

# Implementation of CDM: A Review

*Pelangi Indonesia*  
*"CDM in Indonesia: Between Myth and Reality"*  
*Jakarta, 12 August 2008*

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# UN Framework Convention on Climate Change

- Objective (Art. 2): "... stabilization of greenhouse gas concentrations in the atmosphere..."
- Principles (Art. 3)
  - equity
  - common but differentiated responsibilities (CBDR)
    - each country is responsible to stabilize the concentration of greenhouse gases to a level that does not harm the climate system
    - each country has a different responsibility in achieving the objective
  - respective capabilities

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# The Kyoto Protocol

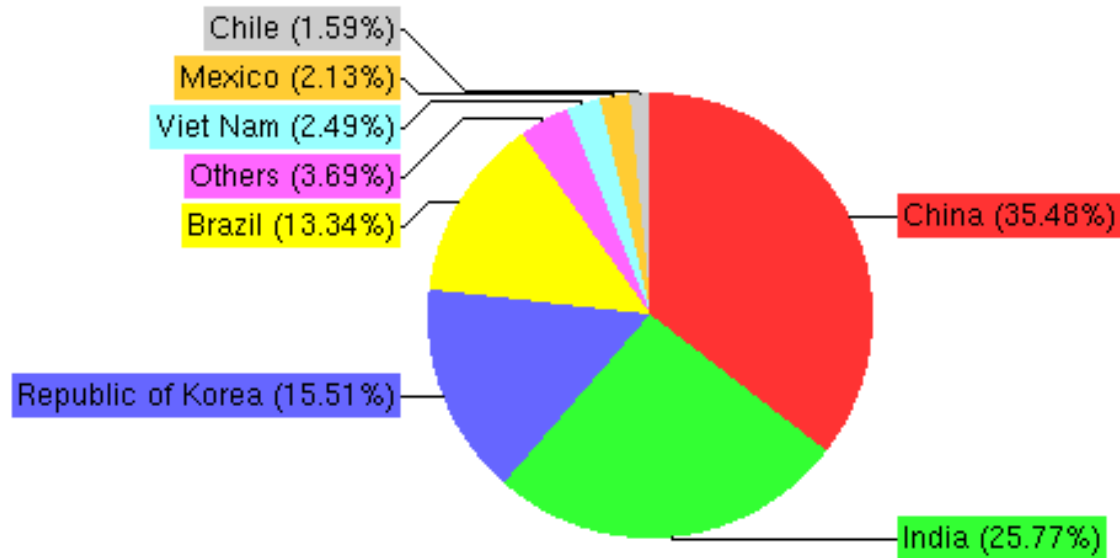
- Engages developed countries to stabilize GHG emissions
- Quantifies emission reduction targets and commitments (see: Annex B)
- Time frame of emission reductions (*the first commitment period, 2008-2012*)

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# CDM

- The only flexibility mechanism that involves developing countries
- KP Article 12
  - KP Article 12.2: CDM's objectives
    - To assist non-Annex I in achieving sustainable development and in contributing to the ultimate objective of the Convention
    - To assist Annex I in achieving compliance with their quantified emission limitation and reduction commitments

## CERs issued by host party. Total 180,294,873



<http://cdm.unfccc.int> (c) 11.08.2008 14:54

- <http://cdm.unfccc.int/Statistics/Issuance/CERsIssuedByHostPartyPieChart.html>

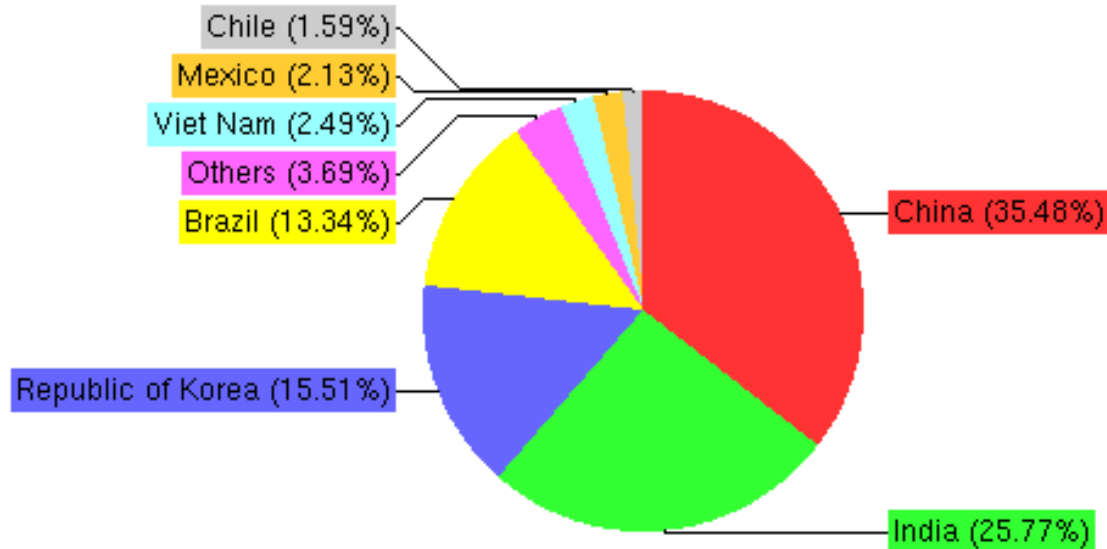
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## CERs issued by host party. Total 180,294,873



<http://cdm.unfccc.int> (c) 11.08.2008 14:54

- <http://cdm.unfccc.int/Statistics/Registration/NumOfRegisteredProjByHostPartiesPieChart.html>

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# CDM in Indonesia (1)

- CDM Projects development (11 Aug 2008):
  - 16 projects registered at CDM EB
  - 2 project in corrections stage (following request for review)
  - 1 project requests registration to EB
  - 34 projects have been granted national approval from DNA but not yet requested registration to CDM-EB
  - 1 projects have been evaluated by DNA
  - 9 projects will be evaluated by DNA
  - 2 projects have been received the DNA

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## CDM in Indonesia (2)

- CERs issuance (11 Aug 2008)
  - 1 project's CERs has been issued
    - Indocement Alternative Fuels Project; issued CERs: 17,635 CER (period 01 Jan 2005 - 31 Oct 2006) and 63,332 CER (01 Nov 2006 - 31 Jul 2007)
  - 1 projects's CERs: rejected
    - 0450: Methane Capture and Combustion from Swine Manure Treatment Project at PT Indotirta Suaka Bulan Farm in Indonesia, 23474 CERs, period 31 Aug 06 - 30 Sep 07. Reason: the project participant and the DOE (TUV-SÜD) could not demonstrate that the monitoring of average weight of the animal has been conducted in accordance with the applied methodology AM0006.
  - 1 projects's CERs: corrections requested
    - 0526: Indocement Blended Cement Project, 79470 CERs, period 01 Jan 05 - 31 Oct 06
  - 1 projects's CERs: in period of requesting review
    - 1144: Tambun LPG Associated Gas Recovery and Utilization Project, 113446 CERs, period 01 Feb 08 - 10 Apr 08

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# Reality of CDM (1)

- Incorrect understanding on CDM
  - ‘New Funding’ (instead of ‘Additional Funding’)
  - ‘Investment Fund’ (instead of ‘Development Fund’)
- The main emission reduction activities for Annex I (instead of the additional initiative)
- Buyer driven only (instead of giving contribution to national sustainable development, too)
- Project selection is mainly based on amount of CERs (instead of based on its contribution to sustainable development)
  - Commercial scale vs. Small scale
- Costly (high transaction cost)

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## Reality of CDM (2)

- Poor distribution of CDM projects
- CERs are merely an ordinary commodity
  - CER price
    - There's no fixed rule of thumb on pricing
    - Determined only by negotiation between sellers and buyers
    - Often neglecting the quality of CER
    - CER price is much cheaper than AAU's and ERU's
- There's no cap on CER traded
- Annex I receives more benefits

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# Things to ponder

- What kind of global policies are needed?
  - On CER distribution's cap
    - Limit the amount of CER bought by the developed countries
    - Limit the amount of CER released by the developing countries
  - On CER pricing
    - CER price should reflect its real (environmental) values
- What kind of national policies are needed?
  - On climate change
    - Mitigation and adaptation
  - On national development
    - Sustainable development criteria

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Thank you.

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