



International
Institute for
Sustainable
Development

Institut
international du
développement
durable

Better living for all — *sustainably*

Realizing the Development Dividend:

Making the CDM Work for Developing Countries

Deborah Murphy
Climate Change & Energy, IISD

The Development Dividend Project

- Phase I: analytical report
- Survey of 50 stakeholders, lit review
 - NGOs, donors, private sector, governments
 - Developing and developed countries
- Supported by: Norway, Denmark, Canada, IDRC.

Objectives of the CDM

To assist Parties not included in Annex I in achieving sustainable development and in contributing to the ultimate objective of the Convention.

To assist Parties included in Annex I in achieving compliance with their quantified emission limitation and reduction commitments.

What is the Development Dividend?

- All the non-climate-related SD benefits (co-benefits) that might result from a CDM project, whether from investment, tech transfer, new production processes, or new products:
 - Environmental benefits (e.g., better air quality)
 - Economic benefits (e.g., increased employment)
 - Social benefits (e.g., better quality of life via energy)
- To be sustainable development, need some element of all three types of benefits.
- The Development Dividend Project aims to help the CDM better deliver these benefits.

The Analysis: Three Questions

1. Is the CDM shaping up to deliver enough sustainable development benefits?
2. Is the CDM shaping up to deliver enough projects/investment?
3. Is the CDM delivering investment equitably, reaching least developed countries?

1. The Quality Question

CDM Project Type	Number		CERs/yr (000)		Accumul. 2012 CERs (000)	
Renewables	261	57%	15185	19%	123795	21%
EE	57	13%	2675	3%	22066	4%
Fuel switch	18	4%	1007	1%	9236	2%
CH4 reduction	94	21%	14142	17%	110968	19%
HFC & N2O reduction	8	2%	43393	53%	285820	48%
Other	18	4%	5214	6%	39780	7%

2. The Quantity Question

- 455 projects registered and in progress; 118 MtCO₂e /yr.
- Estimated demand: 217 – 640 MtCO₂e/yr in 2010.
- To meet that demand, with current average project size, need 840 – 2,475 projects in 1st commitment period.

3. The Equity Question

Region/Country for CDM Projects	Registered and in Progress	
	Number	%
Latin America	192	42.2%
Brazil	91	20.0%
Mexico	22	4.8%
Chile	17	3.7%
Honduras	14	3.1%
Argentina	8	1.8%
Ecuador	8	1.8%
Other L. America (11)	32	7.0%
Europe (FSU)	6	1.3 %
Armenia	2	0.4%
Moldova	4	0.9%
North Africa & Middle-East	4	0.9%
Israel	1	0.2%
Morocco	3	0.7%

Region/Country for CDM Projects	Registered and in Progress	
	Number	%
Asia & Pacific DC	245	53.8%
India	173	38.0%
Philippines	20	4.4%
China	16	3.5%
Thailand	7	1.5%
Malaysia	6	1.3%
South Korea	6	1.3%
Other Asia & Pacific (9)	17	3.7%
Sub-Sahara Africa	8	1.8%
South Africa	6	1.3%
Nigeria	1	0.2%
Uganda	1	0.2%
World	455	100%

Policy Options

- 1. EB/Project Cycle** – EB as professional body; more resources for EB, Meth Panel; focus on environmental additionality; assume additionality for small-scale projects
- 2. Changing Rules** – policy-based CDM, sectoral CDM, explore expansion of sinks projects.

Policy Options

3. **Engaging ODA, FIs** – increase support for existing efforts such as CDCF, explore role for ODA in high SD cases, expand awareness of CDM, ECAs to develop support for CDM
4. **CDM Post-2012** - Give some assurance that carbon will have value after 2012. Specifics are obviously impossible, but a modicum of predictability is not.

Policy Options

- 5. Defining SD** - IFIs, donors, NGOs, others should continue helping host countries define SD; Draft principles and guidelines for SD at international level, to be elaborated more specifically at national level.

Situating the Policy Recommendations

- Those that can be done now, outside of negotiations (the majority).
- Those that can be done within the first commitment period.
- Those that can be done only post-2012.

The Development Dividend Project - Phase II

- Development of Task Force of Experts - to consider theme, draft papers, help influence policy process, advance debate.
- Development of three analytical papers – to delve further into three issues identified in Phase I.
- Supported by Norway, Denmark, Canada, UNDP, IDRC.

Development Dividend Task Force

- 30 members from government, multilateral institutions, business/industry and research institutes. Aims to:
 - identify and assess approaches and strategies for the CDM to support the provision of the Development Dividend.
 - present findings to negotiators, CDM EB and key stakeholders.
 - provide a solid foundation for shaping the evolution of the CDM.

Development Dividend Task Force

- **First Meeting: Ottawa, June 2005**
 - Outcome: identification of three areas for further research and development of analytical papers
- **Second Meeting: Montreal, December 2005**
- **Third Meeting: March 2006**
- **Fourth Meeting: prior to COP/MOP-2**

Phase II Research Papers

- 3 outlines completed and Southern research partners identified by December 2005.
- Draft versions for Task Force review by March 2006.
- Final versions released prior to COP/MOP-2 where rule changes for CDM will be considered.

1. Defining the Development Dividend

- Will clearly articulate what is meant by “Development Dividend” and propose a framework for assessing its strength in specific CDM projects.

2. Changing the Rules for a Development Dividend

- Will explore in depth some of the CDM rule changes suggested in the Phase I report, including sectoral and policy-based CDM, special treatment for small-scale projects, product-based crediting and an expanded role for sinks.

3. Financing the Development Dividend

- Will explore the ways in which we might increase the available financing for CDM projects that yield Development Dividend. It will assess the state of the problem, survey existing approaches and evaluate recommendations.



International
Institute for
Sustainable
Development

Institut
international du
développement
durable

Better living for all — *sustainably*

The Development Dividend

More information available at:

www.iisd.org/climate/global/dividend.asp

Contact: Deborah Murphy

dmurphy@iisd.ca

+1-613-567-3150