

# Carbon Finance: The potential impact of Clean Development Mechanism projects on sustainable development



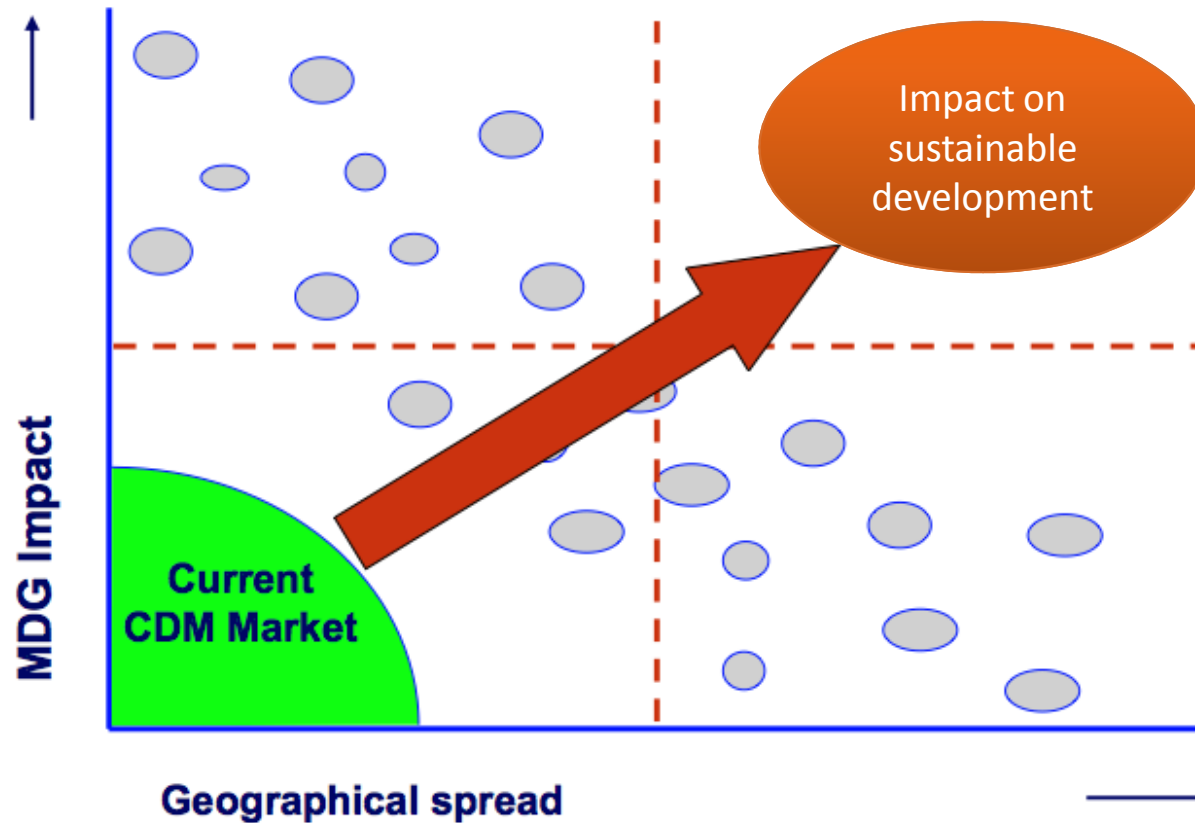
# Table of content

---



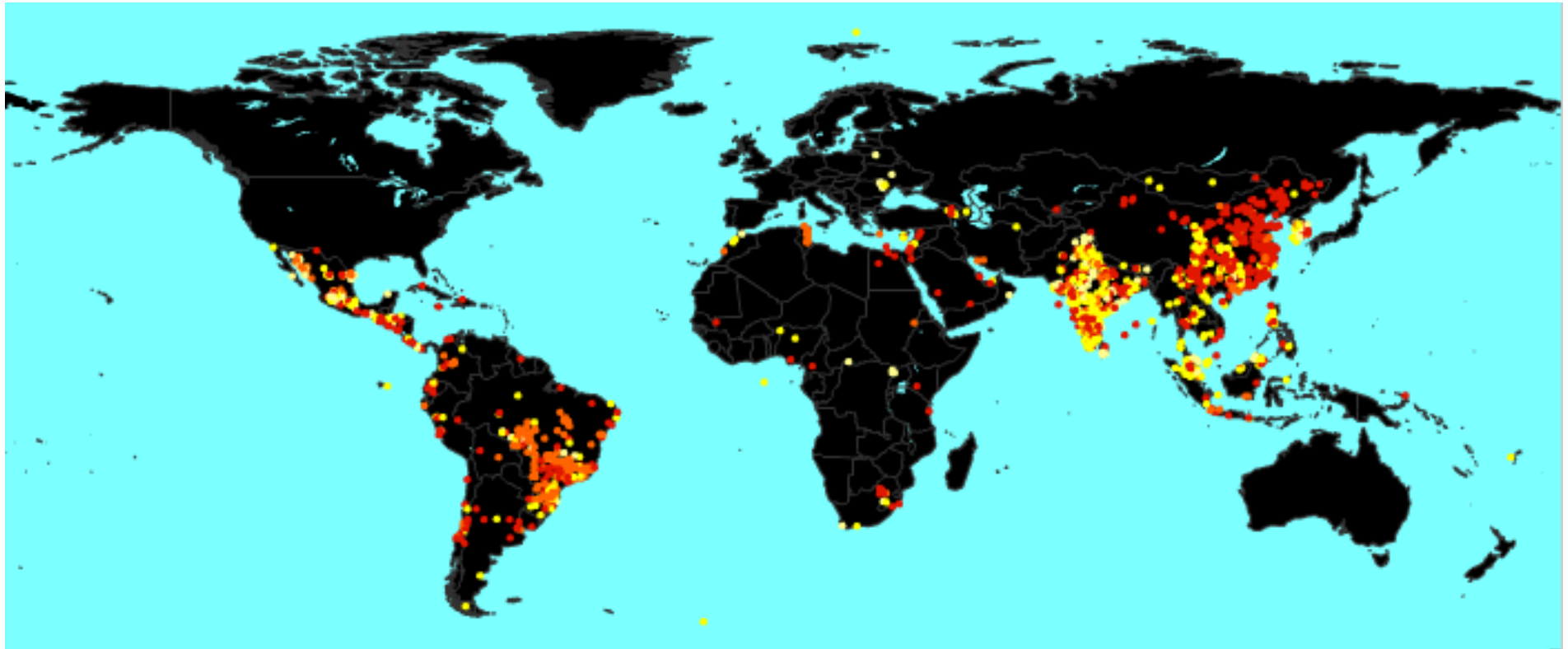
- Desired contribution of CDM to sustainable development
- Current CDM projects
- Sustainable development & Kyoto Protocol
- Gold Standard
- Programme of Activities
- Barriers

# Impact on sustainable development

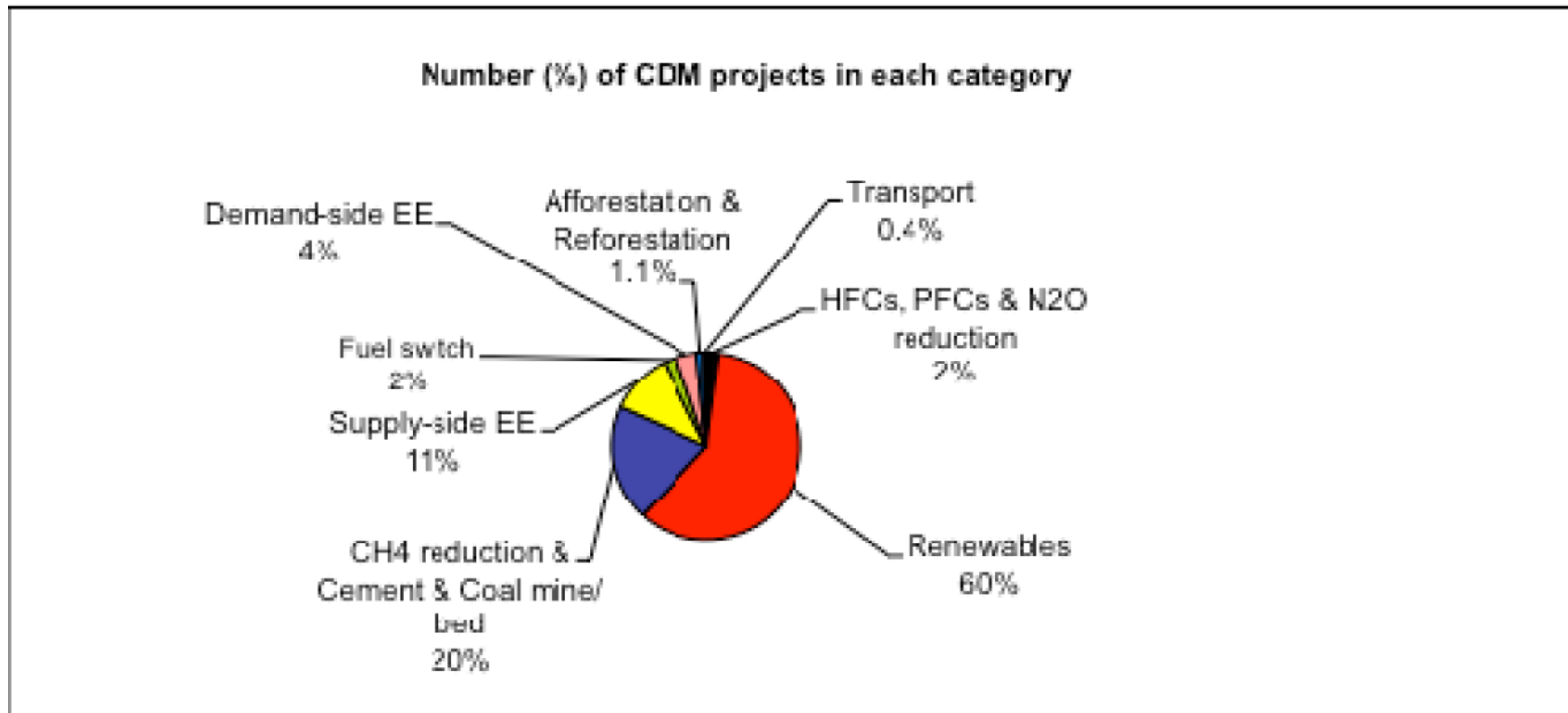


Source: UNDP MDG carbon facility

# Geographical distribution



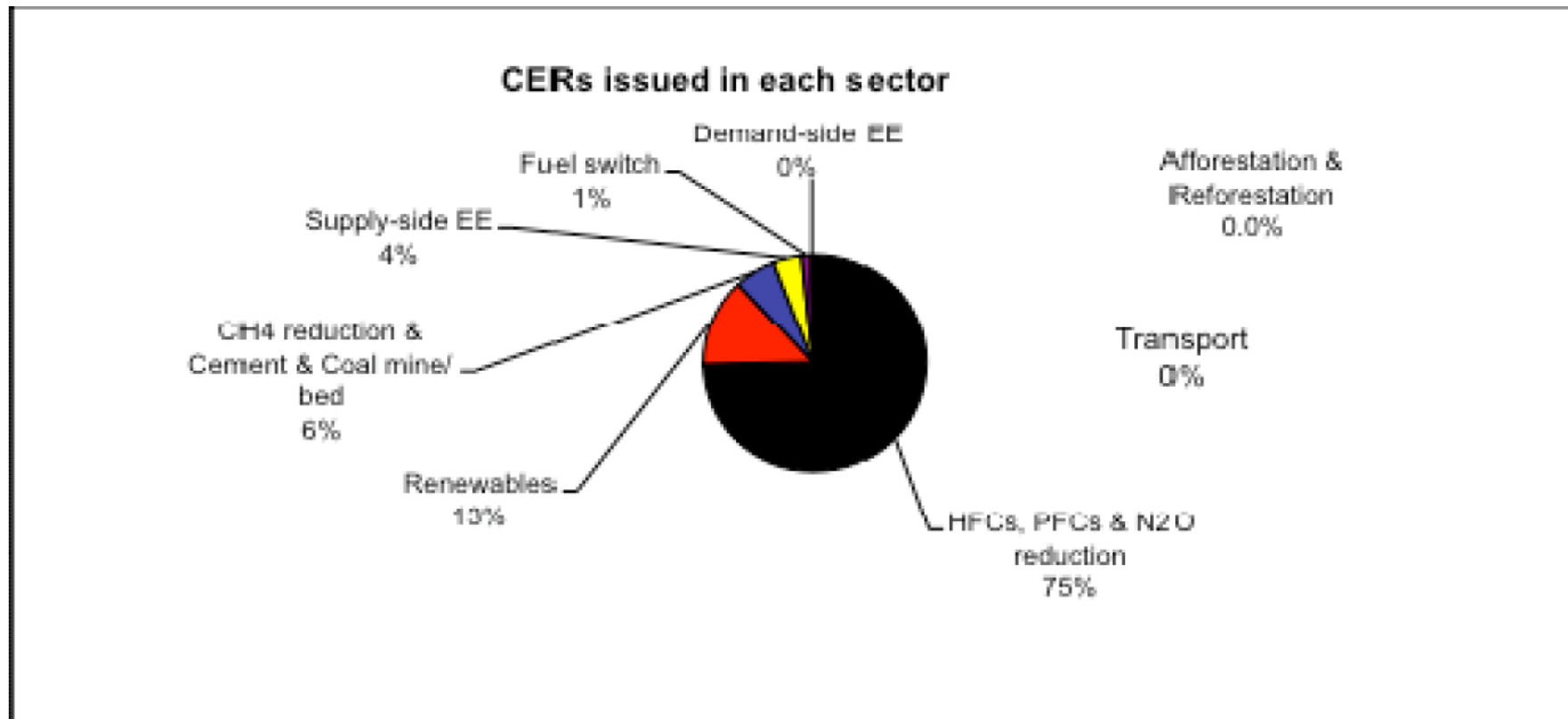
# Projects in the pipeline



*Total amount of projects in the pipeline: 5122*

*Source: UNEP/RISO (May 2010)*

# CERs issued



*Total amount of CERs issued 407,036*

*Source: UNEP/RISO (May 2010)*

# Article 12 of the Kyoto Protocol

---



Annex I (industrialised) countries that have ratified the Kyoto Protocol can invest in projects that both reduce GHGs and contribute to sustainable development in non-Annex I countries.

Article 12 of the Kyoto Protocol sets out two goals for the CDM:

- assist Annex I countries attain their emission reduction commitments
- To assist developing countries in achieving sustainable development

# Role of host country

---



- Whether a CDM project assists in achieving sustainable development is assessed by the host country governments.
- It can not be observed that host countries prioritise projects with high sustainable development impacts by rejecting projects which have little or no sustainable development impact (Schneider, 2007)







- The CDM project portfolio is mainly determined by the economic attractiveness and risk of the mitigation options.
- Under the current CDM, a monetary value is only given for GHG emission reductions, and not for the contribution of CDM projects to sustainable development



# Gold Standard

- Premium markets, in particular the Gold Standard (GS), could help in giving a value to the objective of the CDM to assist in achieving sustainable development
- The Gold Standard generates high quality carbon credits for the voluntary market. International non-profit organization based in Switzerland.
- More than 60 NGOs worldwide are committed to the Gold Standard mission of driving premium offset quality and sustainable development in carbon markets.



# GS 'Do-no-harm' check



Asses the risk that the CDM project could have harmful impacts. The safeguarding principles of the UNDP are leading. These principles are derived from the Millennium Development Goals (MDG), eight goals that 189 United Nations member states have pledged to achieve by the year 2015.

- 1) Human rights
- 2) Labor standards
- 3) Environmental Protection
- 4) Anti-corruption



# GS Sustainable development matrix



The Gold Standard requires CDM projects to report on their contribution to sustainable development in the Sustainability Monitoring Plan

Project developers should score their project on the following indicators of sustainable development:

- Air quality
- Water quality and quantity
- Soil condition
- Other pollutants
- Biodiversity
- Quality of employment
- Livelihood of the poor
- Access to affordable and clean energy services
- Human and institutional capacity
- Quantitative employment and income generation
- Balance of payments and investment
- Technology transfer and technological self-reliance

## Scoring

Positive = +

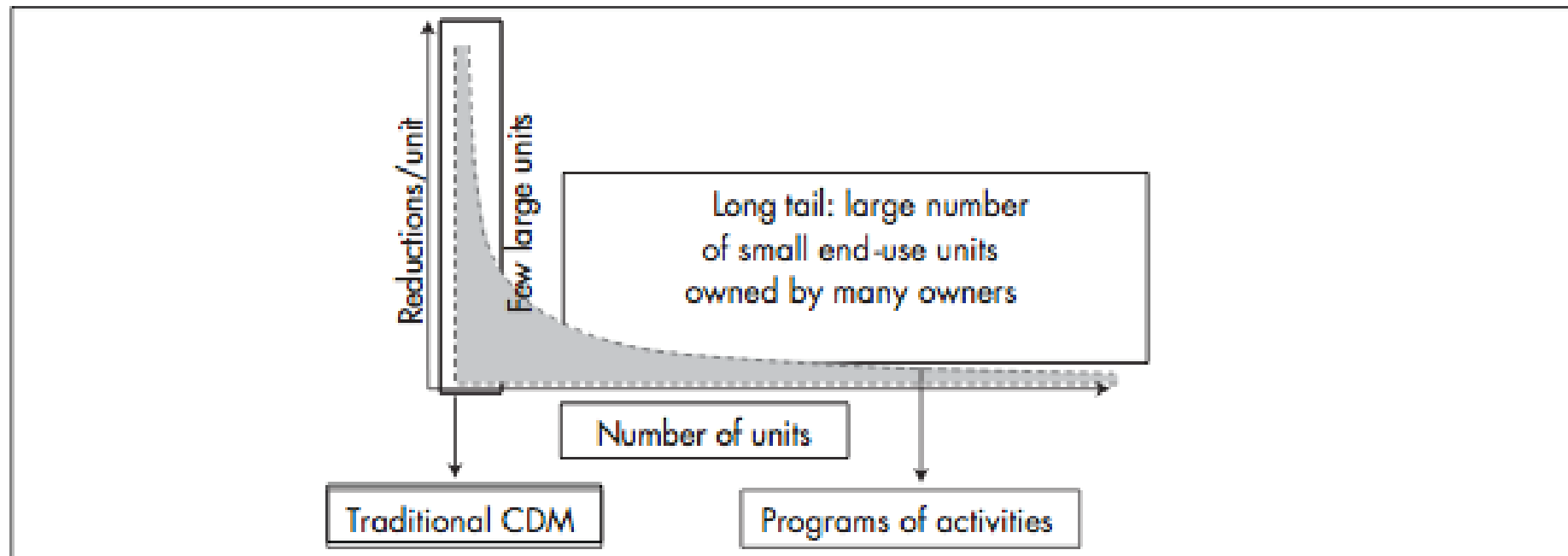
Neutral = 0

Negative = -

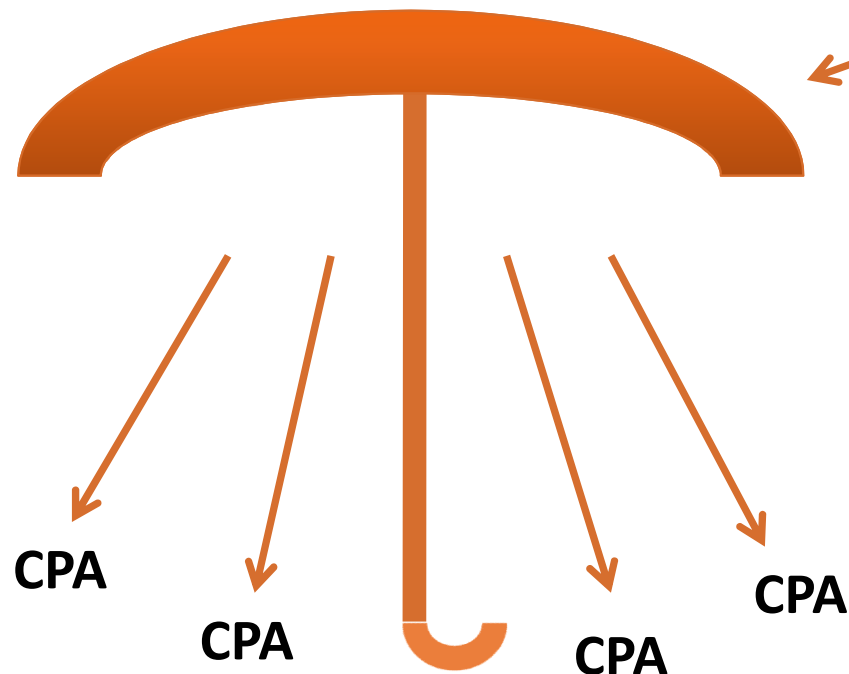
# Move towards sustainable development



## The long tail of emission reductions



# Programme of Activities: the concept



**PoA - Programme of Activities:**  
implements any policy, measure  
or stated goal . PoA is registered  
at the UNFCCC.

**... CPA – CDM Project  
Activity:** Operational level.  
CPAs can be included without  
involvement of UNFCCC.



# Distribution of efficient cook stoves



Households can buy a stove at a discount. The stove uses less wood to prepare a meal. This saving can be converted to CO<sub>2</sub>-saving (=carbon credit). The revenue from the sale of CO<sub>2</sub> is used to sell the stove at a discount to the households.



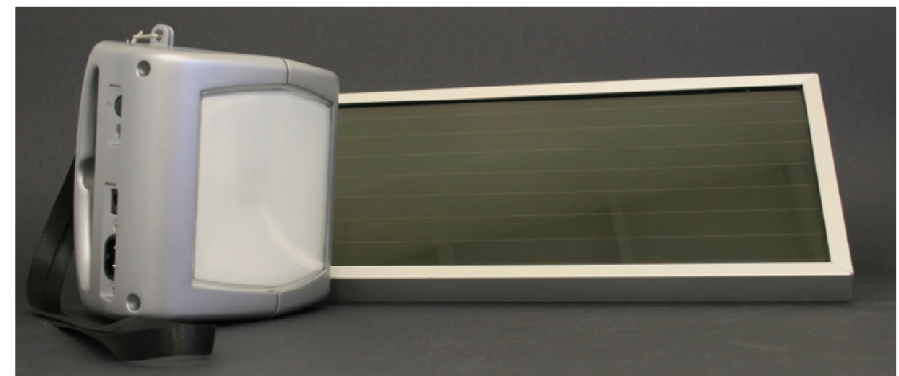
# Off grid lighting



Free, or at low costs  
distribution of solar  
lanterns.

The solar lighting systems  
consist of one LED (Light  
Emitting Diode) lamp with a  
rechargeable battery and  
one photovoltaic module.

The revenue from the sale  
of CO<sub>2</sub> is used to distribute  
the solar systems at a  
discount





# Luz Verde (green light)



First registered Programme of Activities (PoA)

Total PoA will give away free of charge 30 million energy saving lights (CFLs) to low and middle income households across Mexico starting in the city of Puebla.

First million lamps have been distributed





## → barriers contribution to sustainable development

- Underlying processes are highly complex and require skilled personnel.
- Monitoring requirements in particular can be very elaborate, this is a significant challenge to project management.
- The initial project planning phases are time-consuming and costly.
- The crediting period and issuance of the first CERS, do not begins until about two years (or later) after the onset of a project. The bulk of transaction costs arises during this two-year initial planning phase. A lack of preliminary financing can be a considerable barrier.

# Contact information

**Edwin Dalenoord**

+31 6 4136 9790

e.dalenoord@do-inc.net

