

Session II: Sustainable development benefits of CDM projects

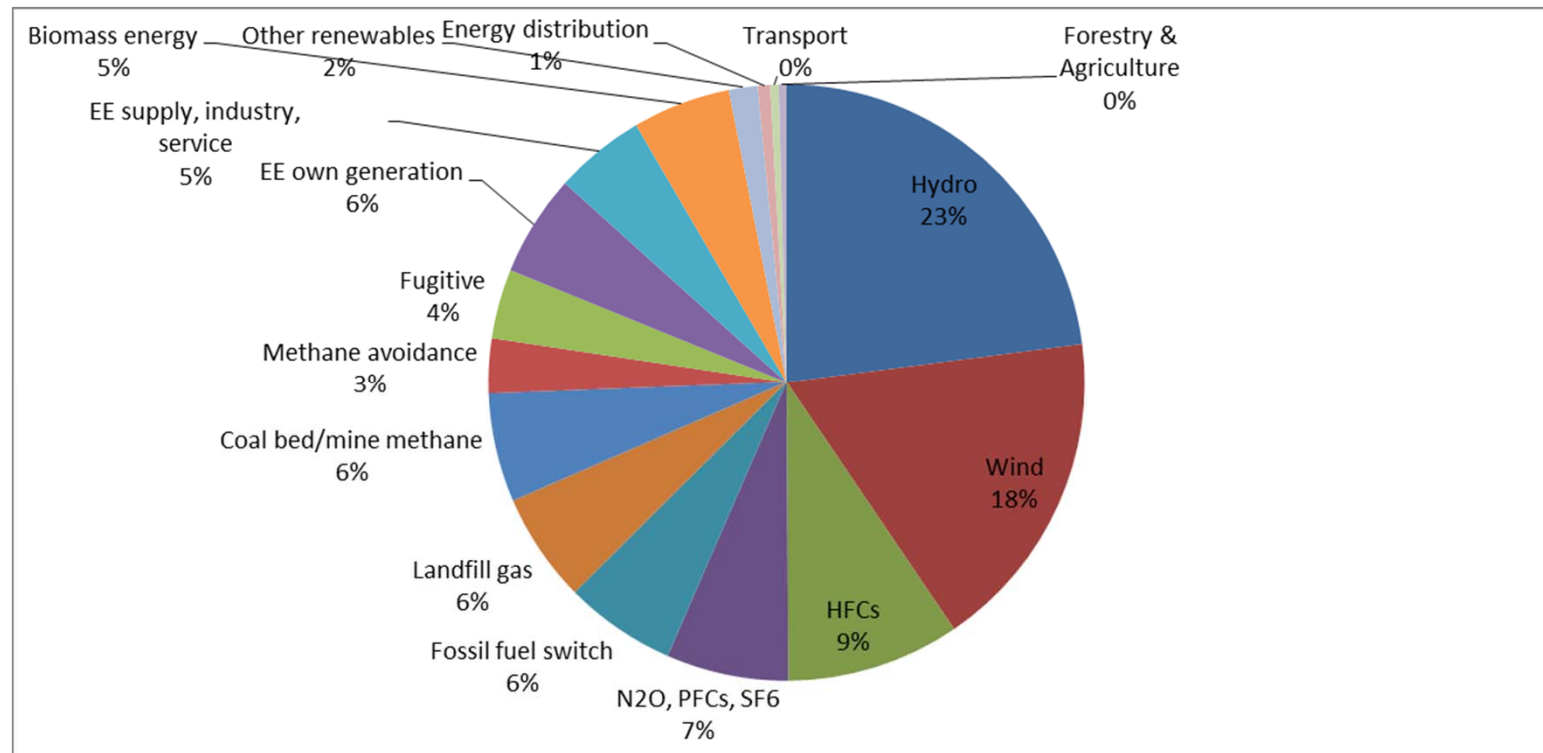
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Fourth CDM Roundtable, 8 June 2012

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How much sustainable development of projects by 2020?

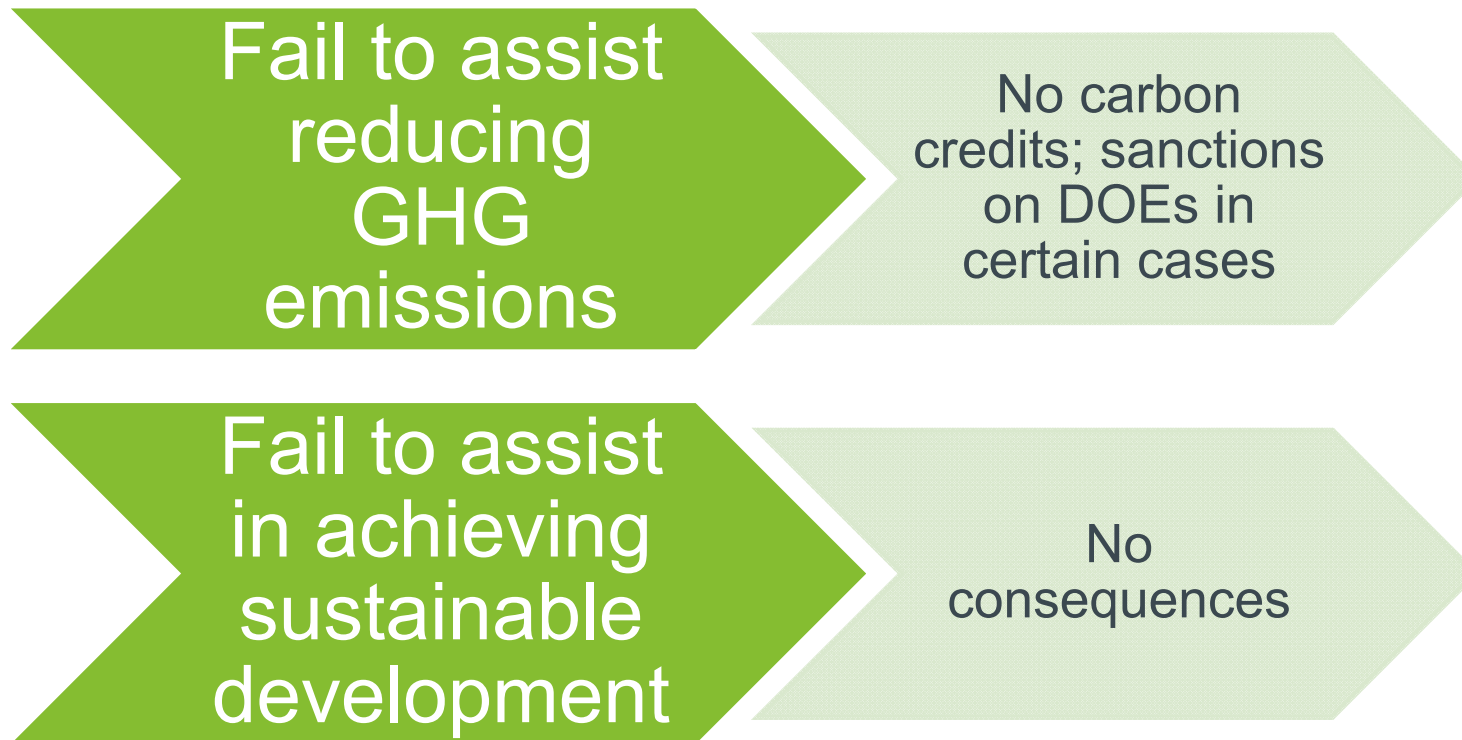
Estimate of CERs issued by 2020:



Article 12 (2) key mandates of the CDM:

- 1) Assist reducing GHG emissions, AND
 - 2) Assist in achieving sustainable development benefits
- **This suggests that project activities must deliver on both objectives in order to be eligible under the CDM.**

Emissions Reductions versus Sustainable Development



Sustainable Development – Crucial Questions:

Incentives: How can we direct investment to projects that have sustainable development benefits?



Sustainable Development – Crucial Questions:

Monitoring: How can we ensure that the claimed benefits are achieved?



Sustainable Development – Crucial Questions:

Safeguards: How can we ensure that the projects don't cause harm (e.g. uphold human rights) ?



Sustainable Development – The Challenge:

***Status quo:** Assessment of whether a CDM project contributes to sustainable development is left to host countries*

Changing the status quo - introduction of M&Ps on SD:

- 1) Individual countries** or groups of countries, e.g. **EU** could introduce own additional requirements
- 2) M&Ps** should be implemented at **UNFCCC** and operationalised by the CDM Executive Board





Incentives Needed:

SD benefits need to be linked to monetary value: SD element in the CDM needs to be incentivized:

- **SD monitoring report** as pre-requirement for CER issuance
- **Suspension of issuance** in case SD benefits are not met
- **Withdrawal of LoAs** if national and/or international requirements are violated
- **Ineligibility** of project types that do not contribute to SD (e.g. fossil fuels)

Sustainable Development – Game Changer !



United Nations Global Compact

Innovation and Collaboration for the Future We Want

Friday, 15 June - Monday, 18 June 2012

- **Investors/Buyers** care for sustainable development practices: The UN Global Compact and WBCSD urges companies to help address the global challenges highlighted by the UN Conference on Sustainable Development (Rio+20), including a focus on energy & climate



Sustainable Development M&Ps should include:

- **Sustainable development benefits indicators** to assess the environmental, social and economic impact
- Detailed requirements for **stakeholder involvement**
- **International or national monitoring provisions** including an independent assessment to ensure that claimed benefits are met, e.g. as a prerequisite for credit issuance
- **Safeguard criteria** to ensure that projects don't cause harm
- **Details about development benefits for local communities** as the beneficiaries benefit from the project
- Description of how **local communities are involved in certifying** project's contribution to sustainable development

Sustainable Development Monitoring:

- SD monitoring **in addition to monitoring emission reductions.**
- Sustainable development monitoring plan **as part of the PDD.**
- Monitoring plan should cover **compliance with the safeguard criteria** and, if applicable, all **sustainable development indicators**
- SD monitoring report should be **submitted to the stakeholders** that were involved in the ex ante stakeholder consultation.
- SD monitoring reports should be **validated and verified by DOEs**



Responsibility under Article 12(2): The purpose of the clean development mechanism shall be to assist Parties not included in Annex I in achieving sustainable development [...]

EB 67 Annex 13 – Concept Note on Highlighting SD

Objective of Reporting Guidelines, inter alia: Improve the Board's ability to demonstrate that CDM assists non-Annex 1 Parties in achieving SD

Identified Constraints for Potential Measures, inter alia: They must be voluntary



India's Sustainable Development Indicators

Following aspects should be considered while designing CDM project activity:

1. **Social well being:** The CDM project activity should lead to alleviation of poverty by generating additional employment, removal of social disparities and contribution to provision of basic amenities to people leading to improvement in quality of life of people.
2. **Economic well being:** The CDM project activity should bring in additional investment consistent with the needs of the people.
3. **Environmental well being:** This should include a discussion of impact of the project activity on resource sustainability and resource degradation, if any, due to proposed activity; bio-diversity friendliness; impact on human health; reduction of levels of pollution in general;
4. **Technological well being:** The CDM project activity should lead to transfer of environmentally safe and sound technologies that are comparable to best practices in order to assist in upgradation of the technological base. The transfer of technology can be within the country as well from other developing countries also.

Voluntary reporting guidelines not sufficient

- Option 2 of *Concept Note on Highlighting Sustainable Development Co-Benefits* which calls for initial declaration, voluntary updating, no validation or verification, no possibility of challenging this or of sanctions if benefits are not delivered.
- Even voluntary guidelines (mandate to establish criteria remains within the host country) could have mandatory transparency and validation and verification requirements
 - see Gold Standard

Recommendations for the future of the CDM

- **Incentivize** sustainable development element in the CDM, e.g. linking SD benefits to the issuance of carbon credits
- **Transparency about sustainable development benefits indicators** to assess the environmental, social and economic impact
- **Including safeguards** to ensure that projects don't cause harm
- **International or national monitoring provisions** to ensure that claimed benefits are met
- **Local communities** should have a role in certifying a project's contribution to sustainable development
- Clear rules and guidance how **local stakeholder** consultation is to be conducted and validated
- **Grievance mechanism** for affected stakeholders
- **Ineligibility of project types** that do not meet the 2 objectives , e.g. not additional or not sustainable (e.g. coal projects, large hydro projects)