



# Overcoming Barriers to Clean Development Mechanism Projects

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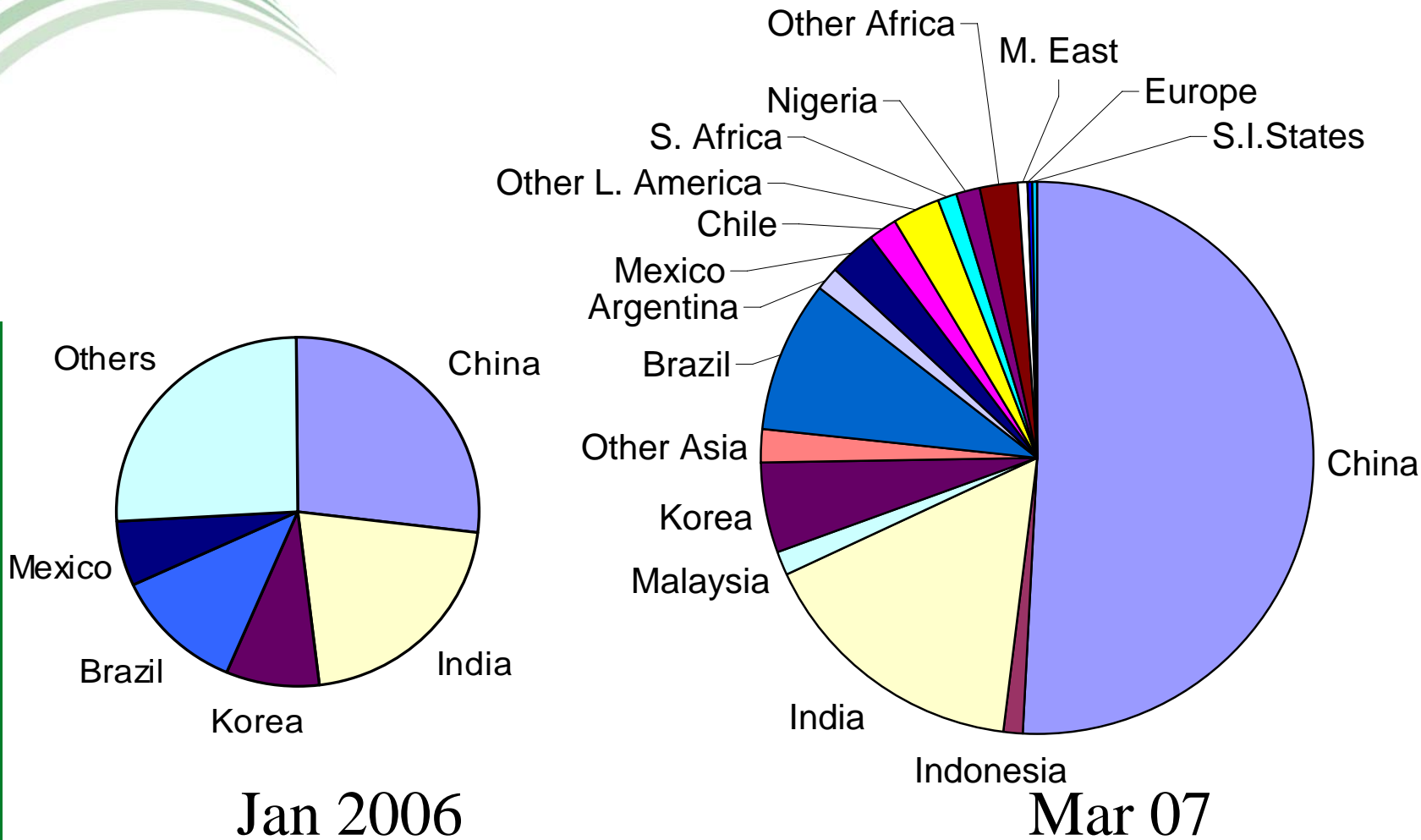
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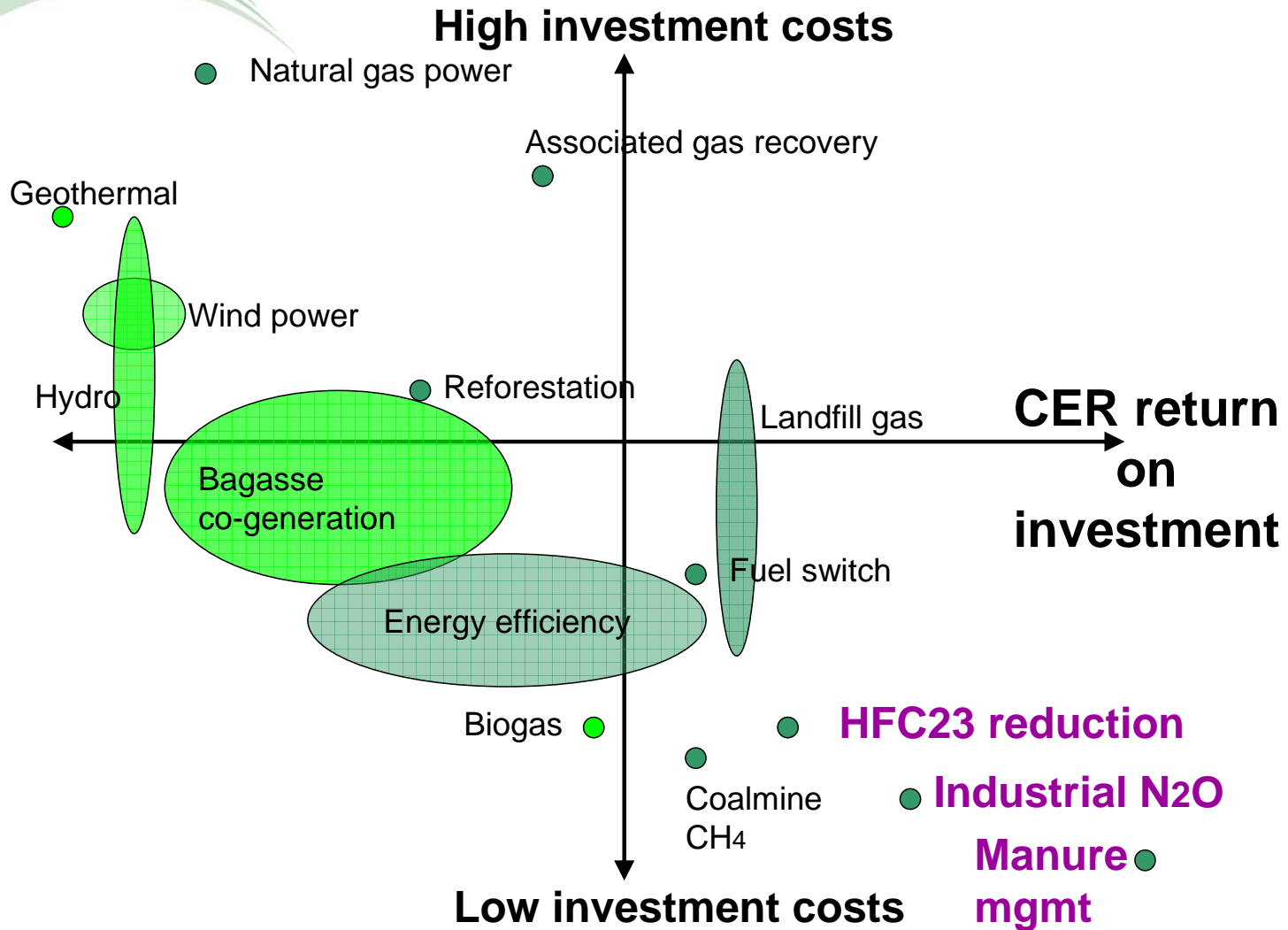
# Outline

- Current status - geographical distribution, mitigation costs
- Identifying and overcoming barriers to CDM:
  - ◆ National barriers: general institutional framework
  - ◆ National barriers: CDM-related
  - ◆ Donor countries/other international barriers
  - ◆ Project finance
- How can these barriers be overcome?
- Case studies in South Asia, Middle East, South & SS Africa.

# Current Status: The Regional Distribution Challenge



# Wide variations in CDM return on investment



# Key Findings: National-level Issues

- Enabling factors – **general policy framework**:
  - ◆ Stability/predictability of investment laws
  - ◆ Tax incentives, import tariff reductions for CDM technology
  - ◆ Reduced ownership restrictions on foreigners
  - ◆ General institutional framework/ governance
  - ◆ Undistorted energy pricing policies

# National issues (2)

- Enabling factors – CDM-specific framework/institutions:
  - ◆ Clear CDM policy framework
  - ◆ CDM awareness
    - (govt, industry, consultants, financial intermediaries)
  - ◆ CDM institutions and effectiveness

# International issues

- International decisions can also affect geographical distribution of CDM:
  - ◆ International decisions
    - e.g. on eligibility (A/R, new HFC23, CCS), temporary credits
  - ◆ Regional decisions e.g. EU ETS and LULUCF
  - ◆ Buyer criteria, e.g. minimum project size
- DOE capacity
- CDM process
  - Cost/time to develop methodology

# Conclusions (1)

- Equal regional distribution should not be expected from a market mechanism:
  - ◆ Host countries have different cost-effective CDM potential
  - ◆ Many national-level actions possible to increase attractiveness as a CDM “destination”
  - ◆ CDM institutions, investment climate ...
  - ◆ CDM ≠ FDI (unilateral projects important)
- International-level actions/decisions could also change regional distribution



# Conclusions (2)

- National-level measures:
  - ◆ Simple, timely & transparent CDM project approval process
  - ◆ Mainstreaming investment guarantee & insurance products into standard project structuring
  - ◆ Reduce participation/ownership restrictions on foreigners. Clear CER ownership laws
  - ◆ Build national capacities for CDM project identification, design, approval, financing & implementation to reduce transaction costs
  - ◆ Mainstream CDM into existing energy sector, reform technical assistance programs of international development agencies

# Conclusions (3)

- International-level measures:
  - ◆ Modify ER buyers' criteria to allow more projects into their pipeline
  - ◆ Large institutional ER buyers with development agendas should increase operations in less developed countries
  - ◆ Clarify post-2012 climate regime to allow for CDM projects with long lead-time in some countries
  - ◆ Expedite decisions on CCS
  - ◆ "Bundling" agents can help



# Thank You

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