

Workshop

Carbon Dioxide Sequestration & Biodiversity
Bratislava, 9-10 November 2009

**Funding opportunities for
projects on managing carbon in
biological systems.**

*Overview by Daniela van Elburg-
Velinova, EUCC, The Netherlands*

- Purchasing carbon offsets, or carbon credits, is becoming an increasingly common means for individuals, organizations and companies to reduce their carbon footprint.
- Individuals, companies or governments can pay others to absorb or avoid the release of a tonne of CO₂, in order to compensate for their own emissions.

Financial incentives

- Non-market instrument such as an international fund
- The Carbon market
- Combination of both, a non market instrument and the C market

The Carbon Offset Market

- The IPCC puts costs of C capture and storage (CCS) at US\$ 20 - 270 per tonne of CO₂-e (IPCC 2005).
- The carbon offset market is split between:
 - ❑ compliance markets, and
 - ❑ voluntary markets.

The Carbon Offset Market

Compliance offset markets are regulated by mandatory carbon reduction regimes such as:

- the Kyoto Protocol's Clean Development Mechanism (CDM), or
- the EU Emissions Trading Scheme.

The Carbon Offset Market

The voluntary offset markets, not associated with any mandatory regimes, offer companies and individuals the opportunity to purchase carbon offsets on a voluntary basis as a means to compensate for their greenhouse gas (GHG) emissions.

The Carbon Offset Market

While the voluntary market for carbon offsets is still small in comparison to the compliance market, it is growing at a rapid rate. The growth in the voluntary market is mostly fuelled by what is commonly referred to as carbon neutrality, i.e. organisations or individuals offsetting their emissions (from travel, production processes, etc.) through the financing of projects that result in emissions reductions elsewhere.

(Sources: “The Natural Fix?” UNEP-WCMC 2009, “Green carbon guidebook”, WWF International 2008)

The Carbon Offset Market

Within the voluntary carbon markets, there is significant interest in forest carbon projects – i.e. offset projects that aim to reduce GHG emissions through forest-related measures such as afforestation, reforestation, avoided deforestation, or sustainable forest management.

The Carbon Offset Market

There is as yet little experience of forest carbon offsets within the compliance markets since reducing emissions from deforestation and forest degradation (REDD) is not included in the first phase of the Kyoto Protocol, although there is now international consensus that the second phase of the Protocol (starting post-2012) must include mechanisms that recognise and provide incentives for REDD.

Source: "Green carbon guidebook" WWF-International, 2008.

The Kyoto Protocol's Clean Development Mechanism (CDM)

Currently, only afforestation and reforestation activities have access to the global C market through the CDM. The rules for these are complex, however, and there are very few forestry projects under way.

The Kyoto Protocol's Joint Implementation (JI) Mechanism

The Joint Implementation (JI) Mechanism (which relates to offsets in Annex 1 countries) does recognise additional types of forest and land-use-related activities (including agricultural carbon sequestration and forest management) but again, there has been little implementation of such projects to date.

Problems and concerns surrounding C offset markets

Main potential problems are related to:

- ❖ Leakage
- ❖ Permanence
- ❖ Additionality

In order to strengthen the credibility of the offset market, a number of different standards have been developed, mainly in the last five years.

Standarts for C offset

Main existing standard systems for carbon offset are:

- **CDM** (Clean Development Mechanism)
- **VCS** The *Voluntary Carbon Standard*
- **GS** (The Gold Standard)
- **CCB** The *Climate, Community and Biodiversity standards*

Source: "Green carbon guidebook" WWF-International, 2008.

Clean Development Mechanism (CDM).

The CDM standard provides comprehensive guidance on carbon accounting for afforestation and reforestation projects.

CDM includes a range of methodologies and tools for:

- assessing and monitoring afforestation or reforestation;
- demonstrating additionality: the net GHG emission reductions achieved by project activities;
- approving and certifying these project activities.

The Gold Standard (GS).

- ❖ The GS can be applied to voluntary offset projects as well as to CDM projects (applicability to JI projects is under development).
- ❖ The GS is currently restricted to renewable energy and energy efficiency projects and does not apply to any land-use projects (including forestry).

The Voluntary Carbon Standard (VCS).

- ❖ The VCS is a global benchmark standard for project based voluntary GHG emission reductions and removals.
- ❖ The VCS covers all major land-use activities, including both agriculture and forestry.

The Climate, Community and Biodiversity (CCB) standards.

- ❖ The CCB project design standards have been developed by the *Climate, Community and Biodiversity Alliance*, a partnership of research institutions, corporations and NGOs.
- ❖ **The CCB standards apply to all land-based carbon offsets for the voluntary or regulatory markets with no geographical restriction.**

The Climate, Community and Biodiversity (CCB) standards.

- ❖ These standards evaluate land-based carbon mitigation projects in the early stages of development against a set of criteria to assess the extent to which the projects are **simultaneously addressing climate change, supporting local communities and conserving biodiversity.**

WWF's Meta-Standard Framework (MSF) for Forest Carbon

**Through its Green Carbon Initiative, WWF is involved in the process of developing a
“credible and comprehensive
standard system for forest carbon
projects.”**

(“Green Carbon Guidebook”, WWF-International, 2008.)

“ WWF is promoting the application of a meta-standard framework (MSF) for forest carbon – i.e.a comprehensive and credible ‘umbrella’ framework that includes the best features of the key existing standards. At the same time, WWF is planning to work with these existing standards to reinforce and strengthen areas where guidance or structure is thin and to sharpen their requirements. We do not propose certification of projects to this framework. Rather, we encourage projects adopting this approach to seek certification under the appropriate existing standards that comprise the MSF” (Green Carbon Guidebook, WWF-International, 2008.)

The World Bank Carbon Finance Unit's (CFU) initiatives

- The CFU uses money contributed by governments and companies in OECD (Organization for Economic Co-operation and Development) countries to purchase project-based GHG emission reductions **in developing countries and countries with economies in transition**. The emission reductions are purchased through one of the CFU's carbon funds on behalf of the contributor, and within the framework of the Kyoto Protocol's CDM or JI.

The World Bank Carbon Finance Unit's (CFU) initiatives

- Unlike other World Bank development products, **the CFU does not lend or grant resources to projects, but rather contracts to purchase emission reductions similar to a commercial transaction**, paying for them annually or periodically once they have been verified by a third party auditor.

The International Climate Initiative

The German Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) launched the International Climate Initiative, aimed at strengthening bilateral cooperation with developing, newly industrialising and transition countries. The Initiative is **funded with revenues from the sale of emission allowances.**

The International Climate Initiative

- It supports climate protection developing, newly industrialising and transition countries ("partner countries")
- The projects are geared towards the needs of the partner country and are intended to support partner countries in their climate protection measures, especially reducing greenhouse gases, improving adaptation to climate change and conserving and sustainably using climate-relevant areas

The International Climate Initiative

Support of partner countries under the International Climate Initiative focuses on several different areas. Among others it includes:

“ Conservation, sustainable use and rehabilitation of globally important carbon sinks, habitats and climate-relevant biodiversity ”