



## **Governance – The Missing Link in the Clean Development Debate**

The question of reform and future design of the Clean Development Mechanism (CDM) features highly on the agenda for Copenhagen. But the CDM, whether project based, programmatic or sectoral, is just one small part of a much bigger challenge of delivering clean development and affordable energy. Given the scale of resources required to bring about a transition to a low-carbon economy, ***the question of governance for clean development is critical to ensuring that it benefits the poor and delivers deep cuts in greenhouse gas emissions.***

Issues of coordination, coherence and accountability, institutional mandate and design, the nature of decision-making processes and the role of actors such as governments, multilateral development banks and international institutions are central to making clean development work. ***Getting the political infrastructure for clean development right is vital*** to the success of the CDM, the World Bank managed Climate Investment Funds, the Asia-Pacific Partnership on Clean Development and Climate and the many other initiatives on clean development and clean energy.

Work by a group of researchers at the University of East Anglia on ***The Governance of Clean Development*** ([www.clean-development.com](http://www.clean-development.com)) highlights the following issues that need greater attention:

1. **Designing coherent national strategies for providing clean energy.** Too often CDM projects or other forms of finance for clean development are seen as marginal to or an appendage to business-as-usual in the energy, industry, transport and agriculture sectors. The twin goals of tackling climate change and energy poverty need to be mainstreamed into all areas of policy. Creating a national energy and development strategy that squarely addresses these issues would help to address this.
2. **Being Proactive.** There is a real danger in the current debate that the needs of poorer groups get left out as clean development funds go to those areas of the world that already attract high levels of investment or to those projects and sectors where there is most 'low-hanging fruit'. As well as leading to uneven development, this often explains the lack of clear sustainable development benefits associated with many CDM projects. We cannot afford for the clean development agenda to be donor rather than demand-driven. It is essential to build national energy and development strategies that

proactively identify areas where investment and support is most needed. This would provide a basis for establishing which reforms are most appropriately funded through the CDM, which through other donor streams and which through private investment.

3. **Building Capacity.** Many governments, by their own admission, either: (i) cannot handle the requests they receive for approval of potential CDM projects (ii) do not have the capacity to attract projects and investments that would serve their broader energy and development strategies (iii) and/or cannot adequately monitor the quality and benefits of projects and investments they host. There is an important need to build state capacity at national and local levels to attract, process and effectively manage investments in clean development.
4. **Improved coordination between the many actors in this area to avoid duplication of effort and waste of valuable resources.** The profile of climate change means that numerous actors are competing to attract resources and serve as leaders in this area. But we lack a rational division of labour among organisations which allows them to focus on what they do best. New mechanisms of coordination among donors are urgently required to allocate responsibilities by region, sector, scale and the intended beneficiaries of investments.
5. **Improved policy coherence.** Multilateral and regional development banks continue to use the majority of the funds at their disposal to support large-scale fossil fuel development in countries that urgently need help in moving towards lower-carbon pathways. Locking in fossil fuel dependent growth trajectories in countries that will one day have to reduce their own emissions is counter-productive. Governments' use of tax-payers to support fossil fuel projects is also increasingly resisted by electorates being asked to substantially cut their own greenhouse gas emissions. Phasing out support for fossil fuel infrastructures will not be easy and will not happen immediately, but it needs to happen soon.
6. **Promoting change means demonstrating leadership.** Moving towards clean energy transitions in North America, Europe and East Asia is vital to demonstrating their viability and desirability. Yet many countries continue to invest and re-invest in fossil fuel developments, not only accelerating climate change, but seriously undermining the credibility of calls for clean development in other parts of the world. Leadership must start at home.

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