

First Climate receives approval for new CDM methodology and opens up market for sustainable biofuel projects

First Climate announced today the approval of a new and long-awaited Clean Development Mechanism (CDM) methodology involving the use of biodiesel from plant oil of dedicated plantations to replace fossil fuels in existing stationary installations and/or in vehicles..

Bad Vilbel – Frankfurt / Zurich, October 19, 2009 – The new methodology, known as ACM0017, or “Production of biodiesel for use as fuel”, was approved in the Executive board’s fiftieth meeting last week. While the use of biodiesel from waste oil and waste fats has been approved for the generation of certified emission reduction certificates in the established AM0047 baseline methodology, ACM0017 now overcomes important obstacles that CDM developers have been facing with biodiesel generation from dedicated plantations producing oilseeds. The newly approved CDM methodology now allows to foster sustainable and environmentally sound plantations via the generation of CERs.

First Climate, through one of its predecessors, Factor Consulting & Management AG, has been essentially involved in the development of the current form of ACM0017 since 2007. It proposed the inclusion of the use of waste animal fat in AM0047, which in large parts forms the basis for ACM0017 and, together with Geoklock Consultoria e Engenharia Ambiental Ltd., was the leading author of NM0228 which is also included in large parts of the new ACM0017.

The production of biofuels, including biodiesel, from crops has been controversially discussed for several years due to its potential competition with other landuses such as food crop production or due to landuse pressure on existing natural habitats, such as tropical forests. Stringent rules on land eligibility for oilseed plantations however can help to avoid these conflicts. Restricted rules for land eligibility, such as those applied in afforestation and reforestation projects (A/R projects), have now been established within ACM0017. The methodology only allows for generation of carbon credits through dedicated plantations that are established on degraded lands or lands degrading at the start of the project activity. Land-use shifts due to the project activity are not allowed.

The methodology addresses also the second debated issue of double counting. Only the producer of biodiesel is allowed to receive carbon credits. Producer and consumer are contractually bound to each other to allow for adequate monitoring and to avoid double counting. Naturally, the consumer has to be located in the host country.

The issue of balancing of project emissions and upstream emissions of (replaced) fossil fuel production and transportation has also been taken care of and is accounted for as leakage.

Overall, the new methodology provides a restrictive framework for critical issues such as land-use competition, double counting and baseline and project emissions or leakage. Joachim Sell, Head of Forestry and Biofuels at First Climate and leading developer of parts of ACM0017 is satisfied with the outcome: *“This CDM methodology will help to identify and support those projects that provide biodiesel from dedicated plantations in a sustainable way and helps these projects to compete against critical large scale projects aimed at exportation and leading to land-use conflicts. Moreover, the CDM within its registration and issuance process provides several independent audits including ex-post monitoring and verification of project performance. By approving the methodology the CDM sets a new quality benchmark for sustainable biodiesel projects based on dedicated plantations.”*

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First Climate is one of Europe's leading carbon asset management companies. With offices on five continents and more than ten years' experience in the market, it is one of the few intermediaries to cover the entire carbon credit value chain. First Climate develops, finances, and implements CDM, JI, and VER projects, purchases the resulting carbon credits, and customizes trading solutions for companies subject to the EU ETS. As investment advisor to several institutional investors, First Climate structures and develops carbon funds and related products. In the voluntary market, the company provides VERs verified according to the highest international standards. First Climate is one of the main sponsors of the Gold Standard Version 2.

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