

## Climate Business Network (CBNet)

### Equitable Distribution of CDM Projects

IGES Side Event, Nairobi, 8<sup>th</sup> November

## SD

- **Related concept is equity**
- **Without projects SD remains a CDM ideal**
- **Distribution among the presenters**
  - **India (120 registered projects)**
  - **China (29 registered projects)**
  - **Indonesia (6 registered projects)**
  - **Philippines (6 registered projects)**
  - **Cambodia (1 registered project)**

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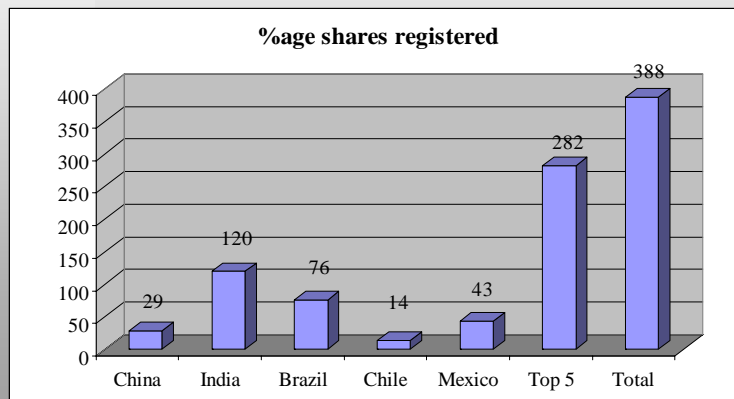
# Geographic breakdown

- **What can be done to improve geographic equity of CDM projects internationally?**
  - **148 NAI Parties to the Protocol**
    - **38 with projects registered**
      - 18 only have 1-2; i.e. only 20 countries can be said to be 'on their way'
    - **16 with projects in the 'pipeline'**
      - most just 1-2
    - **only 1/3<sup>rd</sup> of NAI Parties involved to this stage at all!**

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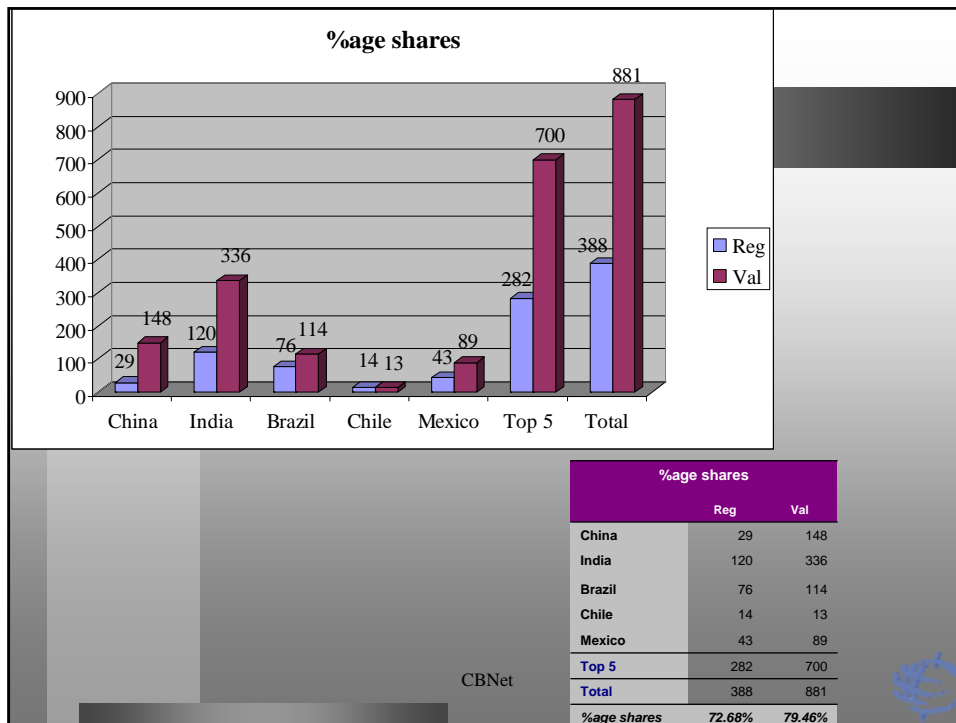


Total pipeline		Validation	Total registered	
Region	No. projects		Region	No. projects
ASP	771	576	ASP	195
EIT	12	7	EIT	5
AFR	30	21	AFR	9
LAC	456	277	LAC	179
<b>TOTAL</b>	<b>1269</b>	<b>881</b>	<b>TOTAL</b>	<b>388</b>



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## Review of issues

- Inputs from 4 Parties & 5 public entities
  - FCCC/KP/CMP/2006/MISC.1
  - [http://cdm.unfccc.int/public\\_inputs/reg\\_distri](http://cdm.unfccc.int/public_inputs/reg_distri)
- Views & recommendations summarized under headings of
  - Structural and institutional issues
  - Capacity issues
  - CDM process issues

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## Views on barriers

- Must keep in mind market-based nature of the CDM & that private sector will naturally gravitate to low risk, high opportunity locations/projects. Two main obstacles are financial—insufficient ODA for TA/CB; access to project finance & risk management tools)
- Structural and institutional issues
  - Weak institutional/administrative capacity, fragmentary strategies & policies, poor information, unstable legal & financial framework, distorted incentives

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## Views on barriers (contd.)

- Capacity issues
  - Lack of CDM-specific awareness & experience in relevant sectors, low level economic development & related small scale of projects
- CDM process issues
  - Facilities/procedures not in place, complexity of processes & methodologies, insufficient guidance on bundling & restrictive size limit of bundles, unclear relationship of ODA involvement in the project cycle, post-2012

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## Recommendations

- Structural and institutional issues
  - NAI government to develop enabling environment for clean investment & SD, mainstream CC/CDM into development planning, avoid complexity, increase incentives
  - Private sector to improve access to project funding, gain acceptance of carbon finance as leverage, increase risk management/insurance instruments & generally to improve sector involvement

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## Recommendations (contd.)

- Capacity issues
  - Increase ODA (for early stages of CDM project cycle), establish/enhance DNAs, improve data handling, provide more information & tools
- CDM process issues
  - Signal post-2012 continuance, implement programmatic CDM, reduce some criteria (additionality, simplify methodologies) for disadvantaged countries, explore synergies with other CC areas

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## Recommendations (contd.)

- Constraints or variations on the CDM?
  - introduce distortions to promote CDM projects in particular countries or
  - define additional mechanisms that are more likely to deal with equitable distribution and sustainable development
- Perhaps additional opportunities or incentives could be developed under the Protocol?
  - ‘equitable’ valued quotas or ‘per capita allocation’ for NAI countries leading to tradable “Carbon Emission Reduction Permits” (CERPs)
  - Carbon Emission Reduction Obligations (CEROs) for Annex I countries

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## Recommendations (contd.)

- Other options?
  - link CDM into national considerations of energy supply and security (involve other line ministries) –part of mainstreaming
  - develop (NAI) continent-wide emissions trading systems
  - NAI countries/regions/sub-regions could think of ways that they can be pro-active in the CDM market, such as by developing portfolios to stimulate buying

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## EB Recommendations to CMP

- Will be discussed tomorrow in Plenary?
- EB 27 Report Annex 19
  - *Financing and financial tools*
    - Financial facilities, seed funding
  - *Capacity building and training*
    - CDM infrastructure, local expert teams
  - *Co-operation*
    - Bilateral, regional, IGOs
  - *Involvement of other stakeholders*
    - Local & regional banks, industry associations, NAI DOEs

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## • **CDM Investment Newsletter #1/2006 on MDGs & the CDM**

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