COMMODITIES NOW

Bonn Climate Working Group Has a Deal Within its Reach

London, 7 April 2010

After the disappointing meeting in Copenhagen, the Consilience Energy Advisory Group sees a mandatory quota of green projects for developing countries as a stepping stone to agreement that can be tested at the working session due to take place in Bonn, Germany 9-11 April. Large developing countries, like China and India, should be given a mandatory quota of green projects to help them prove that they will deliver on the cuts in carbon intensity they have pledged under the terms of the Copenhagen Accord. This is an idea that could be explored at the 11th ad hoc working group (AWG) on Further Commitments for Annex I Parties under the Kyoto Protocol / 9th session of AWG on Long-term Cooperative Action under the Convention taking place in Bonn 9-11 April.

After the December Copenhagen meeting the two largest developing countries, China and India, pledged to cut their CO2-equivalent per unit of GDP by 40-45% and 20-25% respectively by 2020 compared with 2005 levels. But while the developed countries that have pledged their own cuts in emissions levels under the Copenhagen Accord are obliged to have these cuts independently audited and verified, the developing countries have so far rejected this external checking. This is likely to prove a bone of contention at the Bonn discussions.

To get around this the Consilience Energy Advisory Group Ltd is proposing that the climate working group should take the cuts in carbon intensity undertaken by the developing countries and re-express them as a quota of Clean Development Mechanism (CDM) projects. That way the cuts in carbon intensity promised by the developing countries can be validated and certified independently by the CDM auditing process, with which these countries are already very familiar.

Says Liz Bossley, the CEO of Consilience: ōThe hard bit has been done: China and India have volunteered to cut their carbon intensity. A simple extension of the tried and tested CDM can solve the problem of proof. Between them these two countries have already hosted almost 1,300 CDM projects. These projects are routinely validated and certified by so-called Designated Operational Entities, independent companies accredited by the UN, without any suggestion of loss of sovereignty.ô

At the moment participation in the CDM is voluntary. The Consilience proposal would place an obligation on the developing economies to meet their agreed CDM quota by hosting projects within their own borders to generate primary certified emissions reductions (CERs). Primary CERs are allowances generated by a CDM project and given to investors from a developed country investing in a green project located in developing country. The investor is rewarded with one project allowance, a CER, for every tonne of CO2 or its equivalent saved by the project compared with a business-as-usual baseline. These CERs can be sold in the secondary market for money or can be surrendered to the UN by a developed country to help it meet its own Kyoto cap.

According to the Consilience proposal, if a developing country were to fail to fill its CDM quota domestically it would have to make up the shortfall by buying CER allowances in the international secondary market. That would involve, for example, China and India in spending money if they did not grow their economies in the greenest way possible by hosting enough CDM projects.