.

topics such as re-engaging the U.S. and realizing comparability among Annex I Party emission reduction efforts created negotiation difficulty.³ Another difficult point was finding a legal framework for mitigation and measuring, reporting and verification (MRV) that is acceptable to both developed and developing countries (ENB, 14 June 2010). The 2-6 August sessions held in Bonn resulted in acceptable texts which allowed "full negotiation mode" for delegates at Tianjin in October.⁴

At the opening plenary of the Tianjin climate talks, the Chair of the AWG-LCA stated that these sessions would be a point of "make or break towards the Cancun outcome".⁵ However, the Tianjin round did not show significant progress.⁶ Reluctance by the developing countries to meet the demands of the developed countries on MRV followed by reluctance of the

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1 Alessi, M., Georgiev, A., Egenhofer, C. (2010). Messages From Copenhagen: Assessments of the Accord and the implications for the EU. European Climate Report No. 9 <<http://shop.ceps.eu/faceted/books/results/taxonomy%3A8>>

2 Earth Negotiations Bulletin Vol. 12 No. 460 <<http://www.iisd.ca/vol12/enb12460e.html>>

3 Earth Negotiations Bulletin, 2010. Summary of the Bonn Climate Change Talks: 31 May – 11 June 2010. Earth Negotiations Bulletin Vol. 12 No. 472 <<http://www.iisd.ca/vol12/enb12472e.html>>

4 Earth Negotiations Bulletin, 2010. Summary of the Bonn Climate Talks: 2- 6 August, 2010. Earth Negotiations Bulletin Vol. 12 No. 478 <<http://iisd.ca/vol12/enb12478e.html>>

developed countries to realize climate finance was at the heart of the slow progress (ICTSD, 2010). Within the AWG-LCA the negotiating Parties seemed further apart on certain issues, such as technology and Reducing Emissions from Deforestation and Degradation (REDD+), than they were in Copenhagen (ICTSD, 2010; ENB, 12 October 2010).

Position of key negotiation Parties

The negotiation positions of the U.S., China and the European Union differ considerably. Especially the relationship between the U.S. and China remains a pivotal aspect in climate change negotiations. Positing it as the emergence of a *de facto* G2, Garrett states that “what China and the U.S. do – alone, together, in regional and multilateral forums or in conflict with each other – will increasingly define the global bounds of the possible from fixing finance and restoring trade to tackling climate change and energy security”.⁷

While the European Union and the majority of developing countries aim for a comprehensive top-down climate deal in the climate change negotiations, the U.S. remains wary of this approach.⁸ As illustrated in the ‘pledge and review’ system in the Copenhagen Accord, the U.S. prefers a bottom-up and domestic action framework. China expresses similar concerns as the U.S. but expects a legally binding framework for mitigation by industrialized nations due to historical responsibility (Falkner, Stephan & Vogler, 2010).

Expectations of COP15 success were elevated in part due to the passage of a bill for energy and climate actions by the House of Representatives. International climate policy obstructionism by former President Bush was replaced by international re-engagement by the Obama Administration.⁹ However, domestic support has foundered, exemplified by the failure to pass an energy and climate bill through the U.S. Senate. This interruption of domestic climate legislation in the

U.S. has wider implications. As Gros and Egenhofer note “if it proved impossible to introduce a moderate carbon tax in a rich economy with only a moderate dependency on coal, it is certain that no commitment will be forthcoming for the next generation from China” since China has a larger coal dependency and has higher poverty rates.¹⁰

Despite lack of domestic support, the U.S. has indicated that its negotiation position will not move “away from what we submitted last year”.¹¹ The U.S. negotiation team emphasized that “success in Cancun does not hinge on U.S. legislation” (ENB, 9 August, 2010).

In Copenhagen, the U.S. and China were able to agree on certain important aspects of a possible climate change deal. However, since COP15, ongoing debate has ensued about the validity, viability and importance of the Accord. During the Tianjin negotiation, the U.S. and China clashed after the accusation by a U.S. climate envoy that delegates were trying to renegotiate the Copenhagen Accord.¹² China considered the U.S. negotiating stance “totally unacceptable” and the U.S. top climate envoy stated that perhaps a climate deal is impossible in Cancun. In response, the other negotiating Parties blamed both the U.S. and China for stalling the negotiations.¹³

For the EU, the recent developments imply its hopes for a big deal in Cancun have disappeared. Instead, the EU aims to use Cancun as a stepping stone to a significant climate deal in South Africa.¹⁴ A possible approach for the EU to address the reluctance of the U.S. and China and retain a leadership position would be to realize a second commitment period of the Kyoto Protocol through a ‘coalition of the willing’.¹⁵

Prospect for Cancun

Progress in the negotiation process so far has been slow resulting in considerably lower expectations for

5 Earth Negotiations Bulletin, 2010. Summary of the Tianjin Climate Change Talks: 4-9 October 2010. Earth Negotiations Bulletin Vol. 12 No. 485 <<http://iisd.ca/climate/ccwg12>>

6 ICTSD (2010, 11th October). Tianjin Climate Meeting Delivers Little. International Centre for Trade and Sustainable Development. Bridges Trade BioRes Vol. 10 No. 8 of 11 October 2010 <<http://ictsd.org/i/news/biores/86373/>>

7 Garrett, G. (2010). G2 in G20: China, the United States and the World after the Global Financial Crisis. Global Policy Vol. 1. Nr. 1., pp 29-39.

8 Falkner, R., Stephan, H., & Vogler, J., (2010). International Climate Policy after Copenhagen: towards a ‘building blocks’ approach. Global Policy Vol. 1. Nr. 3., pp-252-262.

9 Falkner, R., (2010). Getting a deal on Climate Change: Obama’s Flexible Multilateralism, in Kitchen, N., (Ed.), Obama Nation? U.S. Foreign Policy one Year on (LSE IDEAS Special Report, January), pp. 37-41.

10 Gros, D., Egenhofer, C., (2010). Decision Time for Europe on Climate Change: Keep the head buried in the sand or get tough? Centre for European Policy Studies Commentary, 06 October, 2010 <<http://www.ceps.eu/book/decision-time-europe-climate-change-keep-head-buried-sand-or-get-tough>>

11 Reuters(a), 9th August 2010. Carbon Market Weekly Interview: U.S. keeps climate goal despite Senate setback.

12 Guardian, 2010. China and U.S. clash at climate talks. Date: 06 October 2010 <<http://www.guardian.co.uk/environment/2010/oct/06/china-climate-talks-us-negotiator>>

13 Guardian, 2010. China and U.S. blamed as climate talks stall. Date: 08 October 2010 <<http://www.guardian.co.uk/environment/2010/oct/08/china-us-blamed-talks-stall>>

14 Reuters(b), 9th August 2010. Carbon Market Weekly Interview: Cancun will not see big climate deal – EU.

15 Tangen, K. (2010). ‘The Odd Couple? The Merits of Two Tracks in the International Climate Change Negotiations’. Briefing Paper No. 59, The Finnish Institute of International Affairs, 30 April.

success of COP16 compared to the weeks prior to COP15.^{16,17} What, then, are the prospects for Cancun? It appears that the target for Cancun has become the adoption of a balanced set of decisions.

These decisions would focus on issues that are near agreement such as adaptation, technology transfer framework, capacity building, a financial mechanism and the launch of a readiness phase for REDD in developing countries (ENB, 12th October, 2010). To support this goal, the governments of Denmark, Mexico and South Africa have decided to establish a Troika. As host nations of COP15, COP16 and COP17 their aim is to jointly work on a balanced set

of decisions, which should be within reach.¹⁸ Other forums seem to follow a similar approach. For example, the 8th Major Economies Forum on Energy and Climate recommends to 'extract from the negotiation text what is needed for a set of decisions in Cancun'.¹⁹

This seems to reflect the general expectations for COP16. At its worst, Cancun will yield no significant results which will strengthen the call to address climate change through other, non-UN, processes. At its best, Cancun could adopt a set of decisions on the near-agreement topics and these decisions could then be used as a stepping stone for COP17 negotiations.

16 Voice of America news. (2010, October 7). No Clear Consensus at International Climate Talks. Retrieved October 8, 2010, from voanews.com <<http://www.voanews.com/english/news/No-Clear-Consensus-at-International-Climate-Talks-104483919.html>>

17 Reuters Africs. (2010, October 7). China Digs in on Rich-Poor Climate Pact Divide. Retrieved October 8, 2010, from Reuters.com <<http://af.reuters.com/article/energyOilNews/idAFTOE69606Y20101007>>

18 IBNlive, 2010. South Africa Joins Tripartite Partnership to Tackle Climate Change, 27 September 2010 <<http://ibnlive.in.com/generalnewsfeed/news/south-africa-joins-tripartite-partnership-to-tackle-climate/357573.html>>

19 MEF, 2010. Major Economies Forum: the Eighth Leaders's Representative Meeting. Chair's Summary: Eighth Meeting of the Leaders' Representatives of the Major Economies Forum on Energy and Climate of 20-21 September 2010 <<http://www.majoreconomiesforum.org/past-meetings/eight-meeting-of-the-leaders-representatives.html>>

Announcement side event on 'Domestic Offset Projects for Achieving GHG Emissions Reductions'

Energy Delta Convention 2010

"Domestic Offsets" is a term used for projects that reduce GHG emissions in non-ETS sectors. These emission reductions can potentially be purchased by ETS installation as allowances which they can surrender to the European Commission by the end of each year.

JIN, together with the NEON network,¹ organize a two days side event on 23-24 November 2010 in Groningen, the Netherlands, to explore the current status of Domestic Offset schemes and their future prospects within the EU and elsewhere. The main question of this workshop is: *How could domestic CO₂ emission reduction projects support the implementation and subsequent roll-out of new low-carbon energy technologies and thus contribute to complying to international and EU climate and energy objectives?*

Three main aspects will be addressed:

- a) Current status of DOs in the international climate policy making negotiations,
- b) Business perspectives under DO schemes, and
- c) Design characteristic of DO schemes.

The event will trigger policy makers, researchers, market parties, energy and climate authorities, and other stakeholders involved in climate policy making. The initial part will be covered by the UNFCCC, represented by Mr. Robin Rix (Programme Officer in the Sustainable Development Mechanisms Programme), representatives from the JISC, Dutch members of Parliament, and Climate Focus. The second part on business perspectives will be led by Mr. Mike Bess from Camco Global, while the second day will include a series of presentations on the current status of offset schemes in several countries, given by energy agencies, national authorities and research institutes.

The event will take place under the umbrella of the **Energy Delta Convention 2010**, which is a high-level energy platform for senior business, science and government experts (<http://www.energyconvention.nl>).

1 More information on NEON can be found at http://www.jiqweb.org/index.php/domestic_offsets

Does Global Climate Policy Promote Low-Carbon Cities?

Lessons learnt from the CDM

by Maïke Sippel and Axel Michaelowa*

While cities theoretically have a large greenhouse gas reduction potential, they are almost absent from the CDM market – covering just about 1% of all CDM projects, mostly in the waste management sector. This low participation is probably due to a lack of technical know-how to develop CDM projects and an absence of motivation due to the long project cycle and the limited “visibility” of the projects for the electorate, as well as methodological challenges in the buildings and transport sector.

Climate protection in developing country cities

As cities in developing countries are starting to ‘catch up’ economically, they are also catching up in terms of greenhouse gas emissions: in Shanghai, per capita emissions have grown from 3.8t in 1985 to 16.7t in 2006.¹ In terms of per-capita emissions, Shanghai together with Bangkok (Thailand, 10.7t) or Cape Town, (South Africa, 11.6t) have already overtaken Geneva (Switzerland, 7.8t), Prague (Czech Republic, 9.4t) or London (UK, 9.6t).² Ninety percent of global urban growth is taking place in developing countries, and the built-up urban areas in developing countries are projected to triple between 2000 and 2030.³ Decisions on built structure and infrastructure, taken during this period of mass construction, will have long-lasting impacts. New investments can either lock-in vast energy consumption or climate benefits for decades.

Generally, local climate protection activities include a variety of stakeholders, e.g. local governments, local business, citizens and civil society groups, or scientists. This article focuses on local governments as stakeholders in local climate protection and whether and how the CDM does and can enhance local climate governance.

Local governments have different possibilities to take climate action, and thus to engage in the CDM. First of all, they can develop CDM projects which reduce emissions that are produced by a

local authority itself. A possible project type would be energy efficiency improvements in municipal buildings. Second, local governments can coordinate or facilitate emission reduction activities by local stakeholders. An exemplary project under the CDM could be the distribution of compact fluorescent lamps. Third, local governments may also act as service providers, e.g. managing waste from citizens or infrastructure to be used by citizens. Possible CDM projects in this field include landfill gas projects, renewable energy generation or energy efficiency improvement and public transport projects. Last but not least, local governments can to some degree regulate the behaviour of local stakeholders. However, regulatory activities are not eligible under the CDM. Table 1 illustrates which kind of CDM projects can be implemented under each mode of governance.

A variety of drivers motivates cities to take climate action, and local climate governance is also constrained by a range of barriers. Motivators and barriers can fall into categories like economic, institutional, or political/cultural. The following explores whether and how the CDM impacts on motivators and barriers for local climate governance. The effect of the CDM may be ambiguous. On the one hand, it may be an incentive for and help to overcome barriers to climate action. On the other hand, CDM project development by local governments may also create new barriers for the rest of a city’s climate action.

For example, a CDM project may at the same time help a city to build expertise for climate action (both through additional finances available and experience gathered by staff during CDM project development), but also siphon expertise away from other climate projects, as the CDM project management requires skilled staff. The analysis includes both effects. In China, where the largest share of CDM projects have been registered so far, many local governments have engaged in CDM project development. The possibility for financial gains is believed to be one of two key

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1 Dhakal, Shobhakar., 2009. Urban energy use and carbon emissions from cities in China and policy implications. In: Energy Policy, *forthcoming*, p.1 and Figure 3.

2 Kennedy, Christopher, Steinberger, Julia, Gasson, Barrie, Hansen, Yvonne, Hillman, Timothy, Havranek, Miroslav, Pataki, Diane, Phdungsilp, Aumnad, Ramswami, Anu, Villalba Mendez, Gara, 2009. Greenhouse Gas Emissions from Global Cities. In: Environmental Science and Technology, *forthcoming*, Table 3.

3 Angel, Shlomo, Sheppard, Stephen C., Civco, Daniel L., with Buckley, Robert, Chabaeva, Anna, Gitlin, Lucy, Kraley, Alison, Parent, Jason, Perlin, Micah, 2005. The Dynamics of Global Urban Expansion. Transport and Urban Development Department, The World Bank, Washington D.C., USA, p.1.

Table 1. Modes of local climate governance - and exemplary CDM projects

Role of local authority	Examples of CDM project types	Examples of CDM project activities	Comments	Suited for CDM
Self-Governing	Energy-efficiency in buildings	"Improvement in Energy Consumption of a Hotel" "Energy efficiency measures in 'Technopolis'"	Quantitatively not relevant for overall urban emissions – qualitatively important activity; building energy efficiency difficult project type	0
Governing through enabling	Distribution of CFL, greening public transport	"Visakhapatnam (India) OSRAM CFL distribution CDM Project"	Facilitating and coordinating emission reductions by other actors in the city	0
Governing by provision	Landfill gas, greening public transport, renewable energy, power plant efficiency, efficiency in industry	"Bandeirantes landfill gas to energy project" "BRT Bogotá, Colombia: TransMilenio Phase II to IV" and "Installation of Low Green House Gases (GHG) emitting rolling stock cars in metro system" "Beijing 48 MW Guanting Wind Power Project" "Beijing Taiyanggong CCGT Trigeneration Project" "BBMG Cement WHR for 10.5 MW power generation project in Beijing"	Possibility for concrete CDM projects	+
Governing by authority			Not eligible as CDM activity	--

Source: Categories from Bulkeley, Kern 2006, p2243, CDM projects from UNFCCC 2009b, own evaluation

reasons for this. Qi et al. (2008) explain the particular interest of local governments in China with the profit-seeking culture of Chinese local authorities.⁴

CDM project development may be challenging for local governments. From an economic perspective, CDM projects may still require upfront investments. Furthermore, project development involves significant transaction costs, which is partly due to its project by project approach.⁵ Both facts may constrain municipalities from involvement in the CDM.⁶ Institutional problems may be obstacles, too. "Bureaucratic red tape" in the realization of projects⁷ and "weak institutional capacity at city level" to undertake CDM projects, to integrate it into city priorities and to design supporting policies are reported regarding institutions on the local level.⁸ The complexity of the CDM procedure may be another obstacle for local governments. Local governments may lack the necessary manpower, as well as the

technical know-how needed for project development, and they may have a slow learning curve for CDM rules.⁹

Cities and the CDM – the practical side

Given the large upswing of the CDM in the last six years, the absence of municipalities that have championed the CDM is striking. There is no municipal government that actively markets its role in implementing or supporting CDM projects. No study has focused on CDM projects implemented in cities. While obviously a substantial share of CDM projects are implemented on the territory of large cities, it seems that this is not due to any coordinated policy of the municipal government of those cities. Generally, CDM consultancies have scouted for project options and mobilized them, with the municipality normally acting more as a barrier than actively supporting the project. An exception seems to be China. According to Qi et al (2008), Longnan city (Gansu province)

4 Qi, Ye, Ma, Li, Zhang, Huanbao, Li, Huimin, 2008. Translating a Global Issue Into Local Priority: China's Local Government Response to Climate Change. In: The Journal of Environment Development, 17, 379-400.

5 Ritter, Konrad von, 2009. Capacity Development – One Element in Cities Agenda for a Future Climate Regime. Presentation at the 'Cities, Climate Change and Finance Symposium', 26 May 2009, Barcelona, p.6.

6 Santos-Borja, Adelina C., 2007: CDM for Local Governments: An innovative approach for lake basin management. Presentation at the ICLEI Parallel Event to UNFCCC COP 13 in Bali, 'CDM for Local Governments Session', 10 December 2007, p38.

7 Ibid., p.37

8 Ritter 2009, p6, see footnote 5.

9 Santos-Borja 2007, p38, see footnote 6.

formed a coordination and leading group for CDM in March 2006.¹⁰ Its emphasis was on hydropower-related projects, of which Longnan has submitted two. The cities of Leshan (Sichuan), Nanyang (Henan) and Baoding (Hebei) have formed governmental organizations for CDM development, with the latter signing a letter of intent for strategic collaboration regarding methane reduction from dairy farms in December 2007. Seven projects have been submitted from Leshan, three from Nanyang, and two from Baoding, but none formally involves the municipal government.

Out of a database of 5,342 CDM projects that had been submitted for validation before November 2009, 57 projects (1.3%) have a municipality or a company formally labelled municipal company as a project participant. Another 35 projects (0.7%), mostly from China, have a project participant whose name specifies "city", i.e. which is likely to have some link to the municipality. With regards to technology, waste management projects dominate for the municipalities, whereas renewable energy, especially hydro dominates for "city" companies (see Figure 1). Regarding host countries, municipality-related projects have a high degree of geographical distribution, whereas "city" companies are concentrated in China.

As discussed in the preceding sections, CDM projects in sectors managed by the municipality are particularly promising for municipalities. Traditionally, in many countries waste management, as well as power generation and distribution for private households, are organized by the municipality. Frequently, public transport, too, is operated by a municipal company.

Through land use regulation, municipalities have a strong influence on transport and buildings.

Waste-related projects dominate in municipal CDM, mainly regarding landfill gas collection. In total, 77 MW of landfill gas power have been submitted under the CDM. The city of Sao Paulo has maximized CER revenues from its two large landfill projects by auctioning 1.5 million CERs through the Sao Paulo stock exchange. This procedure prevented losses through brokerage fees and achieved a revenue of € 26 million.¹¹ Generally, CDM companies have complained about the slow decisionmaking and high degree of arbitrary changes in project design and royalties to be paid to municipalities, particularly when city governments changed due to local elections. For example, landfill project developers in Indonesia had to wait for several years before they could actually start their projects.

Surprisingly, municipal power companies have not seriously ventured into the CDM. The only exceptions are Chinese "city" power companies that have invested mainly in hydropower, of which 415 MW have been submitted under the CDM. The main problem seems to be the relatively small size of municipal power plants and the lack of investment budgets for plant refurbishment.

Transport projects are rare under the CDM, but several bus lane transport projects have been submitted. Often, they are managed by a separate company that is not explicitly labelled as municipal company. The four projects that seem to have a municipal participation forecast 4 million CERs by the end of 2012. The first

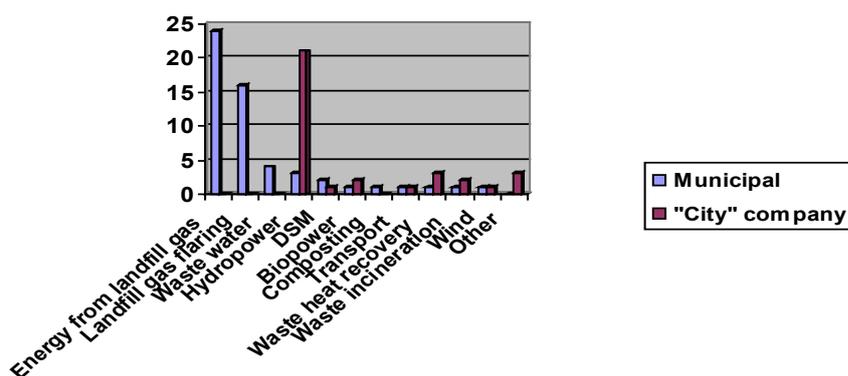


Figure 1. Preferred project types

¹⁰ Qi et al, 2008, see footnote 4.

¹¹ C40 Cities, 2009. Sao Paulo, Brazil. Sao Joao and Bandeirantes Landfills, download at <http://www.c40cities.org/docs/casestudies/waste/sao-paulo-landfill.pdf>, accessed November 23, 2009

project with issuance, Transmilenio in Bogotá, achieved 43% of forecasts in its first three issuances.

The first municipality who developed a CDM project for energy efficient buildings was Cape Town, with the Kuyasa project in the slum of Khayelitsha planning to retrofit 2,300 houses with ceiling insulation, energy-efficient lamps and solar water heaters. The project which had been registered already in August 2005 was stalled for several years, as the CER revenue only covers 30% of project costs, and the rest of the costs remained uncovered. In 2007, just ten pilot houses had been retrofitted. Eventually, the financing gap was closed through a Department of Environmental Affairs and Tourism poverty alleviation grant. By late 2009 more than 1,200 houses had been covered. The project provides 76 jobs.

While there are large-scale building energy efficiency projects in the CDM under preparation such as Masdar City in the United Arab Emirates, none of those involves a municipality. All other building-related projects are implemented by energy service companies or owners of large commercial buildings and do not involve local authorities.

Why are municipalities unable to mobilize their substantial technical CDM potential? There are two key reasons. First, the competencies required to write a PDD and accompany a project through the project cycle are not available in municipal administrations. Even if they were available, such skilled staff would be very much in demand and allocated to more urgent tasks. Therefore, specialized CDM consultants always have a competitive advantage compared to a municipality and can get project assignments. Therefore, even for landfill gas projects where a municipality should have a competitive edge, only 14% of projects have a municipality as project participant.

Second, municipal officials serve only for short periods. Thus, the incentive from CER revenues does not really reach them, as the long CDM project cycle means that CER generation will occur only years after the officials have left office. For the official, it is much more attractive to engage in a highly visible project which is “fashionable” with the voters. This is why Bogotá’s new mayor preferred the “glitzy” metro to the more mundane, but effective Transmilenio bus system.

ICLEI’s CCP and the CDM

ICLEI is an international network of local governments working on sustainability issues. With regards to climate change, ICLEI coordinates the Cities for

Climate Protection Campaign (CCP), which started in 1993, and had more than 1,100 members by late 2009.¹² Of the 1,185 CCP cities, 96 are located in non-Annex I countries and thus the CDM is an option for about 8% of CCP member cities. The development of CDM projects could become part of a city’s action plan under the CCP. Furthermore, the experience cities gather by conducting emission inventories and forecasts, and the monitoring exercise, might add to their understanding of the CDM, as baselines and verification of emission reductions play an important role in CDM project development, too.

ICLEI could also lobby to include CDM reform in order to make the CDM more city-friendly. Already in 2004, ICLEI Latin America hosted an international seminar as a side-event at COP10, called ‘CDM opportunities for Local Governments’. The seminar elaborated both on the international negotiation status and perspectives of the CDM, and on existing projects by local governments in Latin America. This activity included the publication of ICLEI’s guide ‘Climate Change and Clean Development: Opportunities for Local Governments’. In 2007, ICLEI Japan organized a parallel event at the Bali COP on ‘CDM for Local Governments Session’, which provided some case studies of municipal CDM activities and focused on local officials’ experiences and expectations regarding CDM project development.¹³

There are several CDM projects or CDM project ideas, for which ICLEI’s CCP can be considered to have ‘intellectual ownership’. Table 2 gives an overview of CCP’s CDM projects.

There are also CCP cities in which CDM projects are up and running. However, these projects are not highlighted by the CCP. Examples are:

- landfill gas projects in Buenos Aires (Argentina), Sao Paulo (Brazil), Ciudad Juarez (Mexico), Guntur (India), Denpasar (Indonesia),
- the low-cost urban housing project in Kuyasa, Cape Town (South Africa), discussed above
- a sewage treatment project in Makati (Philippines).¹⁴

As these projects are not included under CCP reporting, it may be concluded that they take place without CCP involvement.

12 ICLEI South Asia, 2009a. ICLEI South Asia assisting GTZ in evaluating CDM Potential. Assessed: 04/09/2009, <http://www.iclei.org/index.php?id=10015>.

13 ICLEI, 2007. CDM for Local Government Session. (draft as of 26 November 2007).

14 UNFCCC, 2009b, CDM: Project Activities. Assessed: 10/11/2009 on <http://cdm.unfccc.int/Projects/index.html>

Table 2: CDM projects by CCP

Project name	Project type	Country	Annual CERs (if known)	Status UNFCCC	Role of ICLEI
Surabaya	Waste management (composting)	Indonesia		Not applied	Twinning with ICLEI Japan city Kitakyushu, project developed from ICLEI Japan Cities&CDM re-research project
Bogor	Used cooking oil for municipal garbage trucks	Indonesia		Not applied	
Street lighting energy efficiency CDM project of 14 Municipal Corporation of Madhya Pradesh	Energy efficiency improvements	India	18,954t	Submitted for host country approval	Developed by ICLEI South Asia, Gwalior CCP member
Cochin, Raipur, Shimla, Varanasi	GTZ explores CDM potential in municipal solid waste management	India		Not applied	ICLEI assists GTZ in the evaluation, Shimla is CCP member

Sources:

Chaturvedula, Soumya, ICLEI South Asia, 2009. Personal communication (email 13 November 2009).
 ICLEI, 2009. Cities for Climate Protection (plus subsites). <http://www.iclei.org/index.php?id=800>, accessed: October 22, 2009.
 ICLEI South Asia, 2009b. Energy Efficiency-CDM Project in 14 cities of Madhya Pradesh. Assessed: 04/09/2009, <http://www.iclei.org/index.php?id=6920>.
 Kishigami, Michie, 2007. Alliance of Local Governments for the development of CDM projects. Presentation at the ICLEI Parallel Event to the UN Climate Change Conference 2007 in Bali, 'CDM for Local Governments Session', 10 December 2007.
 Kishigami, Michie, 2009. Strategy of ICLEI towards sustainable urban development and challenge of the climate change. Presentation at CITYNET Yokohama Congress, 8 September 2009
 Sharma, Pawan Kumar, 2007. Clean Development Mechanism (CDM) Opportunities for MP Local Governments. Presentation at the ICLEI Parallel Event to UNFCCC COP 13 in Bali, 'CDM for Local Governments Session', 10 December 2007.
 UNFCCC, 2009a. CDM: CDM Statistics. Assessed: 27/10/2009 on <http://cdm.unfccc.int/Statistics/index.html>

Conclusion

We face a dilemma here. On the one hand, cities in developing countries offer a substantial potential for greenhouse gas emissions reductions. On the other hand, municipalities only rarely engage directly in development of CDM projects, while private consultancies are able to get CDM projects in cities off the ground, often against the opposition of the municipal administration. Even the international environmental initiative ICLEI has so far been struggling to mobilize its participating cities to engage in the CDM. Still, some of its members seem to have engaged in the CDM, but mostly without ICLEI being aware of it.

However, it is clear that municipalities will only to a limited extent care for profit and thus always be overtaken by private companies solely motivated by profit. But the latter leave aside the more costly and difficult to mobilize "higher-hanging fruit". Therefore, the challenge will be how to combine private thirst for profit with the policymaker's aim to show to his electorate how he improves their lives. If these two motives can work in tandem, the future for CDM in cities will be bright.

The Importance of a Clearly Defined Policy Goal for AAU Trading

by Elizabeth Aldrich*

International Emission Trading (IET) has been a key element of the cost-containing flexible mechanisms of the Kyoto Protocol and could prove to be a useful tool in the future. However, trading of AAUs from countries whose emissions have declined since their baseline year under the Kyoto Protocol has led critics to be skeptical of carbon markets due to the lack of actual emission reductions that occur as a result of these trades.

The overall size of the AAU market is staggering. Altogether, the former Soviet Union countries and Eastern Europe have emissions that are 35% below 1990 levels,¹ leaving approximately 13 Gt CO₂ of surplus metric tons of carbon dioxide equivalence to sell.² The baseline year of 1990 was selected for most countries except those in the process of transitioning to a market economy. These transitioning countries were able to choose their baseline year.³ The year 1990 was particularly advantageous to parts of Eastern Europe and Russia, which had a heavy industrial year in 1990 before the Soviet Union dissolved completely in 1991. Given the recent economic downturn, the 13 billion surplus AAUs could fulfill all required commitments by 2012, and the market would still be oversupplied by 9 billion AAUs. Furthermore, assuming that countries take on the targets they have discussed in negotiations, this surplus could fill reduction targets until 2020, and there would still be 6.9 billion excess AAUs.⁴

Green Investment Schemes (GISs) are meant to try to allay the fears of those that think there is no environmental integrity in AAU trading by using the proceeds of AAU trades to create projects that absorb or reduce greenhouse gases. However, these GISs have no required criteria for crediting and actual determination of what qualifies as a GIS is left up to the discretion of the buying and selling countries.

Inconsistent application of GISs as AAU trades ramp up toward 2012 when the Kyoto Protocol ends and post-2012 during the next global greenhouse gas accord could erode the price of emission reductions and allowances worldwide and may elicit a harsh rebuke from those concerned with reductions in current emissions.

The wide-ranging results of AAU trades include the promotion of projects that encourage emission reductions but do not ensure them on a one-to-one basis; creation of projects that attempt to yield an emission reduction for each AAU sold; and satisfaction of Kyoto targets with below-market priced permits to pollute that do not represent any emission reductions. Policy makers need to clearly define the goal of AAU trading as:

1. a way to address current carbon market failures through promotion of “soft” greening projects;
2. a means to promote investment in a selling country;
3. a trade that must be accompanied by a one-to-one emission reduction project; or
4. a scheme to promote cost containment in the next global agreement and create an accord that effectively achieves the goal selected.

If the goal of IET post-2012 remains to provide Annex B countries with a means “of fulfilling their commitments,” then perhaps no changes to the way the AAUs are traded, baseline years chosen, and future targets should be required. The Swiss firm Interblue took advantage of cheap AAUs in a purchase of 15 million AAUs from Slovakia for the price of €5.05, which is half of its market value.⁵ There was no GIS to back up this AAU trade, and the price reflected it. If a “hard” greening GIS project that resulted in emission reductions on a one-to-one basis with AAUs sold was required, the price of the AAUs would have

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1 “Industrialised countries will collectively meet 2010 Kyoto target,” Netherlands Environmental Assessment Agency, date?

2 “Too hot to handle? The emission surplus in the Copenhagen negotiations,” M.G.J. den Elzen, M. Roelfsema, S. Singerland, Netherlands Environmental Assessment Agency, December 2009.

3 “Kyoto Protocol Base Year Data,” United Nations Framework Convention on Climate Change webpage, http://unfccc.int/ghg_data/kp_data_unfccc/base_year_data/items/4354.php

4 “Assigned Amount Unit: Seller/buyer analysis and impact on post-2012 climate regime,” Point Carbon report for CAN Europe, October 26, 2009.

5 “Working Paper Green Investment Schemes: First experiences and lessons learned,” Andreas Tuerk, et al. Joanneum Research and Center for Climate Change and Sustainable Energy Policy of the Central European University, April 2010.

certainly been higher. This purely market-driven cost containment measure will produce revenues for EIT and help reduce the cost of compliance, perhaps at the risk of not achieving sufficient greenhouse gas reduction.

The Intergovernmental Panel on Climate Change, which assesses the scientific, technical and socio-economic information relevant for the understanding of the risk of human-induced climate change, has determined that emission cuts of 25-40% below 1990 levels are necessary in order to prevent catastrophic climate change and experience 2 degrees of warming by 2100. Inclusion of excess AAUs into existing and future global frameworks for reductions would mean that Annex I countries would only cut emissions between 5-13%.⁶

If the goal of IET is to address the market failures of the Kyoto Protocol and replace or complement Nationally Appropriate Mitigation Actions, then perhaps GISs that provide “soft” greening GIS projects supporting sectors which cannot be traditionally supported by CDM or JI due to strict additionality and monitoring and verification requirements. It is typically not possible to monitor the emission reductions from “soft” GIS projects in a precise way, but these projects represent important steps towards reducing a country’s greenhouse gases. “Soft” GISs are meant to support greenhouse gas reduction activities that take the form of energy efficiency programs, loan guarantees for projects that absorb or reduce emissions, or customer incentives to engage in activities that use less greenhouse gases.

If the goal of IET is to stimulate investment in a country and ensure that emission reductions are created for each AAU sold, then only GISs that include “hard” green projects producing a one-to-one relationship of emission reductions created per AAU sold should be allowed and a standardized way of evaluating and monitoring these projects should be created. Examples of “hard” greening projects supported by Estonia include improvement of district heating networks, boiler house rehabilitation, industrial energy efficiency, and public transportation projects.⁷

Countries have not been consistent with the type of greening scheme that is accepted by their country. The Ukraine is now considering soft greening schemes whereas the country previously stated that it would only accept “hard” greened projects. Hungary has claimed that it supports only “hard” greened projects, but it recently stated that it may use AAUs for a budget crisis instead of emission reduction projects.⁸ Poland, Romania, Slovakia, Bulgaria, Lithuania, and Russia have not finished setting up systems to administer GISs.⁹

Apart from the argument that AAU trades should have a GIS for environmental reasons, there is an economic argument for GISs to back up these exchanges. AAU trades that are not backed by a green activity have the ability to erode the price of carbon towards the end of the Kyoto compliance period. If a project is not required to produce any environmental benefit, then the opportunity for trades well below market price, which is set by the cost of making a metric ton of reduction elsewhere in the world, will abound. Furthermore, some market critics have claimed that only “hard” greening projects should be accepted since “soft” GISs could still cost less than other compliance instruments since there is not attempt to monitor and verify the emission reductions created.

Deciding on the purpose of AAU trades in future greenhouse gas markets will help market designers to also make decisions about how to best control the impact that the surplus AAUs will have on the price of future compliance instruments and the environmental effectiveness of this legislation. To control the impact that surplus AAUs would have on future GHG markets, market designers could mandate that AAUs:

- 1 always accompany “hard” or “soft” GISs;
- 2 be allowed for banking into the future compliance period;
- 3 not be allowed at all for use after 2012;
- 4 be allowed for only domestic emission reduction goals after 2012; or
- 5 be allowed for limited trades.¹⁰

The scenario selected will be determined in part by the overall policy goal for AAU trades in a future framework.

6 “Too hot to handle? The emission surplus in the Copenhagen negotiations,” M.G.J. den Elzen, M. Roelfsema, S. Singerland, Netherlands Environmental Assessment Agency, December 2009.

7 “Working Paper Green Investment Schemes: First experiences and lessons learned,” Andreas Tuerk, et al. Joanneum Research and Center for Climate Change and Sustainable Energy Policy of the Central European University, April 2010.

8 “Governments keep hunting for cheap CO2 credits,” Michael Szabo, Reuters, March 3, 2009 and “Working Paper Green Investment Schemes: First experiences and lessons learned,” Andreas Tuerk, et al. Joanneum Research and Center for Climate Change and Sustainable Energy Policy of the Central European University, April 2010.

9 “Working Paper Green Investment Schemes: First experiences and lessons learned,” Andreas Tuerk, et al. Joanneum Research and Center for Climate Change and Sustainable Energy Policy of the Central European University, April 2010.

10 “Assigned Amount Unit: Seller/buyer analysis and impact on post-2012 climate regime,” Point Carbon report for CAN Europe, October 26, 2009.

It is essential that a decision on the status of surplus AAUs for a post-Kyoto framework be made quickly as it will have implications on the 2011 and 2012 price of carbon, as countries with surplus AAUs move to either sell them on the market or hold them for future compliance periods. In the absence of a decision, countries with AAUs to sell may take advantage of

the lack of regulation on GISs and simply dump AAUs with no environmental backing on the market. In the process of making the Kyoto Protocol palatable to all countries by providing a high degree of sovereignty to countries in their implementation of rules to support AAU trades, market designers have created the risk of undermining the entire market.

Climate Change for Football Fans

Climate change is as much about power stations as football is about wearing shorts

by James Atkins*

Almost all books on climate change policy are very dull. Clever and insightful people write stuff which no-one would read. It is a great pity and may explain why some ideas seem to trickle so slowly through society.

Climate Change for Football Fans is different. Joe is mad on Burnley Football Club and thinks that worrying about climate change is a waste of time. He meets a Professor called Igor who is obsessed with climate change policy and can't understand why 22 men put on shorts and run around after a ball. Joe and the Professor agree to spend a season together – Igor goes with Joe to all the Burnley games, while Joe and his patient family listen to Igor rattle on about climate change policy.

The book uses a number of parallels with football to illustrate and explain climate change policy. The overall theme is that we haven't got a hope of cutting emissions the way we're going and we need to learn from football how it's done.

Conventional economics and conventional politics will never cut emissions, because people look after their short-term interest. If you have to choose between looking after the planet or driving to the evening game at Turf Moor, you get in the car. We don't do long-term; it's how we evolved.

Someone might say to this: "But it doesn't have to be a choice between looking after the planet or having fun. What about "win-win" situations?" That's one very clear lesson from football. Win-win would be highly impractical. In the real world, there also has to be a choice, because there will always be someone willing to offer us the easy side of the bargain. We always fall for it. We don't read the small print. It's human nature.

A second problem with conventional economics is addiction. The economics of addiction are very different from conventional economics. If you put

the price of heroin up, it doesn't make a junkie cut his habit. We are addicted to a high-energy culture and lifestyle. Addiction needs different solutions.

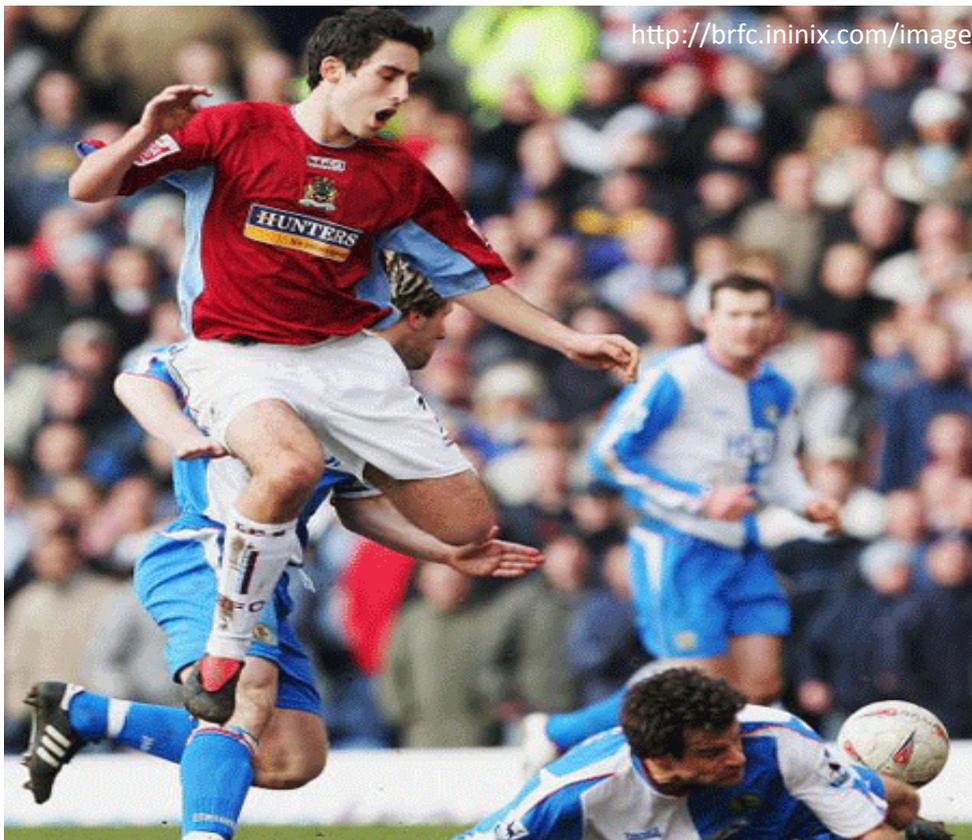
Another problem with economics is that market mechanisms only stick together when there is a lot of jam to make them stick. Yet the carbon price will only work if it hurts, and hurting means no jam for tea. When the carbon price spikes at Euro 100, people will feel the pain and will get a lot less enthusiastic about campaign funding and then the government will review emissions limits on the grounds of competitiveness and the carbon price will go down again and we're back to square one.

A fourth problem is that it's practically impossible to rebuild the entire industrial infrastructure of the world in forty years. Mention the N-word and you'll be mired in a battle with the greens for ten years; "We'll do it with wind farms," say the energy companies. But they forgot about the NIMBY ladies with Burberry headscarves. "No worries, we'll do Carbon Capture and Storage." Er, right. Once it's economically viable in 2030.

So conventional political or economic tools are not going to have much effect. The political system does not allow us to get tough, pricing mechanisms are flawed and can't handle the economics of addiction; we cannot build ourselves out of the problem. And finally, you need to persuade all the foreigners to join in, too.

This is where football comes in. Football transcends economic constraints and makes us behave in unusual ways. A football fan willingly and knowingly undergoes weeks and weeks of misery, gloom, disappointment, frustration and anxiety. Only a minority have a realistic expectation of a happy outcome. You can't reasonably define that existence as maximising utility.

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Because of all that irrational suffering, football inspires and motivates millions of people. It gives meaning to their lives, filling the void left by religion; it's something to believe in; it's a source of passion and purpose. And it's universal. They even managed to scrape together eleven able-bodied people from North Korea for the World Cup this summer.

This is what climate change policy needs. We need to replicate the irrational purposeful passion that people have for football and channel it into low-carbon living.

You need to get people passionate about taking it easy. We should be spending much more time doing things which yield a lot of happiness per tonne of CO₂. A guy who spends the day on the sofa chilling out with a few beers and a joint, watching a game on TV – he's doing more for the planet than some eager beaver rushing about everywhere trying to do good. You need people to be enthusiastic about being lazy and economically inactive.

Then you need to build purposeful passion for things which are today really dull. You want a guy to be brimming with pride about fitting a really thick layer of secondary insulation. You want him to get really excited about the prospect of a good fortnight's holiday in Skegness. And there's a match once a week. Once a week is an 88% reduction. If we used the car once a week and ate meat once a week ... we'd be laughing.

By the end of the book Burnley are resorting to long shots from the edge of the box to try and survive. That's about where climate policy is today. As it gets so depressing, I tried to brighten it up with a bit of football. If you're going to read one book in your life on climate policy, you might as well read one with a few laughs in.

"Climate change is as much about power stations as football is about wearing shorts"

To order *Climate Change for Football Fans*, click below:

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Amazon: <http://www.amazon.co.uk/dp/1906860351/ref=nosim?tag=thebus-21>

Castro, P. and A. Michaelowa, 2010. The impact of discounting emission credits on the competitiveness of different CDM host countries, *Ecological Economics*, 70, pp.34-42.

This article assesses the impact of discounting on the distribution of CDM projects in host countries, with a special focus on least developed countries (LDCs). CDM specific abatement cost curves are built for four regions: China, India, other advanced Asian countries, and LDCs. Abatement costs are estimated using the information provided in the project documentation of 108 projects from 17 subtypes in 16 host countries. It has been found that discounting has an impact on the competitiveness of individual CDM host countries in the carbon market as it affects their abatement cost curves. It could become an instrument for incentivising advanced developing countries to leave the CDM and engage in other farther-reaching climate-related commitments, as a result of the resulting emission credit cost increases. However, even with discounting, LDCs remain unimportant in terms of abatement potential if the financial, technical and institutional barriers to CDM development in these countries are not overcome.

Castro, P., 2010. Climate Change Mitigation in Advanced Developing Countries: Empirical Analysis of the Low-hanging Fruit Issue in the Current CDM, *CIS Working Paper 54/2010*, Zurich <http://www.cis.ethz.ch/publications/publications/2010_WP54_Castro.pdf>

Before its implementation, developing-country experts opposed the CDM, arguing that it would sell off their countries' cheapest emission reduction options and force them to invest in more expensive measures to meet their future reduction targets. This "low-hanging fruit" argument is analyzed empirically. CDM projects' emissions abatement costs and potentials are estimated for different technologies in eight countries, using capital budgeting tools and the information from the projects' documentation. It has been found that the CDM is not yet capturing a large portion of the identified abatement potential in most countries. While the costs of most emissions reduction opportunities grasped lie below the average credit price, there is still plenty of low-cost opportunities available. Mexico and Argentina appear to use the CDM exclusively for harvesting the low-hanging fruit, whereas in the other countries analyzed more expensive projects are also accessing the CDM. This evidence challenges the low-hanging fruit claim.

Kollmuss, A. and M. Lazarus, 2010. Buying and Cancelling Allowances as an Alternative to Offsets for the Voluntary Market - A Preliminary Review of Issues and Options, *OECD Environmental Working Paper* <<http://sei-us.org/publications/id/321>>

In recent years, businesses, local governments and individuals have set goals for reducing their emissions of greenhouse gases. In addition to directly reducing their own emissions, many of these entities have purchased carbon offsets to help achieve their mitigation goals. Yet establishing offset quality can be difficult, due to issues such as additionality, measurement, leakage, permanence, and verification.

This paper explores scenarios under which, as an alternative to offsets, voluntary buyers could instead buy and cancel allowances from compliance markets.

Kopp, R.J., 2010. Role of Offsets in Global and Domestic Climate Policy, *Issue Brief 10-11, Resources for the Future* <<http://www.rff.org/RFF/Documents/RFF-IB-10-11.pdf>>

This paper provides definitions and a taxonomy that will be helpful in sorting through the complex offset landscape. With this taxonomy in mind, the paper then considers the role offsets could play given likely states of the world with respect to mitigation policy.

Michaelowa, A and K. Michaelowa, 2010. Climate Business for Poverty Reduction? The Role of the World Bank, *GIS Working Paper 59/2010*, Zurich <http://www.cis.ethz.ch/publications/publications/WP59_Michaelowa>

The World Bank is increasingly active in the area of climate change mitigation. While it justifies this engagement with its poverty reduction objective its capacity to pave the way for new business activities in developing countries, critics blame the World Bank as a 'climate profiteer' and as an unfair competitor on private markets. Our econometric analysis of over 2000 projects registered until May 2010 under the Clean Development Mechanism (CDM) of the Kyoto Protocol allows us to compare the activities of the Bank with those of others, primarily private actors.

The results indicate that hardly any of the CDM projects can be considered as strongly pro-poor. Nevertheless, in comparison to the rest of the CDM projects, the Bank's portfolio shows a relatively clear orientation towards poor countries. Within these countries, however, the Bank tends to implement those projects which are commercially more attractive. Moreover, as opposed to official limitation to pioneering and catalytic role, there is no evidence of the Bank phasing out its activities once the market becomes fully operational.

The **Joint Implementation Quarterly** is an independent magazine with background information about the Kyoto mechanisms, emissions trading, and other climate policy issues. *JIQ* is of special interest to policy makers, representatives from business, science and NGOs, and staff of international organisations involved in climate policy negotiations and operationalisation of climate policy instruments.

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Abbreviations

AAU	Assigned Amount Unit
Annex A	Kyoto Protocol Annex with GHGs and sector/source categories
Annex B	Annex to the Kyoto Protocol listing the quantified emission limitation or reduction commitment per Party
Annex I Parties	Industrialised countries (OECD, Central and Eastern European Countries, listed in Annex I to the UNFCCC)
Annex II Parties	OECD countries (listed in Annex II to the UNFCCC)
non-Annex I Parties	Developing countries
CDM	Clean Development Mechanism
CDM EB	CDM Executive Board
CER	Certified Emission Reduction (Article 12 Kyoto Protocol)
COP	Conference of the Parties to the UNFCCC
DOE	Designated Operational Entity
DNA	Designated National Authority
EGTT	Expert Group on Technology Transfer
ERU	Emission Reduction Unit (Article 6 Kyoto Protocol)
EU ETS	European Union Emissions Trading Scheme
EUA	European Union Allowance (under the EU ETS)
GHG	Greenhouse Gas
IET	International Emissions Trading
JI	Joint Implementation
JISC	Joint Implementation Supervisory Committee
LULUCF	Land Use, Land-Use Change and Forestry
PIN	Project Information Note
PDD	Project Design Document
SBSTA	Subsidiary Body for Scientific and Technological Advice
SBI	Subsidiary Body for Implementation
TNA	Technology Needs Assessment
UNFCCC	UN Framework Convention on Climate Change

JIQ Meeting Planner

27-29 October 2010, Delhi, India

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 Contact: <http://www.direc2010.gov.in>

1-3 November 2010, New York City, USA

Carbon Market Insights Americas conference
 Contact: <http://www.pointcarbon.com/events/conferences/cmia2010-10-24>

10 November 2010, Johannesburg, South Africa

The promotion of Environmental Security in Africa through Regional Law
 Contact: <http://www.puk.ac.za/opencms/export/PUK/html/fakulteite/regte/pdf/registration.pdf>

23-24 November 2010, Groningen, the Netherlands

'Domestic Offset Projects for Achieving GHG Emissions Reductions' at Energy Delta Convention 2010
 Contact: Vlasis Oikonomou, JIN, the Netherlands, e-mail: vlasis@jiqweb.org

29 November - 10 December 2010, Mexico

16th Conference of the Parties (COP 16)/ 6th Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP 6)
 Contact: http://unfccc.int/meetings/unfccc_calendar/items/2655.php

8-13 May 2011, Linköping, Sweden

World Renewable Energy Congress (WREC) 2011 at Linköping Univ., Sweden
 Contact: info@wrec2011.com, www.wrec2011.com.