



The CDM in Africa – prospects after Bonn

Pedro Martins Barata
EURONATURA

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Are the Kyoto Mechanisms competitive ?

- Including sinks (art.3.3;3.4 and sinks in the CDM)
- Inclusion of unrestricted “hot air”
- Lower-than-expected abatement cost figures for Europe



Lower demand for the use of the Kyoto mechanisms

Is the CDM competitive?

- Effect of CPR
- Undefined rules in Joint Implementation
- Project cycle and transaction costs (especially baselines)



The CDM is currently not competitive

Is Africa competitive ?

- Higher than normal rates of return on investment, but...
- large transaction costs – e.g. bureaucracy, search costs
- Lack of stable business environment
- Lack of institutional structures
- Lack of data (baseline setting)
- Fewer possibilities for emission reduction

Proposed ways of reducing Africa's comparative disadvantage

- Unilateral / multilateral / South-South CDM
- Financial additionality and the use of ODA in CDM
- Bundling across projects
- Priority to small-scale projects

Unilateral CDM

- Risk of over-supply
- Does Africa have the required skills?
- Would this possibility induce the development of such skills?
- Why would Africa be given a particular advantage ?
- South-South: more complicated analysis
- Multilateral financing: a possibility to include non-commercial considerations ?

Financial additionality and the use of ODA

- Would it benefit Africa?
- How to ensure additionality of funds, rather than diversion of existing ODA ?
- The CDM will nevertheless be mostly a private sector generated activity
- ODA may however be used in non-credit-generating activities, such as institution building, capacity building in monitoring and verification, etc..
- ODA networks and contacts should be used extensively

Bundling of projects

- Question to answer: what to bundle ?
- How to ensure additionality across several projects ?
- Why not use standardized parameters in baselines?
- If projects are similar, present them as a single project

Small-scale projects

- Adopted “solution” in the Bonn ministerial text
- Does not particularly incentivize Africa, but will create a more level playing field
- Particular projects may be more suited to African needs – transport, rural electrification, energy infrastructure

Steps

- Do we need CDM ?
- Identification of projects
- Internal streamlining of project approval
- Appropriate consultation procedures to be set
- Setting up clearinghouses
- Using ODA to develop capacity