

# CDM and NAMAs

is there such a thing as  
CLIMATE FINANCE?

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# Agenda

- Where do we come from?
- Penny Wise, Pound Foolish?
- Can we fix it?
- Where do we go?

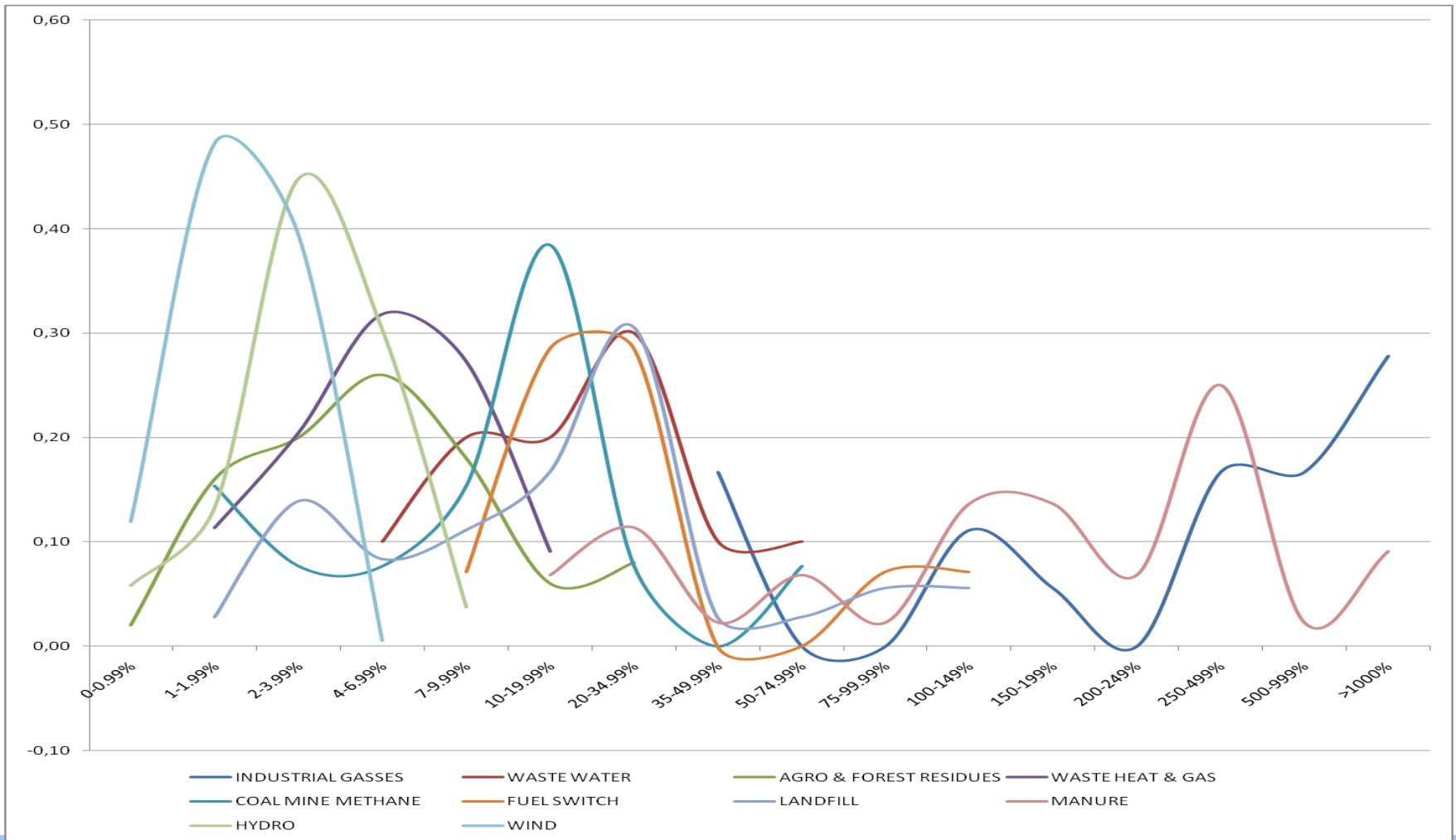
# Where do we come from?

- UNFCCC – Annex I vs. non-Annex I
- Kyoto – top down
  - commit and comply
  - CDM (which made UNEP Risoe famous)
  - **failure** on original intention
  - **success** on other unexpected parameters

# Penny Wise, Pound ... ?

- **CDM = cost efficient emissions reduction ?**
  - CDMpipeline.org
  - CER generation and investment on display
  - 10 technologies
  - 12 USD/CER ?

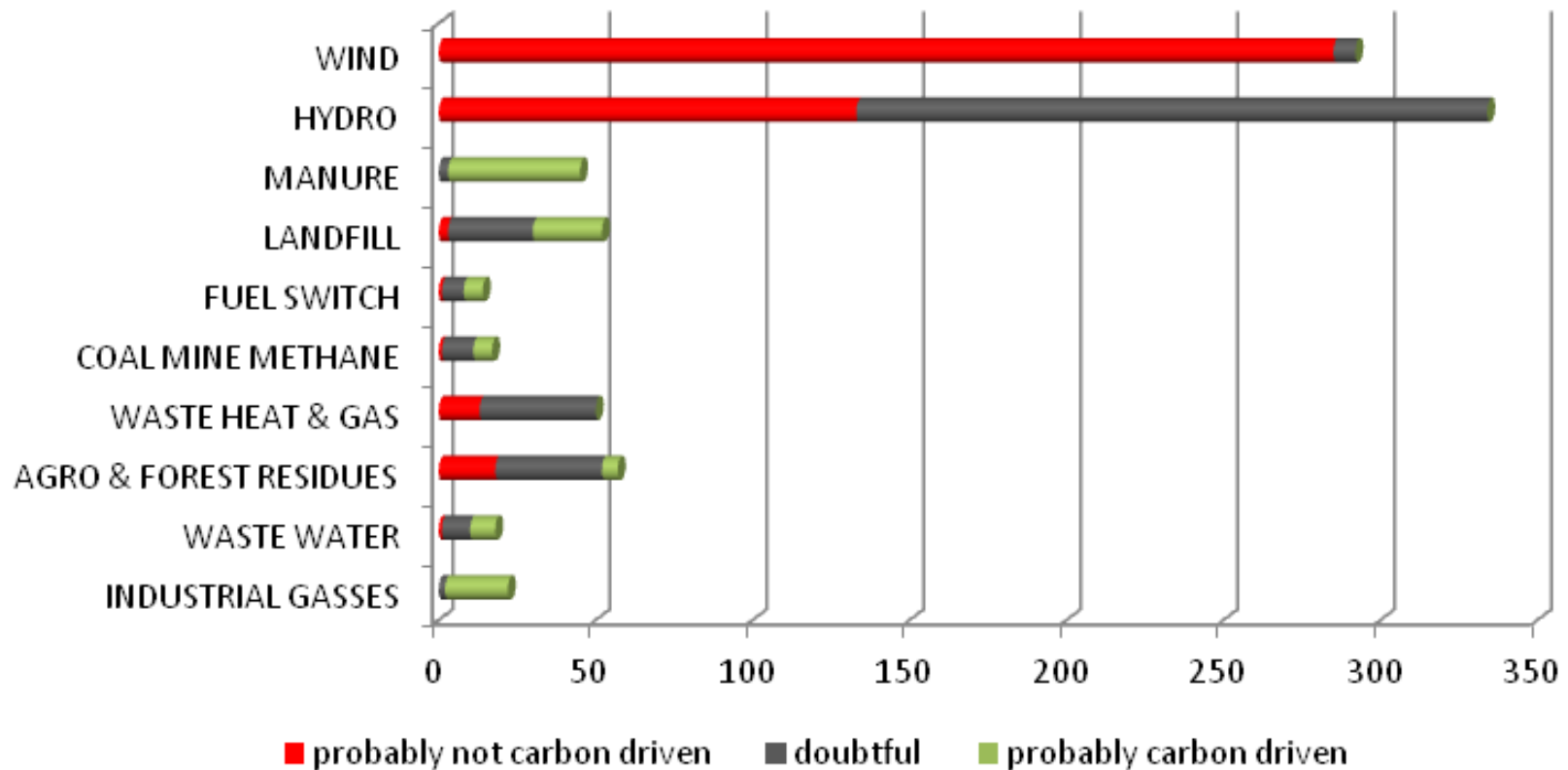
# Cash flow contribution – for cost efficient reductions...?



and the numbers...

<b>Obs.</b>	<b>Technology</b>	<b>lowest value</b>	<b>highest value</b>	<b>median @12\$</b>	<b>median @3\$</b>
<b>22</b>	Industrial gasses	7,96%	1719,03%	304,97%	76,24%
<b>45</b>	Manure	5,44%	1162,88%	169,90%	42,48%
<b>14</b>	Fuel switch	2,60%	579,56%	19,62%	4,91%
<b>18</b>	Waste water	0,16%	71,19%	17,65%	4,41%
<b>52</b>	Landfill	0,90%	162,72%	14,18%	3,55%
<b>17</b>	Coal mine methane	1,12%	58,95%	13,10%	3,28%
<b>50</b>	Waste heat & gas	1,04%	18,04%	5,08%	1,27%
<b>57</b>	Agro & forest residues	0,55%	34,17%	4,30%	1,08%
<b>334</b>	Hydro	0,02%	41,30%	3,50%	0,88%
<b>292</b>	Wind	0,03%	5,24%	1,84%	0,46%

# Capital destination in CDM



## ... Foolish ?

- **1% of financial flows clearly motivated by emissions reduction, 23% doubtful**
- **non-carbon Investment drivers**
  - rising fossil fuel prices
  - security of supply
  - so ein ding ...
  - CSR
  - energy access
  - 'real' environment
  - industrial policy
  - technology development
  - regulation
- **Only foolish if you insist on emissions reduction and carbon prices being the investment driver**
- **If you instead insist on investors not being foolish, you have your answer...**



## Can we fix it ... ?

- **If we really want carbon financing through CDM we need to overcome the fundamental flaw in the CDM:** To banks (and in reality) CDM is a cost and a risk

- **Recapturing the project cycle:**

PDD – validation – registration – monitoring – verification – issuance

– a conservative CER guarantee

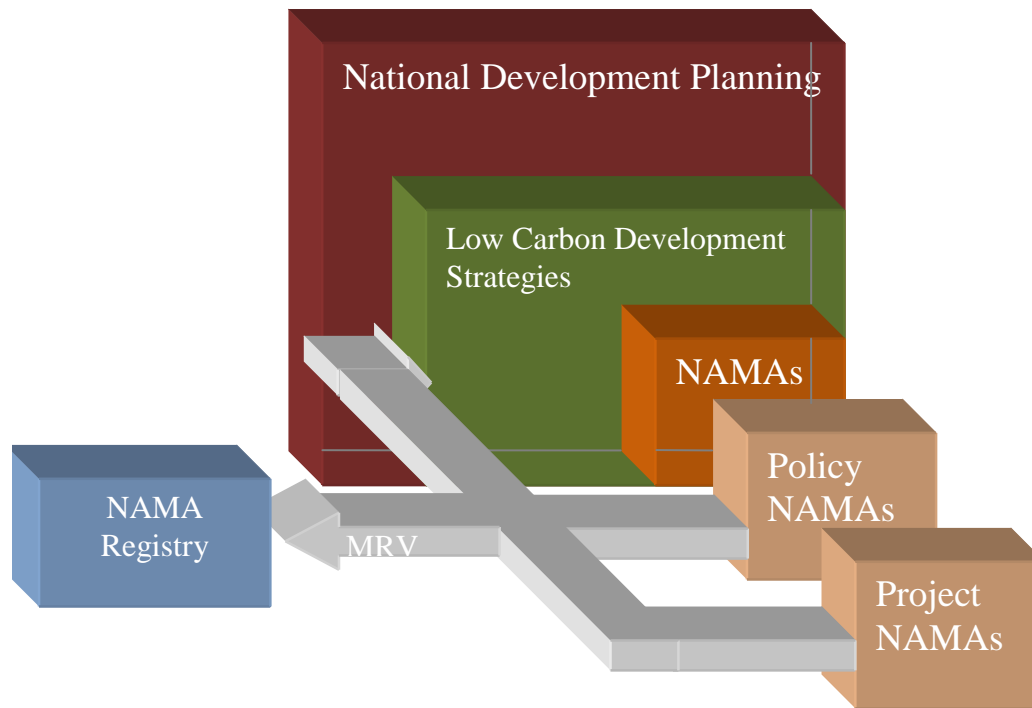
– BUT WE REALLY SHOULDN'T BOTHER given the investment drivers

## Do we want to fix it... ?

- **Status: 1 billion excess CERs and crashing prices**
  - no need to worry like the EB does. It's a market; live with it. Investors are not foolish, they never needed the income (with some exceptions)
  - Don't increase ambitions to off-take surplus supply – just send the money
  - There are plenty of investment drivers around without the carbon market
  - Mitchell Feierstein, chief executive of Glacier Environmental Funds: 'the CDM has long been overshadowed by bigger opportunities for green investors
  - Investors are not leaving the market. Investments continue, but not driven by the CDM – such investments should not generate internationally tradable credits.
  - Credited NAMAs?

# where do we go?

- The **game change** in Copenhagen
  - bottom-up
  - pledge and review
  - Nationally Appropriate Mitigation Action

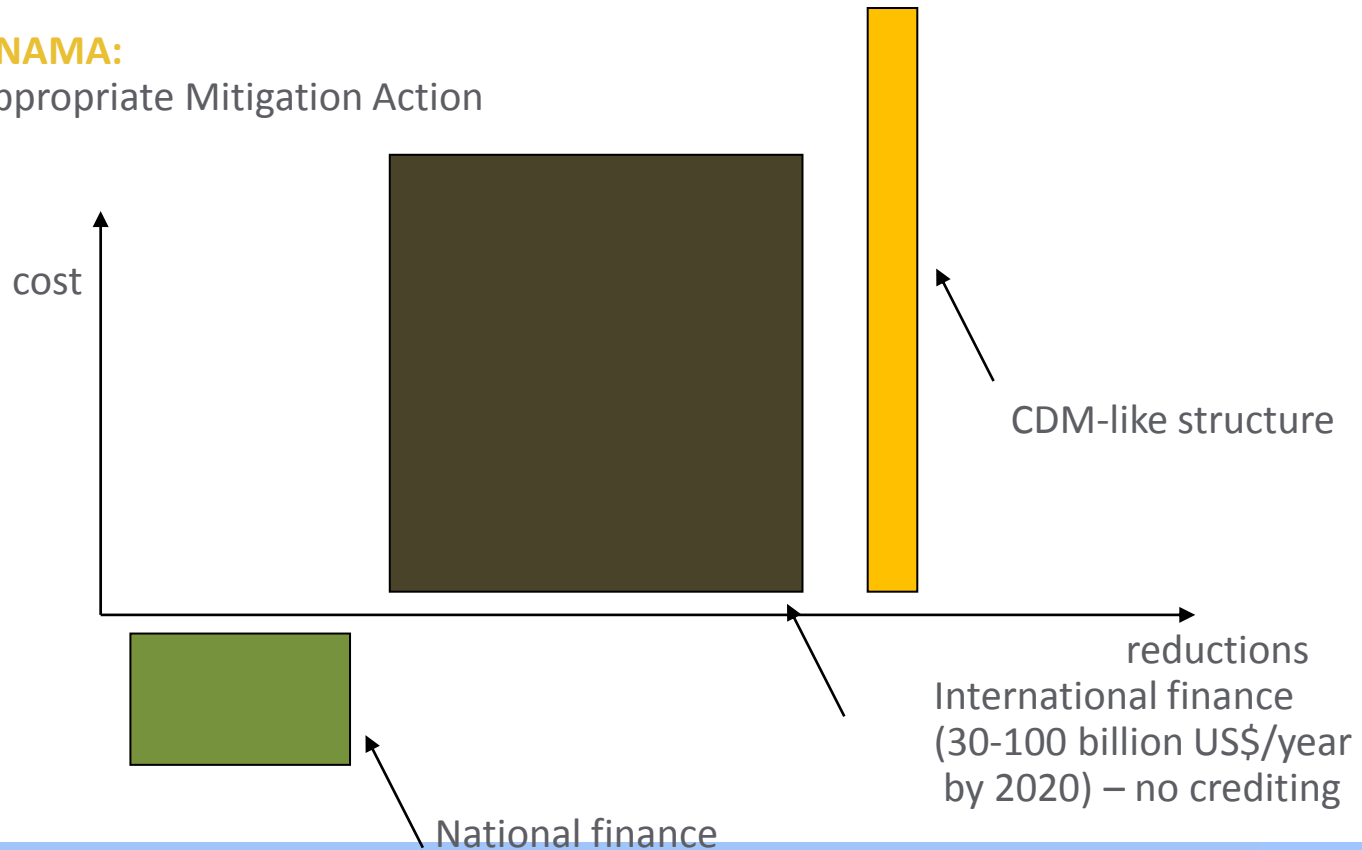


**Figure 1: NAMAs in the context of LCDS**

# The future carbon finance...?

## The start of NAMA:

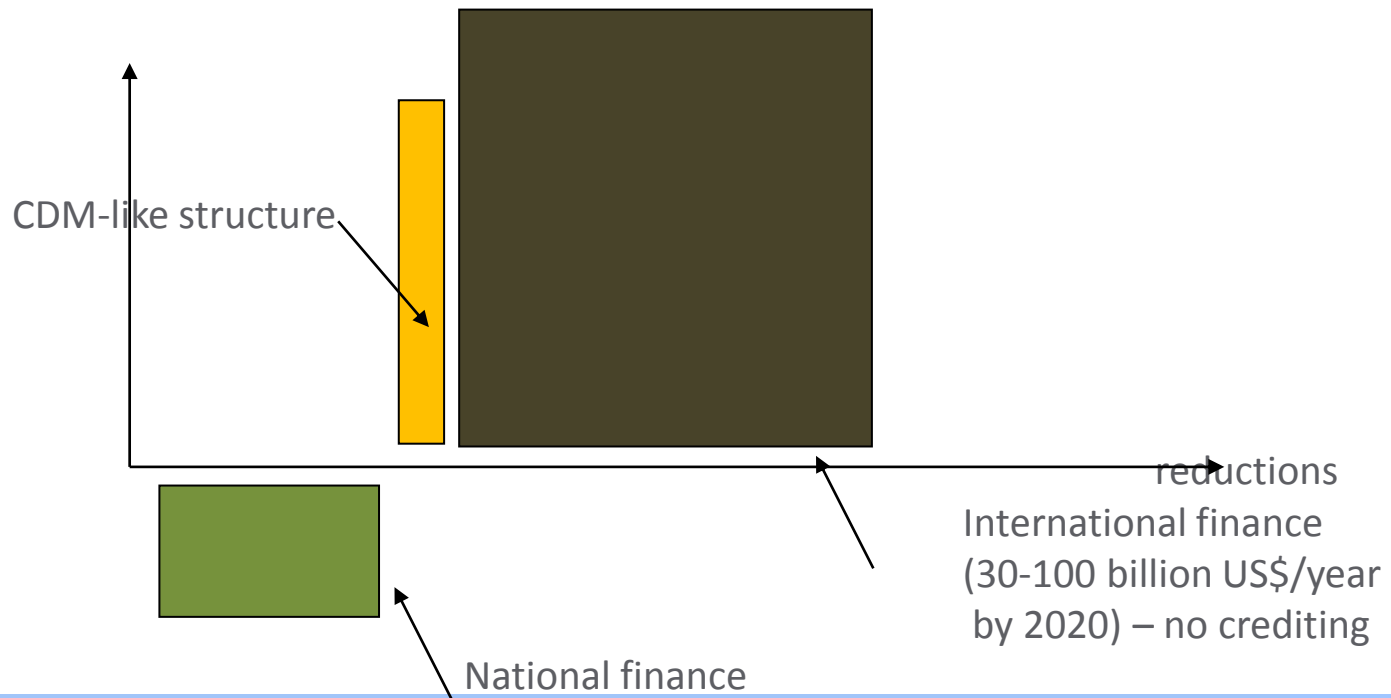
Nationally Appropriate Mitigation Action



# The future carbon finance...?

## The start of NAMA:

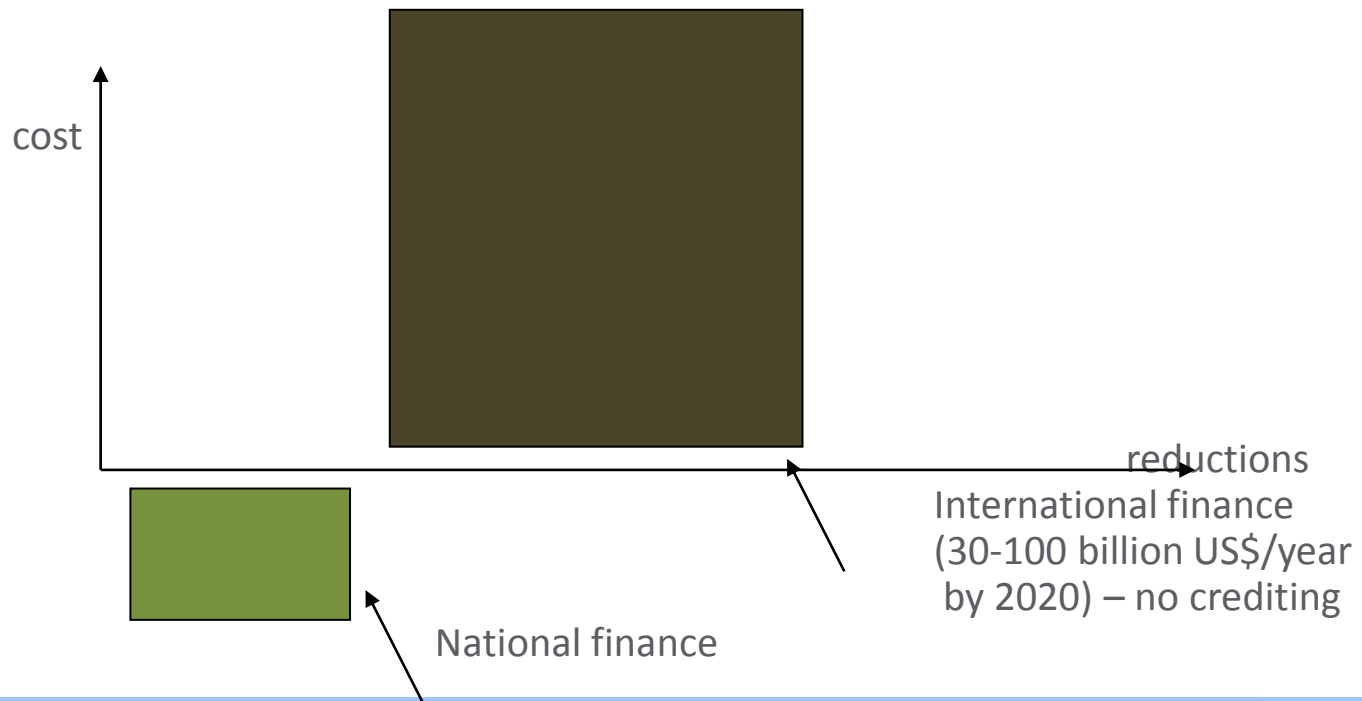
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# The future carbon finance...?

## The start of NAMA:

Nationally Appropriate Mitigation Action



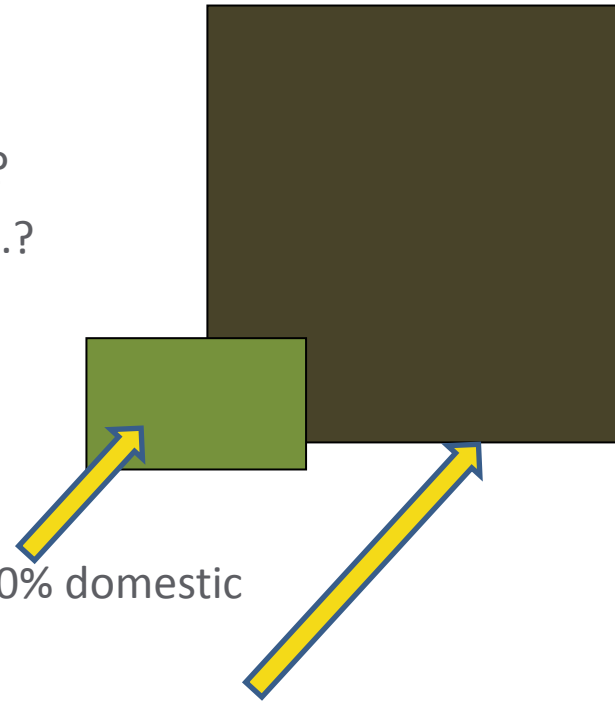
# what climate finance ... ?

- **100 billion USD in 2020**

- public, private and innovative sources...?
- creative leveraging or creative labelling...?
- 257 billion for renewables in 2011 – is that climate finance?

- **Look at guarantees in a broader context**

- the CER guarantee will not change the 90% domestic finance in CDM projects
- general (ECA) guarantees (for low carbon investments) will promote general investment (FDI) - with old host country caveats, like restrictions on foreign ownership of core infrastructure





# A few fundamentals

- **innovation is to find someone new to foot the bill**
  - Financial engineering of unviable projects
  - Regulation and the embedded willingness (not) to pay
- **one size doesn't fit all**
  - different sectors have different investment drivers
- **CDM methodologies** will remain a foundation for both national emissions trading schemes and for measuring, reporting and verifying NAMAs. The instruments developed under the CDM remain intact and will facilitate at a later stage the connection of nationally developed trading schemes ... if we want
- **keep your feet on the ground**
  - there are limits to the number of purposes you can serve with one instrument
- **stay out of micro management** – allow slack

# Don't wait!

- International negotiations now on the **Durban Platform** will have to justify itself among myriads of national initiatives
- Bilateral funding will precede any global initiative
- The **private sector's** willingness to foot the bill has already been demonstrated

Thank You

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