



CDM site in South Africa. Photo courtesy of UNEP Risoe Centre

Powering up the Clean Development Mechanism (CDM) in Africa, the Caribbean, and the Pacific on Carbon Finance and Energy

World events in 2008 and 2009 have substantially altered the global financial landscape. Consequences for energy and carbon finance remain unclear. While markets, including the carbon market, slowly reshape themselves, the science of climate change continually improves, and governments continue to move towards a new agreement to replace the Kyoto Protocol.

The carbon market contributed greatly in mitigating climate change in developing countries. The CDM created as part of the Kyoto protocol has been extremely successful in terms of the generation of project activities. These results constitute the success of the CDM, which is considered to be one of the most innovative elements of the Kyoto Protocol. The CDM Pipeline now contains 5443 CDM projects.

The current status of the global carbon market is characterized by an increase in the number of emissions reduction procurement programmes which has resulted in high demand for CDM projects and specifically well-designed projects able to pass the regulatory procedures of CDM, as well as in the need to secure the necessary underlying financing. Another feature of the global carbon market is found in the global distribution of CDM projects. One of the key challenges facing developing countries interested in participating in the global carbon market is lack of capacities (institutional, human and financial). Modalities and procedures continue to be complex and not easily comprehensible.

Expanding access to the carbon market

Since 2002, UNEP and UNEP Risoe Centre have been instrumental in assisting new actors into the growing carbon market. The Capacity Development for the Clean Development Mechanism project (CD4CDM) was launched in mid-2002, when CDM implementation was surrounded by uncertainty due to lack of ratification of the Kyoto Protocol, CDM rules and procedures and administrative process, under the Marrakech Accords, continuously evolving until finally formally adopted by the first meeting of the parties – MOP1 in 2005.

At the same time, apart from people already involved in the process of CDM implementation nationally, main local stakeholders expected to play roles in the CDM, had not adequate or none knowledge about the CDM and its benefits (or not) for host countries. In fact, CDM was a new concept that would shape, in the short term, a new market, with new rules, agents, costs, risks, regulation, services, etc. commercializing a new environmental commodity: the Certified Emission Reductions (CERs).

During the past 8 years, UNEP and the UNEP Risoe Centre (URC) have been actively supporting a large number of developing countries in the area of CDM by implementing a program for CDM capacity development. The programme aimed at assisting the developing countries in fully benefiting from the new market-based-flexible-mechanism. The UNEP Risoe Centre has been successfully providing CDM technical assistance to a range of developing countries in Latin

America, sub-Saharan Africa, North Africa and South Asia. Currently the UNEP Risoe Centre is in charge of implementing a CDM capacity building component under a capacity enhancement programme for implementation of Multilateral Environment Agreements (MEAs) in African, Caribbean and Pacific (ACP) countries. This multiple stakeholder programme is a partnership between the European Union, the ACP Secretariat and the UN Environment Programme (UNEP) and is funded through the Ninth European Development Fund and coordinated by UNEP.

The ACP MEAs/CDM implemented by UNEP Risoe Centre is being undertaken in 7 African countries, 3 pilot countries in the Caribbean plus a regional programme and 2 countries in the Pacific plus a regional programme.

Removing the barriers

The Project is designed to remove or minimize some of the barriers facing ACP countries with respect to participation in the CDM market. In many ACP countries, potential CDM projects are typically small. Investors are hesitant to purchase from what they deem to be risky projects, often claiming that the quantity of CERs on offer is too limited to counter the perceived risks. Some capacity building initiatives have encouraged participation by smaller project developers. These projects could be important for community development, but are generally not attractive to investors. Even when these capacity building initiatives have been successful and resulted in CDM-ready projects, project developers have often faced a limited, even non-existent, market for their potential CERs. Studies indicate that multilateral finance predominates in ACP countries, and trying to establish carbon investment projects relying on private finance are exceptionally difficult. The ACP regions have a low savings rate and few indigenous financial institutions. This indicates the need for innovative financing arrangements and risk reduction schemes, such as investment guarantee facilities. ACP countries also need technical assistance to develop their CDM certification capability.

One size doesn't fit all

The CDM component of the MEA ACP project targets 12 countries and 3 regions (Angola, Burundi, Côte d'Ivoire, Malawi, Nigeria, Rwanda, and São Tomé and Príncipe in Africa; Belize, Cuba, and Trinidad and Tobago in the Caribbean; and Fiji and Vanuatu in the Pacific). The specific situation of CDM in the ACP countries varies from one country to the other. However, several commonalities exist especially in terms of the barriers facing CDM project development and access to finance by CDM project developers, but the countries also share that

the collective number of CDM projects stops at 41 projects.

At the same time, other countries have not received similar types of technical assistance and capacity-building for CDM; the project will be the first such assistance they receive. In general, in all target countries there is a need to work closely with local financial institutions in terms of CDM capacity-building with the objective of engaging this sector in CDM and hence contribute to access funding.

A number of the targeted ACP countries have previously received some type of CDM technical assistance through programmes from development agencies such as UNDP and the World Bank. However, capacities can further be reinforced in these countries by supplementing existing national capacity.

In 2012 (end of the project), host countries will be better equipped to identify, design, approve, finance, implement and monitor CDM projects that both address their sustainable development priorities as well as offer a cost-effective option for carbon credit buyers to comply with their obligations under the Kyoto Protocol. Special emphasis on the development of a national CDM portfolio of projects for each participating country remains of high importance. In all country/regional, activities are led by a national partner/project implementation team while receiving direct technical and institutional backstopping from URC and relevant regional technical centres of excellence.

Knowledge Management tools

Streamlining access to the carbon market is a URC priority, through data gathering and analysis and web-based tool such as www.cdmpipeline.org. The CDM component of the MEA ACP supports this policy of knowledge dissemination and the project is being implemented, new web-based tools are developed (multilingual knowledge Management Platform; CDM methodology selection tool and an overview of CDM technologies). *Ms Miriam Hinostroza, Coordinator, UNEP Risoe centre*



Wind turbine in Fiji. Photo courtesy of UNEP Risoe Centre

African Hub (AUC)

As a follow up to the support given to African negotiators on climate change to develop a common position in March 2010, the AUC is providing additional financial support to African scientists to provide technical and scientific back up to African negotiators for COP 16. Furthermore, the AUC is supporting the development and updating of bio-safety laws for Malawi. The Africa Hub is also developing policy briefs to sensitise decision makers on the importance of good environmental management. In this connection a policy brief on the importance of involving women in environmental planning is being disseminated at an AU Gender meeting in September 2010. For further information please contact the African Hub coordinators Ms. Fatoumata Ndoeye (NDOYEF@africa-union.org, fnjallow@yahoo.com) and Mr. Livingstone Sindayigaya (sindayigaya@yahoo.com).

Caribbean Hub (CARICOM)

A Caribbean Hub regional climate change negotiators workshop originally planned for August 2010 was postponed for logistical reasons. The workshop, which is now scheduled to take place in October, will bring together senior climate change negotiators in the lead up to the UNFCCC COP-16 in Cancun. Another regional workshop on mainstreaming of MEAs is being planned for December. CARICOM is currently consolidating linkages with UNEP's Regional Office for Latin America and the Caribbean on a number of substantive activities, including legal advisory services and development of learning kits. For further information please contact the interim Caribbean Hub coordinator Ms. Anya Thomas (anya@caricom.org).

Pacific Hub (SPREP)

In August the Pacific Hub held a three-day preparatory meeting for the upcoming CBD COP-10 in Fiji. Participants discussed substantive issues on the COP-10 agenda, and participated in negotiation training sessions. In July, a national workshop on improved information management and utilization was conducted in Tonga to discuss information needs, incentives and processes for information sharing. A national pilot and training on MEA database and clearing house mechanism was conducted in August in Fiji. Activities on awareness raising and access to information and knowledge on MEAs will be implemented to promote awareness in the Pacific about biodiversity issues and the 2010 - Year of Biodiversity (CBD). For further information please contact the Pacific Hub coordinator Dr Jill Key (Jillk@sprep.org).

UNEP Risoe Centre

A first national workshop was held in Havana, Cuba on 27-29 April 2010 to present the current global state and trends of the CDM and developments in Cuba, and to familiarize participants with the requirements and procedures of CDM projects. Another similar first national workshop took place in Belize on 24-26 August 2010, hosted by the National Meteorological and Hydrological Service. Other national workshops are planned in Ivory Coast and Nigeria (September), in São Tome and Principe, Fiji, Vanuatu, Malawi and Rwanda (October). The UNEP Risoe Centre continues to develop a web-based multi-lingual Knowledge Management Platform to facilitate CDM experiences and knowledge sharing among ACP countries (www.acp-cd4cdm.org). A CDM methodology selection tool is also under development and work in progress can be seen at www.cdm-meth.org. For further information please contact Ms. Miriam Hinojosa (milh@risoe.dtu.dk).

SAICM Secretariat

The SAICM Quick Start Programme (QSP) eligibility criteria were revised by the QSP Executive Board at its 5th meeting held on 29-30 June 2010 in Geneva. Further flexibility will be applied to the current rules which permit a maximum of three QSP projects per country. Now countries can apply for additional projects. Priority, however, will be given to countries which have not previously benefited from QSP funding. The revised eligibility conditions were applied immediately, including to the 9th QSP application round closed on 27 August 2010. Applications of the 9th round will be reviewed and appraised by the QSP Trust Fund Implementation Committee at its 10th meeting to be held on 19-20 October 2010 in Rome. Under the current ACP MEAs initiative projects in Djibouti, Mauritius and selected Pacific islands are at the early stage of their implementation. The agreed CILSS and joint Burundi and Rwanda projects. The SAICM Secretariat and the Regional Hubs continue to share information about similar projects to ensure coordination and explore synergies. For further information please contact Ms. Tatiana Terekhova (Tatiana.Terekhova@unep.org).

FAO

FAO continues to support pesticide management, disposal and environmental remediation projects in Botswana, Cameroon, Eritrea and Mozambique and together with the African Union is supporting regional work in the CILSS countries. FAO is collaborating closely with UNEP and WHO to develop a programme for the next phase of the Africa Stockpiles Programme that will target up to 25 additional countries

in Africa. With FAO support the University of Cape Town has launched a postgraduate course on Pesticide Risk

Management aimed at government officials. Interest is high and the programme is expected to start early in 2011. In the Pacific regional activities to strengthen the pesticide legislative framework, and to promote Integrated Pesticides Management (IPM) are starting. In the Caribbean, a workshop was held in July 2010 in Suriname, training national teams from the Caribbean region on carrying out inventories of (obsolete) pesticides. These teams are now starting the work on pesticide inventories in their respective countries. For further information please contact Mr. Mark Davis (Mark.Davis@fao.org).



Soil remediation workshop for ASP participating countries in Mali, Feb. 2010.
Photo courtesy of FAO

UNCCD-GM

Technology transfer is seen as a crucial part of the south-south cooperation process. A pilot project launched in two local

communities in the south of Mauritania (Boutilimit and Mbalal) is contributing to climate change adaptation in drylands using technology that draws on local knowledge and offers a wide range of outputs with minimum input, and customized to local traditional diets. The action was accompanied by training, with a special focus on women, on plant growing and maintenance techniques. Promising results have been achieved and it is

hoped that national investors,

following the dissemination of the pilot project's results, will support the up-scaling of this initiative at the national level. Following the participative approach on the design and scope, ACP platforms are now being articulated around regional and interregional platforms with different functionalities. These platforms are progressively taking the shape of an SLM-finance networking tool to promote the participation of national actors in decision-making processes related to resource mobilization for SLM. The platforms also promote exchange of experiences on key UNCCD issues identified in the framework of south-south cooperation. For more information please contact Ms Ines Chaalala (i.chaalala@global-mechanism.org).

This newsletter is published quarterly and includes opinion pieces by the programme partners as well as an update of latest developments. For more information on ACP MEAs please contact:

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