

# Carbon Markets for the Poor: A Contradiction in Terms?

Public Debate and Panel Discussion

UEA London Study Centre, 15 November 2011

## Why this debate? Why now?

**Key moment** to reflect on role of carbon markets in tackling climate change and contributing to poverty alleviation:

- **Post-2012 uncertainty:** end of first Kyoto Protocol commitment period
- Criticism over failure to deliver **SD benefits**
- Facing issues of **credibility** (additionality, VAT and other carbon market scams) and **capacity** (pre-2012 rush, 'risk-based approach' to registrations)
- The CDM EB is engaged in its own **policy dialogue**
- **EU policy** on sourcing credits from LDCs from 2013 make issues more acute

UEA University of East Anglia

US University of Sussex

### Carbon Markets for the Poor: A Contradiction in Terms?

A Panel Discussion and Public Debate

Tuesday 15th November 2011, 7 - 9pm

UEA London Study Centre, 102 Middlesex Street, London E1 7EZ

Ahead of the climate summit in Durban in November, questions are being asked about whether the commitment to carbon markets as a central response to climate change is the right approach. Amid evidence of double-counting of emissions reductions and a failure to deliver sustainable development benefits in developing countries, is the Kyoto Protocol's Clean Development Mechanism (CDM) worth saving?



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Carbon Markets for the Poor: A Contradiction in Terms?

Debate

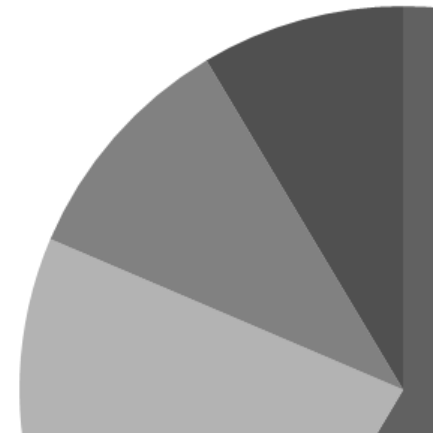
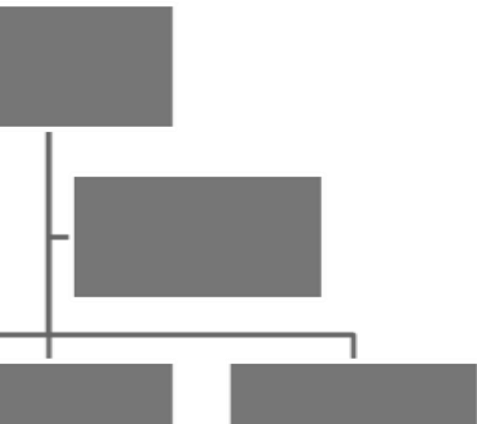
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## The importance of governance

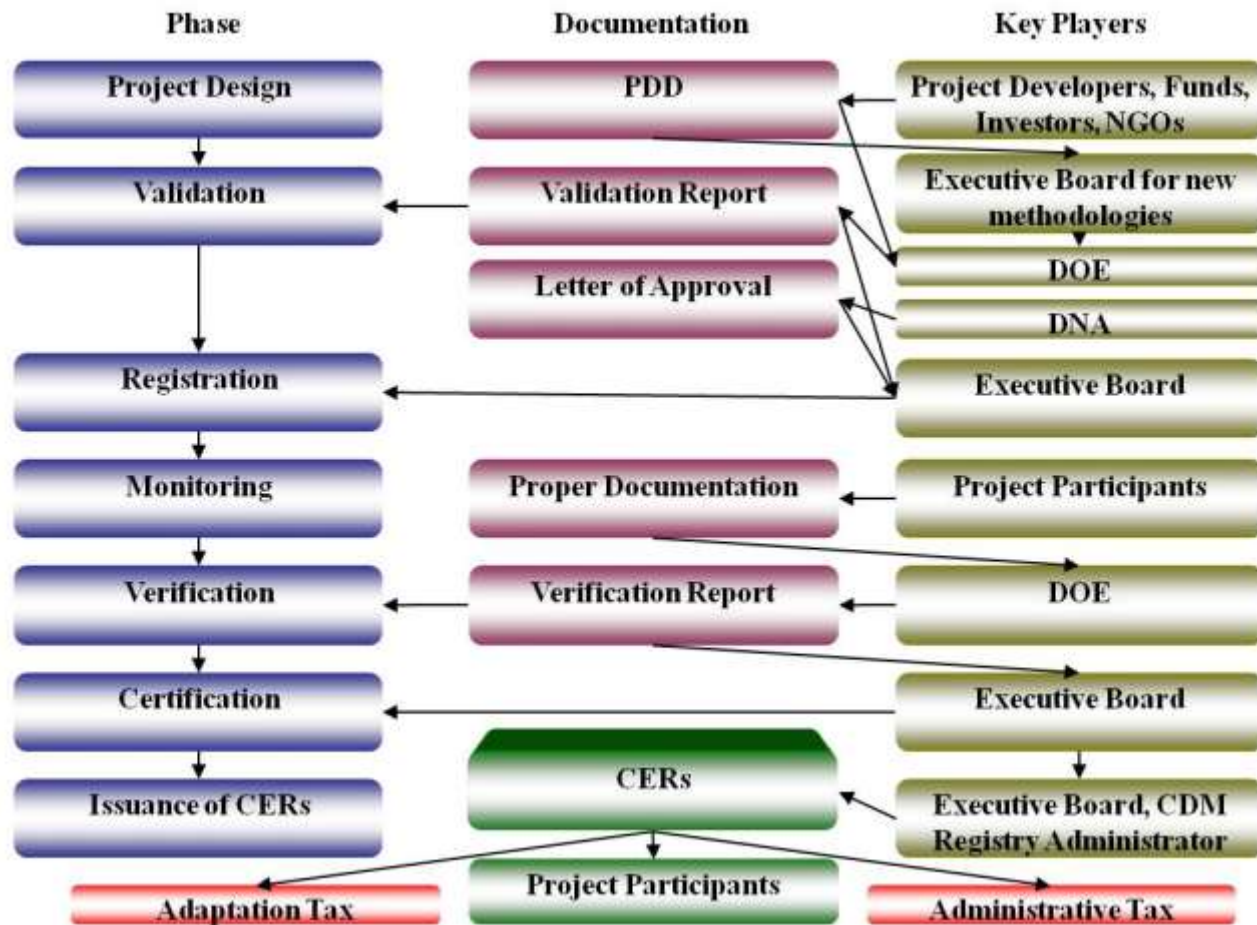
Whether the CDM can *simultaneously* address these challenges is a question of managing **competing pressures** & **trade-offs**. It forces us to address issues of:

**Process:** who sets priorities, who makes decisions, who participates & on whose behalf

**Distribution:** who wins, who loses and how



## Governance in the CDM



## The Big Question

Which features of the **actors**, **institutions** and policy-making **processes** involved in the **governance of clean development** are resulting in effective outcomes in terms of **climate action** and **developmental benefits**, which are not and why?

...and **what can be done** about it?



**WORLD BANK**



**United Nations**  
Framework Convention on  
Climate Change



renewable  
energy  
& energy  
efficiency  
partnership



**IRENA**  
International Renewable Energy Agency

## The Nature of the Research



3 year research project (2008-2011)

**An ESRC Climate Change Leadership Fellowship**

The team: Peter, Jon & Lucy

Around 130 interviews with key actors in government, International Organisations, DOEs, DNAs & project developers in **Argentina, India & South Africa**

Involved **training**, policy **engagement** & **dissemination** activities (including UNDP, Finnish government, Transparency International, UK Parliament, Commonwealth Parliamentary Association)



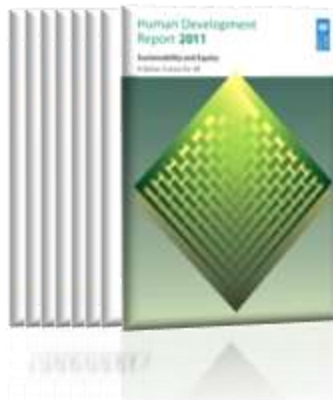
## Outputs so far

3 Books

8 Articles

4 Policy Briefings

17 Working papers



...and numerous **workshops** & **training** events

# Key Conclusions



# Good Governance and Beyond

We need **stronger and more effective forms of governance** from the **local to the international level**, if the CDM is to deliver on its twin mandate.

- Strong, independent and **credible institutions** are required to:
  - › ***address collusion***
  - › to properly ***assess project applications***
  - › to ensure social and development benefits are forthcoming
  - › that the intended ***beneficiaries*** of these are ***involved in decision-making*** themselves.



## The Good Governance of Carbon Markets

- Open up the close knit circle between project developers, governments & DOEs (*revolving door*)
- Few DNAs operate in a transparent and predictable way. Many stand accused of **collusion** with project developers and their own accountability and **redress mechanisms** are often weak or non-existent.
- These **challenges** may be **heightened** in poorer countries where governance challenges are even more pronounced.



## Don't forget the Local

- Governance challenges at the **local level have been almost entirely neglected**. Yet local consultations and policy-processes provide the most common means for poorer groups to engage with the CDM.
- Many **shortcomings** in this process need urgent attention.
- Lack of transparency and **monitoring** can also be to the detriment of project developers
- Many **local institutions** (such as Panchayats in India) exist that **could be used more effectively** to identify and screen projects for social benefits and impacts.



## Power Tools



- There are **governance tools** that governments can use to maximise the benefits they and their citizens receive from the CDM.
- However, often **only more powerful governments** can make use of the full range of them (extensive sustainability criteria in Brazil; differential taxes in China)
- **What will less developed countries do** that are now the target for many future CDM projects? Will development benefits flow by virtue of being poorer countries? Unlikely to be automatic.
- Need for a **proactive process** for establishing overall sectoral and financing priorities for the country around energy, transport, agriculture and other sectors. This could form the basis of a **national strategy** aimed at enabling forms of investment identified as positive, progressive and beneficial.

## Politics, not just Governance

The CDM is currently **neither large enough nor profitable enough** to change the commercial or political strategic calculus of large corporations.

Most companies refer to it as little more than **'the icing on the cake'**.

Getting clean development from **periphery to mainstream** requires a different types of politics: coalitions of the **willing** and **winning** from low carbon development



## Dealing with Blind Spots

The use of CDM finance as a useful extra revenue stream for large fossil fuels corporations is **undermining its credibility** by prolonging the life of the very industries that most need to transition to a lower carbon economy.

The CDM's role will remain minimal unless and until the **day to day flows of finance** in the energy sector are subject to much stronger forms of governance and regulation aimed at steering them into forms of low carbon development.



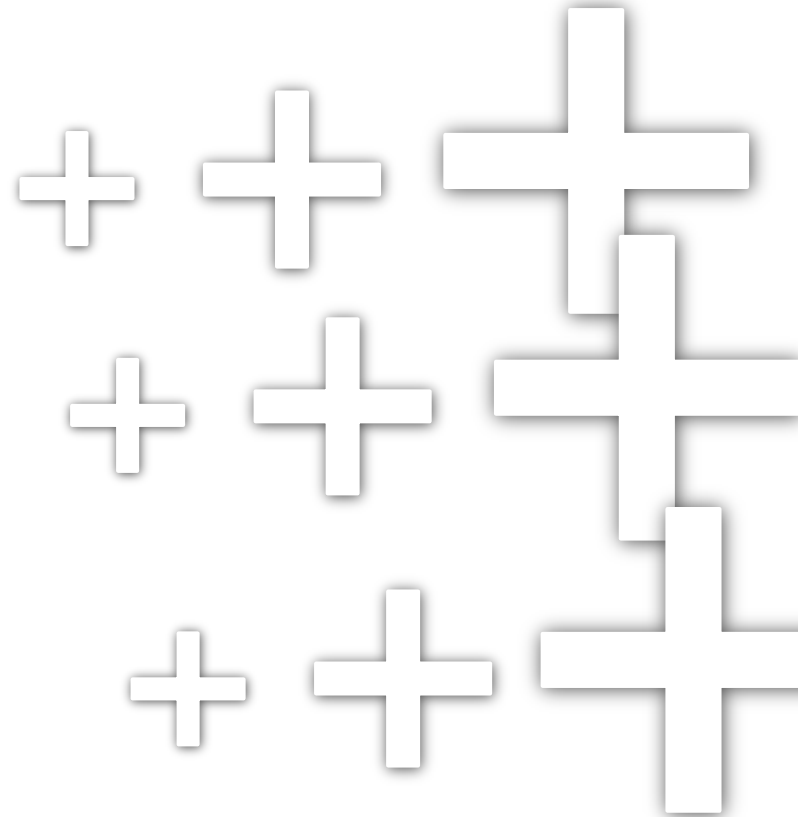
## The Carlsberg Effect

- The greatest potential of the CDM lies in reaching sectors, regions and people in the world that are **unlikely to otherwise benefit from carbon finance**.
- Since World Bank and UNFCCC climate finance is increasingly available for larger infrastructural projects and upgrades, can CDM finance **maximise sustainable development benefits in the poorest countries and for the poorest people?**
- There is a key role for donors to coordinate their efforts more effectively in this respect



## Steering, aligning and adding value

- **As a driver of change, the CDM alone has minimal power.** The question is how can its value be enhanced by other policies and interventions?
- CDM projects and finance have to be **aligned with other funding streams and policy initiatives** in order to make a difference.
- Governments need to be creative in forging such connections and being clear about **what, when and how** the CDM can achieve (and what it cannot).





## These Challenges won't go away...



...Indeed, if anything they will be **intensified** if **programmatic** CDM and proposals for **sectoral** CDM develop further & as parties **turn towards LDCs** for future credits & to risk-based approaches to clear the backlog.



Governance reform is not a nice to have....

...It is a **pre-requisite** to carbon markets making an effective contribution to tackling climate change **and** promoting sustainable development



...the mandate they were given nearly 15 years ago by climate change negotiators

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or visit the project website:

[www.clean-development.com](http://www.clean-development.com)

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